ADJUSTMENTS THROUGH ELIMINATION

Adjustments
through
Elimination

including a detailed explanation of

Why Trial Balance Totals Vary.

By

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Errata.

The forms given in Art. 97 should be—

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etc

The last word in first line of foot note below Art. 131 should be Account instead of Accrued.

PREFACE.

While it has been said that "there is nothing new under the sun," the author presents this manual with the sincere belief that such an application of the principles involved has never before been made, except in his own work.

His claim of originality in the combination of principles in that which follows is based on the fact that during a continuous and varied experience of thirty-four years as Book-keeper, Teacher of Book-keeping, Secretary of a Commercial College, Public Accountant and Auditor, and general investigator of accounts and matters pertaining thereto, combined with an extensive reading of accountancy literature, he has never known the following methods to have been used or referred to.

He therefore believes this treatise will be of interest to any whose vocation requires a thorough understanding of the principles of double entry, and that in so far as it is herein advocated it will prove to be of practical benefit to any book-keeper who may become familiar with the system explained.

INTRODUCTORY.

1. In order that a Trial Balance may furnish in the most comprehensive form such information as it necessarily contains, the *Balance of Balances,* as so distinguished from a Balance of Totals, has become the one in most common use, and it is this particular form that is incorporated as an important part of the system hereinafter explained.

2. As a means of proof, the Balance of Balances has been combined in that which follows with the principles that apply to the elimination of all entries which have no influence in changing the totals of such Trial Balances, while the combination referred to has been amplified in such a manner that to a certain degree it will simplify the location of errors through an additional elimination of all entries which may be known to be correct, when an examination becomes necessary to adjust discrepancies.

3. The references herein made to (a) the *Balance of Balances,* and more especially to (b) the *Balance of Totals* and (c) the *totals of a Trial Balance,* should not be confused. To avoid any possible misunderstanding regarding the use of these terms let it be understood that—

(a) a *Balance of Balances* is that form of a Trial Balance wherein only the excess of the debit or credit column of each ledger account is shown; while—

(b) a *Balance of Totals* is that form of Trial Balance which contains the totals of both debit and credit columns as they appear in the open ledger accounts; and—

(c) the references made to *Trial Balance Totals,* or *the totals of a balance,* indicate especially the final corresponding and balancing debit and credit totals of a Trial Balance, which might be in the form of a Balance of Balances, or a Balance of Totals.

4. It is presumed that the reader has a general knowledge of Double Entry book-keeping, including many of the principles that are herein mentioned; but in order to avoid the omission of any essential link from the explanatory chain, it has been deemed an important feature that due attention should be given to certain fundamental facts directly connected with the subject and necessarily submitted in review.

5. It is therefore offered as axiomatic—(A) That the balancing totals of any one Trial Balance *cannot be expected* to exactly correspond in amount with the balancing totals of any other Trial Balance taken from the same ledger at a different date. (B) That it usually occurs that the Trial Balance totals gradually increase from month to month until such time as the accounts are systematically closed.

These axioms, while mentioned as peculiarities of a Balance of Balances, will apply as well to a Balance of Totals.*

6. Other established principles, quite as simple as the foregoing and presumably as well understood by the reader, are also referred to in the following pages in order that they may be subsequently combined in such a manner as to accomplish the desired result.

7. While the facts referred to in Art. 5 (A and B) are but simple propositions, it may not be so generally known that there is a possibility of the balancing totals in a Balance of Balances being *exactly the same in amount* as such totals in one or more similar forms of trial balances taken from the same ledger at different dates, and, furthermore, that the amount of such totals in one Trial Balance may be

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*Beyond this point all references herein made to a **Trial Balance** are especially intended to indicate a **Balance of Balances** as defined in Art. 3-(a).

even less than those of the Trial Balance which next preceded it. Such, however, is the case, although the possibilities of such occurrences in actual practice may be said to be very remote.

8. Through an understanding of the principles hereinafter illustrated, such facts as those referred to will become apparent; but in order to intelligently explain them and the principles that govern and apply to *"Adjustments through Elimination,"* the preceding brief acknowledgment of the possibilities of equality and variation to which the totals of Trial Balances of different dates are subject, has been considered a necessary preliminary, and it is quite as important that the reader should first understand "Why Trial Balance Totals Vary."

SECTION I.

Why Trial Balance Totals Vary.

9. Regardless of the variety and number of posting mediums, or books of original entry, that are employed in any business as being particularly adapted to the needs and requirements of any individual double-entry system, the fundamental principles of double-entry book-keeping which require a continuous equilibrium in the aggregate amount of debit and credit items, may always be exemplified in every particular through journal entry forms.

10. An explanation of this division of the subject is therefore simplified by introducing only the Journal in connection with the Ledger and Trial Balance. Other variations are considered in subsequent pages.

11. Simple though it may appear, the fact should be noted that every *open* ledger account must represent either an excess of debits, or an excess of credits, or, in other words, a debit or a credit balance.

12. Another simple fact worthy of notice is, that every posting made to an open account will result in either increasing or decreasing a debit or a credit balance.

13. It not infrequently occurs, however, that postings are made which do not affect a prior individual balance in an open account, as in cases where a debit or a credit balance is created through the opening of a new account; or through similar conditions when reopening an old account that was previously closed.

14. Under such conditions and in either case referred to in Art. 13, while there would be no prior individual balance affected, the aggregate debit (or credit) balances in the ledger would be increased.

15. Another possible variation that should be taken into consideration is the occasional posting of an amount to an open account which *overbalances* the difference that existed between its total debits and total credits before the posting was made, i. e., by posting a greater amount than its prior balance and thus creating a credit balance where a debit balance was previously shown; or vice versa.

16. To fully cover the requirements of the following system, such overbalancing entries as those mentioned in Art. 15 should be theoretically considered as consisting of two parts; one of which, by exactly equaling, would serve to cancel the prior balance of the account and thus decrease the aggregate of either the debit or the credit balances, while the other part, representing the excess over and above the amount of the prior balance, would create a new, and contra, credit or debit balance in the amount of such excess, through which its effect on the aggregate amount of such contra balances in the entire ledger would be similar to that produced through a posting which served to open a new account.

17. The separate consideration beyond this point of the effect of overbalancing entries, entries that open new accounts and postings made to accounts containing prior unsettled items, may be avoided by recognizing the fact that when the *aggregate amount* of either debit or credit balances in the ledger is considered, the creation of a new balance (either through the opening of a new account or by the surplus of an overbalancing entry) has a similar effect on said aggregate amount as that produced by posting an item to that side of an open account in which an excess of debits or credits existed before the posting was made.

