

THOUGHTS ON DOUBLE ENTRY AND BALANCE SHEETS

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Thoughts on double entry and balance sheets by Anonymous

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ANONYMOUS

**THOUGHTS ON
DOUBLE ENTRY AND
BALANCE SHEETS**

THOUGHTS
ON
DOUBLE ENTRY
AND *Back-billing*
BALANCE SHEETS.

*Addressed more particularly to Shareholders in
Joint Stock Companies.*



LONDON:
EDWARD STANFORD, 6 & 7, CHARING CROSS.
1869.

232. g. 113

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P R E F A C E.

I HAVE never felt quite satisfied with the explanations found in works on book-keeping of what may be termed the Theory of Double Entry, or with the views on the subject which I have heard expressed by experienced book-keepers. Years ago, when directing some attention to the general subject of mercantile accounts, in connexion with studies in which I was then engaged, I had formed the notions of Double Entry which will be found in these pages; and I have often meditated throwing them together, whenever leisure permitted, in some such form as the present.

Though much of the incidental matter in these pages must in substance be as old as book-keeping itself, I believe the treatment of the main subject to which they are directed will be found new.

I would be supposed to address myself in what follows chiefly to those who have no actual experience of book-keeping, but who, for various reasons, might like to feel

that they had some comprehension of what is meant by those formidable arrays of figures which meet the eye on glancing over the accounts in a merchant's ledger, or of their condensed results as exhibited in the form of a Balance Sheet.

A. Z.

October, 1869.

THOUGHTS ON DOUBLE ENTRY AND BALANCE SHEETS.

CHAPTER I.

I SHALL begin what I have to say by attempting a definition of "Book-keeping by Double Entry."

Double entry means "entering" into some appropriate classification everything of which you come into possession in the conduct of commercial affairs—whether it be money, or goods, or values of any kind—placing opposite to each entry, if of money, the amount, if of other things, the cost or value in money; and entering, secondly (which makes the double entry), also in some appropriate classification, whatever you give or part with in exchange for such money, goods, &c., again placing opposite each entry, if of money, the amount, if of other things, the cost or value in money.

By this method of entering the operations of a business, we shall find that we have constantly presented to us in the most available form all the facts or data necessary for determining promptly the real state of a merchant's affairs.

Under the term above used of "values of any kind," I include mere debts owing by and to you in cases of

purchases and sales on credit ; in each such case there arising an obligation to pay—an intangible thing for the moment, but which, importing a present or future right to sue somebody, would, in lawyer's phrase, be a form of *chose in action*. And I say mere debts, not adverting to debts of which an acknowledgment is given in the shape of a Bill of Exchange or Promissory Note, in which one has something tangible (if of no intrinsic value) in return for what is parted with ; and the property in which, with attendant rights of action, can be transferred to third parties by endorsement and delivery.

Here I believe you have the leading idea or principle of Book-keeping by Double Entry ; and it will be seen that it involves a simple and perpetual equation of *two money values*. As what you give and what you receive are at the moment the exact measure of each other as regards money value, in every operation of buying, as of selling, you have two entries invariably balancing each other. Then as, in the course of your business, you may have any number of such *double entries*, be it hundreds or thousands, it is simply an unavoidable result that the total of one half the entries shall equal the total of the other half. You enter the same amount of *current money* twice over ; in the one case set against what you receive, in the other against what you part with ; and therein is the whole secret of what to persons not very conversant with accounts (and, it is surmised, to some experienced book-keepers) is that wonderful result of a set of books bringing out two general totals, made up of particulars however diversified and numerous, that shall exactly equal each other. It is but an example of the axiom that, if equals are added to equals, the sums are equal.