18. With this understanding (Art. 17) an explanation of the manner in which individual balances are increased or decreased may be simplified by considering open accounts only, as below:

19. 1—When the balance of an open account is an *excess of debits,* it would be—
    (A)—*increased* by a *debit posting;* or
    (B)—*decreased* by a *credit posting.*

2—When the balance of an open account is an *excess of credits,* it would be—
    (A)—*decreased* by a *debit posting;* or
    (B)—*increased* by a *credit posting.*

We thus obtain the symbols 1-A, 1-B, 2-A and 2-B for subsequent use and reference.

20. Simply to illustrate the statements made in Art. 17, it may be noted that any entry which serves to open a new account will, *if it be a debit,* correspond with condition 1-A, as it will *increase* the aggregate amount of *debit balances;* while *if it be a credit* it will correspond with condition 2-B, as it will thus *increase* the aggregate amount of *credit balances.* Any entry which overbalances a ledger account will, in the amount of the prior balance that is cancelled thereby, either *decrease* the *debit* balances as in 1-B, or *decrease* the *credit* balances as in 2-A, as the case may be; while the surplus, or that part of such entry *in excess of said prior balance,* will have the same effect as would an entry which served to open a new account, as previously explained.

21. Through a varied inspection of the symbols—1-A, 2-A, 1-B, 2-B—with changes in the phraseology applied to their definitions, while retaining the same meaning for each, it is hoped that further explanations may be simplified.

22. Let these symbols, therefore, be next defined in the following manner:

1-A—To increase a debit balance a debit posting must be made.

1-B—To decrease a debit balance a credit posting must be made.

2-A—To decrease a credit balance a debit posting must be made.

2-B—To increase a credit balance a credit posting must be made.

23. In other words, the increase or decrease of account balances is occasioned by original entries, which, in the ledger accounts—

1-A—Debit a debit balance.*
1-B—Credit a debit balance.
2-A—Debit a credit balance.
2-B—Credit a credit balance.*

24. The facts above symbolized as 1-A, 1-B, 2-A and 2-B embody all conditions of debit and credit as they relate to causes through original entries when considered in relation to their effects on the balances of ledger accounts.

25. As for every debit there must be an equal credit, we must consider the foregoing symbols in pairs, to represent the simplest form of journal entry, wherein there is only one debit and one credit item; which is sufficient for present consideration.

*Let it be remembered that in so far as results are concerned, to **debit a debit balance** (1-A) is equivalent to the creation of a **new debit balance** and that to **credit a credit balance** (2-B) is equivalent to the creation of a **new credit balance** in both individual accounts and aggregate balances, and also that (Art. 17) the creation of balances through the opening of new accounts is equivalent to that portion of an overbalancing entry which exceeds the balance cancelled thereby.

26. Referring now "to *combinations*—the mathematical definition of which is 'the different collections that may be formed out of a given number of things, taken a less number at a time, without regard to the order in which they are arranged"—let it be noted that there are six combinations of two each, and six only ,that can be formed from four different things.

27. The six combinations of two each that can be formed from the four symbols in Art. 23 are as follows:

(1)....1-A, 1-B	(4)....2-A, 1-B
(2)....1-A, 2-A	(5)....2-B, 1-B
(3)....1-A, 2-B	(6)....2-A, 2-B

28. Before proceeding it may be well to have an understanding of the significance of the characters of which the symbols now under consideration are composed, which has resulted from the manner in which they were first introduced and by bearing the following in mind, avoid as much as possible the necessity of subsequent reference to Art. 19, 22 and 23.

The characters referred to (as component parts of the symbols in question) have the following meaning assigned to them; viz:

1, indicates a *debit balance.*
2, indicates a *credit balance.*
A, indicates a *debit posting.*
B, indicates a *credit posting.*

29. As each of the symbols has thus been assigned a definite meaning, said meaning has been in no way changed by their position as first or second terms in the combinations shown in Art. 27.

30. By considering the definite meaning assigned to each of said symbols, it will be noticed that were the combinations separately applied to the terms of a journal entry (of two items only) they could not all comply with that principle of double-entry which demands an equality of debits and credits. Of these combinations those which would conflict wtih double-entry principles are the ones referred to as—

(2)....1-A, 2-A and (5)....2-B, 1-B,

for the reason that to simply—

Debit a debit balance (as in 1-A)

—and—

Debit a credit balance (as in 2-A)

in the same original entry, would not furnish a balancing *credit;* while to simply—

Credit a credit balance (as in 2-B)

—and—

Credit a debit balance (as in 1-B)

in the same original entry, would not furnish a balancing *debit.*

31. For the reasons stated in Art. 30, such forms of original entries as 1-A, 2-A (combination 2) and 2-B, 1-B (combination 5), when considered alone as given, would be incomplete, and therefore could not correctly occur in double-entry work. They are only introduced to serve their purpose in explaining the principles evolved, and no other feature of importance is attached to them.

32. By thus eliminating combinations 2 and 5, the original number is reduced to four, viz: 1, 3. 4 and 6. which are the only ones that can possibly occur in the same original entry (consisting of one debit and one credit item), when correctly made, and, as so applied ,may be further illustrated through the following journal entry forms.

33. Having arrived at a point where it is possible to explain the effect which various entries have on the Trial Balance totals, such an explanation is included in the analysis appended to each of the following entries.

34. ENTRY NO. 1.

(1-A)—Debit* a debit balance.†
(1-B)— Credit* a debit balance.†

This entry, by *debiting* an account which had a prior *debit balance* (1-A) and *crediting* an account which had a prior *debit balance* (1-B), would *increase the former* and *decrease the latter* (both accounts having had a prior debit balance) in a similar amount, and would consequently have no effect whatever on the aggregate amount of debit balances in the ledger when taken as a whole.

35. ENTRY NO. 2.

(1-A)—Debit* a debit balance.†
(2-B)— Credit a credit balance.†

This entry, by *debiting* an account which had a prior *debit balance* (1-A) and *crediting* an account which had a prior *credit balance* (2-B), would INCREASE both the *debit* and *credit* balances of the accounts affected, and would consequently INCREASE the aggregate amount of *both debit and credit balances* in the ledger when taken as a whole.

36. ENTRY NO. 3.

(2-A)—Debit* a credit balance.†
(1-B)— Credit* a debit balance.†

This entry, by *debiting* an account which had a prior *credit balance* (2-A) and *crediting* an account which had a prior *debit balance* (1-B), would DECREASE both the *credit* and *debit* balances of the accounts affected and would consequently DECREASE the aggregate amount of *both debit and credit* balances in the ledger when taken as a whole.

37. Entry No. 4.

(2-A)—Debit* a credit balance.†

(2-B)— Credit* a credit balance.†

This entry, by *debiting* an account which had a prior *credit balance* (2-A) and *crediting* an account which had a prior *credit balance* (2-B), would *decrease the former* and *increase the latter* (both accounts having had a credit balance) in a similar amount, and would consequently have no effect whatever on the aggregate amount of credit balances in the ledger when taken as a whole.

38. A simple, yet practical, demonstration of the principles previously mentioned may be found in the "Illustrative Example" (Section III), which illustrates the application of *"Adjustments through Elimination,"* and in which the conditions treated through the entries and accounts there given are shown to correspond with those hereinbefore submitted, while all similar features throughout this treatise are given the same symbols as a means of reference.

39. The important features which have been developed through the analysis of the foregoing entries are—

1st.—That such entries as those numbered 1 and 4 would *neither increase nor decrease* the aggregate amount of debit and credit balances in the ledger accounts, and therefore would have no effect whatever on the totals of the preceding Trial Balance.

2d.—That such entries as that numbered 2 would *increase* the aggregate amount of *both the debit and the credit balances* in the ledger accounts, and therefore would *increase* the totals of the preceding Trial Balance.

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†These titles, **"Debit balance"** and **"Credit balance,"** refer especially to the condition of the accounts affected, before the postings are made.

*These titles, **"Debit"** and **"Credit,"** refer especially to the debit and credit items of an original entry.

3d.—That such entries as that numbered 3 would *decrease* the aggregate amount of *both the debit and the credit balances* in the ledger accounts, and therefore would *decrease* the totals of the preceding Trial Balance.

40. As the object of this division of the subject is to explain *"Why Trial Balance Totals Vary,"* it is evident that the particular entries which cause such variations are the only ones to be determined, and for this reason such entries as those numbered 1 and 4, which embody the combinations (1) 1-A, 1-B and (6) 2-A, 2-B, respectively, require no further consideration except for identification, as they can have no influence in changing the totals of a Trial Balance.

41. With such entries as 1 and 4 eliminated, we have left only entries numbered 2 and 3, representing combinations (3) 1-A, 2-B and (4) 2-A, 1-B. Such entries as the latter (2 and 3), when appearing in the records, will increase or decrease respectively the preceding Trial Balance totals in the manner explained.

42. Through an understanding of the foregoing principles and the various applications that are herein made of them, we are enabled to definitely determine and select from any set of books which are kept in accordance with the principles of Double Entry, and regardless of the nature of the business, such entries as will result in varying the amount of the Trial Balance totals.

43. Therefore, it only remains to formulate a systematic plan through which a practical application of such knowledge may be made to conform with the work in hand as a means of proof, and as an aid in the location of errors.

SECTION II.

Adjustments through Elimination.

44. Before proceeding with this division of the subject it may be well to repeat that all symbols which have been previously adopted herein to indicate any special features correspond with those which are hereinafter used in connection with features of a similar nature. Some of these symbols will be found repeated a number of times and unless the reasons for the variation of Trial Balance totals are fully understood it would be advisable in studying the subject to refer to the features previously mentioned simultaneously with those of a like nature which follow.

Plan of Operation.

45. It has been demonstrated herein that the combinations (3 and 4) represented by entries numbered 2 and 3 when considered separately and alone, are the only ones that can possibly affect the balancing totals of a Balance of Balances, and it is therefore necessary to adopt some plan whereby all other entries may be systematically eliminated. This may be accomplished in the following manner.

46. When posting an amount to a ledger account notice particularly whether the account balance *before such posting is made* is an excess of debits or an excess of credits, i. e., whether a debit or a credit balance did then exist.

47. In a ledger where a balance column is used in all of the accounts and the new balances extended as each posting is made, the information referred to in Art. 46 would be obtainable at a glance. Where balance columns are not provided, pencil totals under every posting would indicate quite as readily the condition of the balance.

48. Having determined the condition referred to, some provision must be made for recording the facts. To do this, adopt such distinguishing forms for the posting checks as will, when written opposite an item in an original entry and after the item is posted, indicate plainly not only that it has been posted, but also whether the balance of the account affected was an excess of debits or an excess of credits before the posting was made.

49. The posting checks may be of any form that the Book-keeper may decide to use; but the nearer they are related through their generally accepted meaning to the particular use that is made of them, the less liability there will be—especially while learning—of inadvertently writing the wrong check mark. After one becomes familiar with the system, any arbitrary characters that can be quickly written could be adopted and made quite as intelligible.

50. For the purpose of this explanation the letters D and C are used for posting checks; D to indicate a prior debit balance, and C to indicate a prior credit balance as having existed in the ledger accounts to—*but not including*—the items so checked. In other words, if *before an item is posted* a debit balance existed in the account to which such item is transferred, check that item in the original entry and *after the posting is made,* with the letter D, and similarly, if the balance was a credit, check the item posted with the letter C.

51. It may be well to interpolate at this point as a general proposition, that when a bound ledger is used a great saving of time and labor may be accomplished through the use of posting checks, instead of writing the ledger page only as each item is posted to indicate that such posting has been made.

It is always a better way, as a posting preliminary, to take the ledger index and page all items in the original entries simply for reference purposes. After the items are paged, lay the index aside and check (√) each item as it is posted. If the plan herein described is made use of the check will, of course, be a D or C. This obviates the necessity of referring to the index every time a posting is made.

52. Whether loose leaf or bound books are used, some method of indicating which items have been posted is required, consequently the *posting check* feature of the system herein explained will not occasion any additional work, especially if combined with the time-saving method of paging all of the items before commencing to post.

53. After the postings are completed and the items checked (D and C) the books of original entry would be in shape to furnish at a glance the following necessary information, viz:

54. D opposite a debit item (1-A) } in the same entry
—and—
D opposite a credit item (1-B)

would show that it was similar to the *entry herein numbered* 1, wherein—

a debit balance had been debited (1-A) and
a debit balance had been credited (1-B).

Entries so checked would have no effect on the Trial Balance Totals.

55. D opposite a debit item (1-A)
—and—
C opposite a credit item (2-B)
in the same entry

would show that it was similar to the *entry herein numbered* 2, wherein

a debit balance had been debited (1-A) *and*
a credit balance had been credited (2-B.)

Entries so checked would *increase* the Trial Balance Totals.

56. C opposite a debit item (2-A)
—and—
D opposite a credit item (1-B)
in the same entry

would show that it was similar to the *entry herein numbered* 3, wherein—

a credit balance had been debited (2-A) *and*
a debit balance had been credited (1-B).

Entries so checked would *decrease* the Trial Balance Totals.

57. C opposite a debit item (2-A)
—and—
C opposite a credit item (2-B)
in the same entry

would show that it was similar to the *entry herein numbered* 4, wherein—

a credit balance had been debited (2-A) *and*
a credit balance had been credited (2-B).

Entries so checked would have no effect on the Trial Balance Totals.

58. It has been shown, however, that entries numbered 1 and 4 need not be considered, as they have no influence on the Trial Balance totals; while every entry that is made which corresponds with those herein numbered 2 and 3 *will* change the aggregate debit and credit balances of the ledger accounts in the amount which each of such debit and credit items represents.

59. When all amounts in any stated period, which the foregoing method has demonstrated as being the cause of variations in the Trial Balance totals, are properly combined with the totals of the Trial Balance as at the commencement of said period, the amount of the balancing totals of the next succeeding Trial Balance may be definitely determined.

60. Let the important features, therefore, of entries numbered 2 and 3, be emphasized through the following repetition of facts in a slightly varied form.

61. ENTRY NO. 2.

$5.00—(Checked D.) Debiting a debit balance as in 1-A,

—and—

(Checked C.) Crediting a credit balance as in 2-B—$5.00

would serve to *increase* the Trial Balance totals in the amount of its corresponding debit and credit items as illustrated below:

ACCOUNT A.

Prior balance____$10.00	
Posting 1-A_____ 5.00	

ACCOUNT B.

	Prior balance____$20.00
	Posting 2-B_____ 5.00

It will be noticed that the posting (1-A) to account A has *increased* a *debit balance* in that account and that the posting (2-B) to account B has *increased* a *credit balance* as explained in all references to entry No. 2.

62. ENTRY No. 3.

$15.00—(Checked C.) Debiting a credit balance as in 2-A,

—and—

(Checked D.) Crediting a debit balance as in 1-B—$15.00

would serve to *decrease* the Trial Balance totals in the amount of its corresponding debit and credit items as illustrated below:

ACCOUNT C.

Posting 2-A--------15.00	Prior balance ------30.00

ACCOUNT D.

Prior balance ------40.00	Posting 1-B --------15.00

It will be noticed that the posting (2-A) to account C has *decreased* a *credit balance* in that account and that the posting (1-B) to account D has *decreased* a *debit balance* as explained in all references to entry No. 3.

63. Having acquired an understanding of the foregoing principles, prepare a loose *Proof Sheet* (or use a book) with two money columns and write at the top of one of the columns the word *Increase* and at the top of the other column the word *Decrease*.*

64. After completing the postings for a page or a day's work as explained, examine the posting checks carefully and selecting such entries as are checked

*Loose sheets ruled with ten, or even more, money columns are probably the best to use for this purpose, with the columns headed **Increase** and **Decrease**, in pairs.

65. D. opposite the debit item —and— C. opposite the credit item } in the same entry

write the amount in the column headed *Increase.* (Entry No. 2, 1-A, 2-B.)

66. In a similar manner and at the same time, select such entries as are checked

C. opposite the debit item —and— D. opposite the credit item } in the same entry

and write the amount in the column headed *Decrease.* (Entry No. 3, 2-A, 1-B.)

67. By thus selecting only such entries as those which are properly checked D. C. or C. D., all others would be eliminated.

68. When the Proof Sheet is completed to the point where the succeeding Trial Balance is to be taken, the Proof Sheet columns should be made to show the separate totals of all items of Increase and Decrease as therein recorded.

69. To the balancing totals of the next preceding Trial Balance, add the total of the Increase column and from the amount so obtained deduct the total of the Decrease column, when the remainder will represent what the amount of the balancing debit and credit totals of the next succeeding, or current Trial Balance should be.

70. The same result as that indicated in Art. 69 may also be shown by adding or deducting the excess of the increase or decrease column (respectively) to or from the totals of the preceding Trial Balance.

71. By thus being able to determine what the balancing totals of any Trial Balance should be, it may be seen at a glance after the (then) current Trial Balance is taken, whether either one or both totals of its debit and credit columns are right or wrong and if an apparent error makes it necessary to review the work, the search for discrepancies among either the debit or credit items (whichever is known to cover an error) may be discontinued as soon as the records are adjusted to the correct amounts.

72. As one of the possibilities of the system herein described, it may be suggested that if every book of original entry which is used as a posting medium should be provided with two extra money columns to be used especially for the items of *increase* and *decrease* as they may develop, instead of using a separate Proof Sheet or book for a similar purpose, the monthly totals of such special columns could then be posted to a special account in the ledger that would serve as a continuous controlling account for the Trial Balances. By this plan each item of increase or decrease would appear in direct connection with the original entry by being written on a line opposite the entry which caused the variation.

73. In offices where only one ledger is in use, the plan of using a controlling account, referred to in Art. 72, would serve to govern the ledger as a whole; while in offices where a general ledger contains a controlling account for each of the other ledgers in use by what has been termed the "Sectionalized Account System," and in which there is no controlling account for the general ledger, the general ledger itself could be controlled through the plan herein explained.

74. It should be noted that in all applications that have been so far made of the principles involved, consideration has been given to entries consisting of one debit and one

credit item only, as indicated in Art. 25. The possibility, however, of several debit, or several credit items appearing in one or both sides of an original entry makes a special and separate treatment of this class of entries necessary in so far as the items of which they are composed are affected by the conditions indicated by the posting checks. These features, together with the distinguishing difference between simple and compound entries, are explained in Sections III and IV, which follow.

SECTION III.

ILLUSTRATIVE EXAMPLE.

75. In order that all possible variations that have so far been mentioned may be illustrated, the following example is made to include all of such entries as those numbered 1, 2, 3 and 4, and as the elements of which this system is composed are equally effective in their influence on personal and impersonal accounts, the accounts in the following example are designated by numbers instead of names.

76. Let it be supposed that the balances of the ledger accounts appear in a Trial Balance as shown below:

TRIAL BALANCE, NO. 1.

(As at beginning of month.)

Account No. 1	$ 400	00		
Account No. 2	200	00		
Account No. 3			$ 550	00
Account No. 4			650	00
Account No. 5	800	00		
Account No. 6	600	00		
Account No. 7			350	00
Account No. 8			450	00
Trial balance totals	$2,000	00	$2,000	00

77. Let the next supposition be that the subsequent records are such as those which follow, and as we know that all of the elements of double-entry bookkeeping may be exemplified through journal entry forms, the introduction of classified posting mediums is considered as an unnecessary complication at this point for which reason they are hereinafter given independent treatment. The journal entry form of original entries is, therefore, continued.

78. The letters shown at the left of the following items (D. and C.) represent the required posting checks which are hereinbefore explained. The symbols in parentheses at the right are for reference.

79. By examining the accounts hereinafter given and noticing the condition of their balances before the following items were posted (and at the same time considering Arts. 48 and 50 relating to the D. and C. checks), it should be understood why each posting check in the following entries is used as shown. All items in the entries that follow, which influence the Trial Balance totals, are shown in the illustrated Proof Sheet. (Art. 89.)

80. Entry No. 1.

D.———	Account No. 1,	25.00		(1-A)
D.———	To Account No. 6,		25.00	(1-B)

This entry by *debiting* an account with a prior *debit balance* and *crediting* an account with a prior *debit balance,* has no effect on the aggregate balances of accounts 1 and 6 and therefore need not be considered in the Proof Sheet.

81. Entry No. 2.

D.———	Account No. 2,	50.00		(1-A)
C.———	To Account No. 7,		50.00	(2-B)

This entry by *debiting* an account with a prior *debit balance* and *crediting* an account with a prior *credit balance,* increases both the debit and credit balances of Accounts 2 and 7, respectively. It therefore serves to increase the totals of the preceding Trial Balance and consequently is entered as $50.00 in the increase column of the Proof Sheet.

82. ENTRY No. 3.

C.———	Account No. 3,	400.00		(2-A)
D.———	To Account No. 5,		400.00	(1-B)

This entry by *debiting* an account with a prior *credit balance* and *crediting* an account with a prior *debit balance*, DECREASES both the credit and debit balances of Accounts 3 and 5, respectively. It therefore serves to DECREASE the totals of the preceding Trial Balance and consequently is entered as $400.00 in the DECREASE column of the Proof Sheet.

83. ENTRY No. 4.

C.———	Account No. 4,	100.00		(2-A)
C.———	To Account No. 8,		100.00	(2-B)

This entry by *debiting* an account with a prior *credit balance* and *crediting* an account with a prior *credit balance*, has no effect on the aggregate balances of accounts 4 and 8 and therefore need not be considered in the Proof Sheet.

84. The opening balances shown in the foregoing Trial Balance No. 1 (Art. 76), together with the subsequent entries numbered 1, 2, 3 and 4, are now combined in the following accounts in order to show how said accounts would appear after all postings had been made.

85. ACCOUNT No. 1.

Balance	400.00	
Entry No. 1	25.00	

ACCOUNT No. 2.

Balance	200.00	
Entry No. 2	50.00	

ACCOUNT No. 3.

Entry No. 3	400.00	Balance	550.00

ACCOUNT No. 4.

Entry No. 4	100.00	Balance	650.00

ACCOUNT No. 5.

Balance	800.00	Entry No. 3	400.00

ACCOUNT No. 6.

Balance	600.00	Entry No. 1	25.00

ACCOUNT No. 7.

		Balance	350.00
		Entry No. 2	50.00

ACCOUNT No. 8.

		Balance	450.00
		Entry No. 4	100.00

86. A Trial Balance taken from the foregoing accounts in their present condition would appear as below:

TRIAL BALANCE No. 2.
(As at close of month.)

Account No. 1	425	00		
Account No. 2	250	00		
Account No. 3			150	00
Account No. 4			550	00
Account No. 5	400	00		
Account No. 6	575	00		
Account No. 7			400	00
Account No. 8			550	00
Trial Balance Totals	1,650	00	1,650	00

87. It will be noticed that the corresponding totals of Trial Balance No. 2 as at the close of the month (1,650.00—1,650.00) are *less* than the corresponding totals of Trial Balance No. 1 (Art. 76) as at the beginning of the month (2,000.00—2,000.00) which is purposely so arranged to illustrate the possibility of such totals decreasing in amount as referred to in Art. 7. It therefore follows that if they can so decrease, there is a remote possibility that under certain conditions they might be exactly the same.

88. THE PROOF SHEET.

To utilize the proof, the check marks shown in connection with each entry must be carefully examined and only such amounts as are found to be checked—

C. against a debit item —and— D. against a credit item	in the same entry

which would indicate a *decrease*

—or—

D. against a debit item —and— C. against a credit item	in the same entry

which would indicate an *increase*, are to be transferred to the Proof Sheet.

The only entries so checked in this example are those numbered 2 and 3.

The remarks under each of the entries explain how they should be treated and on completion of the Proof Sheet from the records here given, it would appear as below:

89. Proof Sheet No. 1.

Increase.		Decrease.	
Entry No. 2 (D. C.)	50.00	Entry No. 3 (C. D.)	400.00
Balance; or excess of *decrease* column	350.00		
	400.00		400.00

The entry numbers and posting checks shown in the above Proof Sheet would of course be omitted in actual practice; although it might be thought advisable to use page numbers for reference.

Application of Proof.

90. The balancing totals of Trial Balance No. 1, as at beginning of the month were	$2,000.00
From the above deduct the excess of the decrease column shown in Proof Sheet No. 1	350.00
And the difference resulting is the same as the balancing totals of Trial Balance No. 2, as at close of month	$1,650.00

Had the total of the increase column exceeded the total of the decrease column, it would have been necessary to *add* such excess to the totals of the preceding Trial Balance.

91. In the foregoing example the work has been proven through the use of only two of the eight amounts that have been posted; or in other words just 75 per cent. of the postings have been eliminated. The author has applied the system in question to regular work where 85 per cent. of the items posted were eliminated and only 15 per cent. required to be shown in the Proof Sheet.

92. If after Trial Balance No. 2 was taken, either the debit or the credit total should have been shown by the application of the Proof Sheet balance to be incorrect, the search for discrepancies would be made through an examination of that particular side of the records (debit or credit) which was shown to vary from the proven amount. All other entries would thus be eliminated from the search for errors.

SECTION IV.

Simple and Compound Entries.

93. To this point and as previously mentioned, only such entries have been introduced as consist of two items (one debit and one credit) but as other combinations of items as well as of the principles involved, and of a more complicated nature are possible, such features will next receive attention.

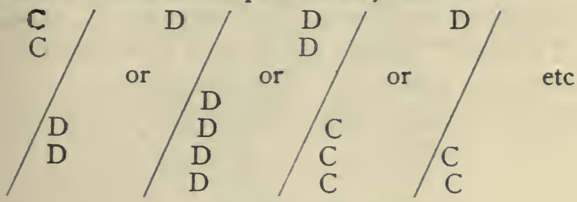
94. The system herein outlined, recognizes only two classes of original entries and would be so applied regardless of whether the books of record comprised only one Ledger and one Journal; or comprehended the most extensive classification through numerous specialized books of columnar records for the inceptive entries.

95. The two classes of entries referred to are herein denominated as Simple Entries and Compound Entries; but as the peculiarities and treatment of Simple Entries have been quite thoroughly illustrated in connection with entries of two items only (one debit and one credit) the first of the following definitions is only given to differentiate the two forms.

96. A Simple Entry

is one in which *the same letter* (or character)—C. or D. is required as the posting check for all debit items and the same letter, C. or D. for all credit items that may be included in the same entry. It may therefore have one only, or any number of items in one or both sides; but the posting checks for all debit items would be the same and the posting checks for all credit items the same.

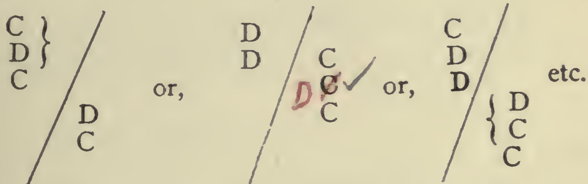
The following check marks—only—will illustrate what are here treated as Simple Entries, viz:



97. A Compound Entry

is one in which *both the letters* (or characters)—C. *and* D. are required as posting checks for either the debit or the credit items only, or for both; and may also include one or more overbalancing items. (Art. 15.)

This may be illustrated by using the posting checks only as below:



(The check marks above shown as $\left.\begin{matrix}\text{C}\\\text{D}\end{matrix}\right\}$ and $\left\{\begin{matrix}\text{D}\\\text{C.}\end{matrix}\right.$ refer to overbalancing entries which are explained in Art. 107 and 108.)

98. The foregoing definitions and illustrations of Simple and Compound Entries make no distinction between original entries which have only one debit and one credit item, and those which include more than one item in either one or both sides, as the number of items in an entry does not constitute the distinguishing feature of the two classes of entries referred to; this being governed entirely by the combination of conditions represented by the required posting checks and whether one only or both (C. and D) appear opposite the items of either debit or credit.

99. Simple entries consisting of more than two items should be treated the same as those having only one debit and one credit as hereinbefore explained; but the elimination of Compound Entries which have no effect on the aggregate ledger balances or Trial Balance totals may be accomplished through a proper application of the following:

100. GENERAL RULE,

(For Compound Entries only.)

Find the *excess* of either the debit or credit total of all items in the same entry which bear the same posting checks, when—

All items checked C. { with an *excess* of *debits* will indicate a *decrease* —but— with an *excess* of *credits* will indicate an *increase*

—and—

All items checked D. { with an *excess* of *debits* will indicate an *increase* —but— with an *excess* of *credits* will indicate a *decrease*

and after determining the facts indicated, write the amount of said *excess* in either the increase or decrease column of the Proof Sheet as the conditions may require.

101. As the *difference* between the debit and credit total of *all items checked C.* and that of *all items checked D.* in any one Compound Entry will always correspond in amount, it is only necessary to consider the items which bear *either one* of said posting checks when applying the foregoing rule.

102. To illustrate the principles that apply to Compound Entries, the following Entries numbered 5, 6 and 7 are sub-

mitted as supplementary to those given in Art. 80, 81, 82 and 83. As in the preceding entries the letters at the left represent the posting checks, while the symbols at the right are for reference only, in the entries given below:

103. ENTRY No. 5.

C.——Account No. 3,		25.00		(2-A)
D.——Account No. 2,		75.00		(1-A)
C.——Account No. 7,		150.00		(2-A)
C.——	To Account No. 4,		60.00	(2-B)
D.——	To Account No. 1,		81.00	(1-B)
D.——	To Account No. 6,		109.00	(1-B)

To determine from such entries as this whether they result in decreasing or increasing the previous Trial Balance totals and in what amount, we can apply the rule given in Art. 100 either to all items checked C. or to all items checked D. and arrive at the same conclusion as stated in Art. 101.

In applying the rule to the items checked *C.* we have—

In debits, 25.00+150.00=175.00
In credits, only 60.00

Excess of *debit* items checked *C.*—115.00 which shows that this entry, when the C. checks are considered, is governed by that clause of the General Rule which says that "all items checked *C.* with an *excess of debits* will indicate a *decrease.*" This entry therefore *decreases* the aggregate amount of opposing ledger balances and likewise serves to decrease the preceding Trial Balance totals in the amount of $115.00.

104. To illustrate the fact that a corresponding result would have been obtained through a consideration of the *D.* checks, the following application of the rule is made.

In credits, 81.00+109.00=190.00
In debits, only 75.00

Excess of *credit* items checked *D.*—115.00 which shows that the same entry, when the *D.* checks are considered, is governed by that clause of the General Rule which says that "all items checked *D.* with an *excess of credits* will indicate a *decrease.*" Therefore, the application of the rule to the items checked *D.* furnishes a similar result by showing that a *decrease* of $115.00 in the amount of opposing ledger balances, and likewise in the preceding Trial Balance totals, would result from the entry under consideration.

105. For the reasons stated, when analyzing a compound entry, the particular items which are checked with that letter which appears the fewest number of times in such entry, are the only ones that need to be considered, and many times it will be found that one item only will indicate at a glance just how the entry should be treated. (Art. 106.)

106. ENTRY No. 6.

C.——Account No. 8,		437.00		(2-A)
D.——Account No. 6,		508.00		(1-A)
C.——	To Account No. 3,		403.00	(2-B)
C.——	To Account No. 7,		490.00	(2-B)
C.——	To Account No. 4,		52.00	(2-B)

In this entry it is evident at a glance that as all posting checks are the same (C.) with the exception of the one debit item checked *D.*—which latter is all that makes of it a Compound Entry—the amount of this one item ($508.00) with a *D.* check, must equal the difference between the total of the debit and the total of the credit items which are checked *C.* Consequently, as the amount of all debits in the entry equals the amount of all credit items, the item of $508.00 in itself alone must here represent the excess of *debit* items *checked D.* and likewise is the excess of *credit* items with a *C.* check; either of which references to said excess indicates an *increase* of $508.00.

If the *D.* checks are considered the excess is governed by that clause of the rule (Art. 100) which says that "all items checked D. with an *excess of debits* will indicate an *increase";* while a consideration of the *C.* checks shows a similar condition as "all items checked *C.* with an *excess of credits* will indicate an *increase.*"

This entry therefore *increases* the aggregate amount of opposing ledger balances and likewise serves to increase the preceding Trial Balance totals in the amount of $508.00.

107. In the preceding explanation of "Why Trial Balance Totals Vary" (Art. 15, 16) reference is made to *overbalancing entries* which create in the accounts to which they are posted, a debit balance where a credit balance previously existed, or a credit balance where a debit balance was shown before. In such cases the influence of that portion of the item which exactly equals and serves to cancel the prior balance, should be shown in the original entry by there noting the amount of the balance that is cancelled with a C. or D. check attached to indicate the condition of said balance (debit or credit) before the posting was made, while the excess or overbalancing amount should be treated as creating a new (and contra) debit or credit balance and be properly noted and checked in a similar manner against the same item in the original entry.

Such overbalancing items will thus require both the C. and D. posting checks, which will make a Compound Entry of any in which they may occur.

Overbalancing entries are usually comparatively few; but to illustrate the treatment they require Entry No. 7 is here introduced:

C.——Account No. 4, 444.00 (2-A)

D.—325.00 / C.—119.00 —To Account No. 2, 444.00 (1-B) / (2-B)

Considering the credit item in this entry, it may be noticed that Account No. 2 (Art. 110) had a debit balance of $325.00 directly before this credit of $444.00 was posted thereto, and therefore that the posting of this credit has served to overbalance the account. Theoretically then, and as previously explained, the credit of $444.00 should be considered as consisting of two parts, one of which in the amount of $325.00 cancelled the prior balance of Account No. 2, while its other part in the amount of $119.00 virtually created a new (and contra) credit balance in the last named amount.

It is therefore evident that in the credit of $444.00 there is $325.00 which has affected a *debit* balance (or, as in 1-B, Art. 23, it has *credited* a *debit* balance) and therefore is checked with the letter *D.*; while $119.00 of said credit item has created a *new credit balance* which, as explained in Art. 17, is similar in its effect to that produced by crediting a credit balance (as in 2-B, Art. 23) and therefore requires a C. check.

Here, as in Entry No. 6, there is but one amount shown with a D. check, and consequently the $325.00 so checked must be the difference between the debit item checked C. and the (part of) credit item checked C. In other words, we have here an excess of *credit,* with a *D.* check, and also an excess of *debit* with a C. check, which shows that this entry is governed either by that clause of the General Rule which states that "all items checked D. with an *excess of credits* will indicate a *decrease,*" or that clause which states that "all items checked C. with an *excess of debits* will indicate a *decrease.*" Entry No. 7, therefore, serves to *decrease* the aggregate amount of opposing ledger balances and likewise decreases the preceding Trial Balance totals in the amount of $325.00.

109. To complete the illustration, the preceding eight accounts are here repeated in full with the subsequent postings from entries numbered 5, 6 and 7 included; these forms being followed by Trial Balance No. 3 and Proof Sheet No. 2:

110. ACCOUNT NO. 1.

Balance ----------	400.00	Entry No. 5------	81.00
Entry No. 1------	25.00		
	425 00		

ACCOUNT NO. 2.

Balance ----------	200.00	Entry No. 7------	444.00
Entry No. 2------	50.00		
	250 00		
Entry No. 5------	75.00		
	325 00		

ACCOUNT NO. 3.

Entry No. 3------	400.00	Balance ----------	550.00
Entry No. 5------	25.00	Entry No. 6------	403.00
	425 00		953 00

ACCOUNT NO. 4.

Entry No. 4------	100.00	Balance ----------	650 00
Entry No. 7------	444.00	Entry No. 5------	60.00
	544 00		710 00
		Entry No. 6------	52.00
			762 00

Account No. 5.

Balance	800.00	Entry No. 3	400.00

Account No. 6.

Balance	600.00	Entry No. 1	25.00
Entry No. 6	508.00	Entry No. 5	109.00
	1108 00		134 00

Account No. 7.

Entry No. 5	150.00	Balance	350.00
		Entry No. 2	50.00
			400 00
		Entry No. 6	490.00
			890 00

Account No. 8.

Entry No. 6	437.00	Balance	450.00
		Entry No. 4	100.00
			550 00

111. A Trial Balance from the foregoing Accounts is shown below as—

Trial Balance No. 3.

Account No. 1	344	00		
Account No. 2			119	00
Account No. 3			528	00
Account No. 4			218	00
Account No. 5	400	00		
Account No. 6	974	00		
Account No. 7			740	00
Account No. 8			113	00
Trial Balance Totals	1,718	00	1,718	00

112. To illustrate the particular entries that have caused the variation between the balancing totals of Trial Balance No. 2 and Trial Balance No. 3, the following Proof Sheet (No. 2) is submitted. In this case it will be noticed that each one of the entries numbered 5, 6 and 7 influence the result, and the reasons for this are explained under the entries referred to, in Art. 103, 106 and 108. After being transferred to the Proof Sheet they would appear as below:

113. PROOF SHEET No. 2.

Increase.		Decrease.	
Entry No. 6------	508.00	Entry No. 5------	115.00
		Entry No. 7------	325.00
		Balance, or excess of Increase column ----------	68.00
	508.00		508.00

114. APPLICATION OF PROOF.

The balancing totals of Trial Balance No. 2 (Art. 86), are--------------------------	1,650.00
To the above *add* the excess of the Increase column as in Proof Sheet No. 2 (Art. 113)--	68.00
and the resulting difference is the same as the balancing totals of Trial Balance No. 3 (Art. 111) --------------------------------	$1,718.00

In this case the Trial Balance totals have been increased, but are proven to be correct as shown.

SECTION V.

Special Features.

115. It is not within the province of this treatise to explain more than its title page implies, except in related subjects which its detailed consideration has suggested; but in order that a universal application of the principles involved may be intelligently and correctly made, it becomes necessary to introduce a limited reference to certain forms and systems of record which have been designed to fulfill the requirements of modern accounting.

The forms and systems referred to have superseded many antiquated methods; but as they are too numerous to warrant a more extensive treatment in these pages than is hereinafter accorded them, it is deemed sufficient to include all further explanations under the following titles:

The Cash Book.

116. As there are offices wherein the large amount of funds to be accounted for has influenced the separation of this particular record into two books; one for receipts and the other for payments, while in many instances numerous columns are utilized for the purpose of covering special requirements, it should be noted that the form which includes all cash entries in one book and in two columns only, is the one here referred to.

117. To introduce any Cash Book forms at this point other than that of the simplest construction would only serve to complicate the application of principles that is made and for the same reason the features of columnar records as variously applied to Cash Book rulings (as well as the application of columns to all other varieties of original entries) is reserved for special attention in the following pages.

118. It is doubtless well understood that all cash entries could be made in a journal in regular journal entry form and from there posted to a Cash Account in the ledger and still comply with the fundamental principles of double-entry book keeping, through which method all former applications of the system herein outlined would correctly apply. For convenience and other important reasons, however, it has long been customary to keep a separate book especially for this account, in which the original entries are made, thus eliminating the necessity of posting the items to a ledger Cash Account.

The special Cash Book, therefore, is virtually the same as such a ledger account would be and as it is impossible for a business to expend a larger amount of funds than it receives, the balance of the Cash Book must invariably be an *excess of debits.*

119. For the reasons stated, whenever an entry is made on either side of a Cash Book it always affects, in one of its twofold influences, a *debit balance;* i. e., the permanent excess of the Cash Book debits; while its opposing influence when the item is posted to the ledger, may affect either a debit or a credit balance in the account to which it is transferred.

120. It therefore follows that in so far as the Cash Book is concerned, all entries made therein will affect a *debit balance,* which debit balance would exist before any of such entries are made and with reference to this influence on the Cash Account, entitle them all to be checked with the letter D. as explained in Art. 50. This feature should be understood, although the special check mark (D.) need not be made in connection with the Cash Book entries as they are all alike in this particular.

121. When a Cash Book entry for a receipt or payment is posted to a ledger account, *it should then be checked* with either the letter C. or the letter D. as the conditions may require, and to indicate whether *the balance of the account to which it is posted* was a debit or credit excess before the posting was made.

122. In selecting items from the Cash Book for entry in the Proof Sheet, it is only necessary to consider those which are checked with the letter C., regardless of whether the entry is found among the receipts or payments.

123. It should be understood, however, that *all items of receipt* checked *C.* must be entered in the *increase column* and *all items of payment* checked *C.* must be entered in the *decrease column* of the Proof Sheet.

The rule given in Art. 123 may be better understood through an inspection of the following illustrations, and reference to the articles there mentioned. As previously explained—Art. 119—the D. checks in parentheses at the left of the following items, referring especially to the debit balance of the Cash Account, would not appear in connection with the Cash Book entries, while the checks not in parentheses would be there written as the items were posted.

124. (D.)—Entry on *Cash Book debit,* (1-A)
D. — When posted as a credit *against a debit balance,* (1-B)
would be similar to Entry No. 1 Art. 34. See section 1 of Art. 39; also Art. 54 and Art. 80.

For reasons stated, items checked D. on *Cash Book debit* are not considered.

125. (D.)—Entry on *Cash Book debit,* (1-A)
C. — When posted as a credit *against a*

credit balance, (2-B)
would be similar to Entry No. 2 Art. 35. See section 2 of Art. 39; also Art. 55, Art. 61 and Art. 81.

For reasons stated, items checked *C.* on *Cash Book debit* would *increase* the Trial Balance totals.

126. (D.)—Entry on *Cash Book credit,* (1-B)
C. — When posted as a debit *against a credit balance,* (2-A)
would be similar to Entry No. 3, Art. 36. See section 3 of Art. 39; also Art. 56, Art. 62 and Art. 82.

For reasons stated, items checked *C.* on *Cash Book credit* would *decrease* the Trial Balance totals.

127. The foregoing are the only possibilities in Cash Book entries that relate to the point in question. Entry No. 4, Art. 37 (the only other form of entry not mentioned above in connection with the Cash Book) could not occur through a Cash Book entry, for the reason that both terms of this form of entry (2-A and 2-B) affect *credit balances* and the Cash Book balance is always a *debit.*

Systems.

128. In the application of *Adjustments Through Elimination* it is only necessary to recognize two general systems of record, distinguished by the following peculiarities:

129. In one of the systems referred to, only one ledger is employed to include all of the accounts of the business, both personal and impersonal, A. to Z., inclusive, and in which no provision is made to prove separately any par-

ticular number, division or class of accounts. This plan may be, and sometimes is, extended by using two or even more ledgers in a similar manner, instead of one; each of the additional ledgers being simply a continuation of the alphabetical arrangement of accounts in the one which next preceded it.

Such a system, whether consisting of one ledger or more, I will venture to designate as the *Individualized Account System* (not knowing of any particular term in use for distinguishing this method from the Sectionalized Account System—or what is commonly known as the Sectionalized Ledger Plan), inasmuch as by this system it is customary to show all of the open accounts of the business *individually* in one general Trial Balance in order to prove the equilibrium of debits and credits. As thus distinguished from the Sectionalized Account System, it should be noted that the Individualized Account System is the one especially referred to in all previous references herein made to ledger accounts and to such a system all principles hereinbefore stated and as explained, will correctly apply. Such principles are equally applicable to that system which will next receive attention.

130. In some offices the accounts are so numerous that it would be impracticable to attempt to keep them all in one ledger, and the fact that certain important information cannot be so readily obtained with even two or more ledgers under the Individualized Account System as could be done through more elaborate plans, shows the inadequacy of such methods for meeting modern requirements. Another disadvantage of the Individualized Account System is the inability, through its limited possibilities, of proving the equilibrium of the ledger balances otherwise than through a consideration of *all of the open accounts of the business*

individually listed in the same Trial Balance. By this plan no provision is made for localizing an error to any particular division of the records.†

131. To overcome the difficulties above mentioned, and for other important reasons that need not be considered here, the Sectionalized Account System has been developed.

By this plan it is customary to keep all of the impersonal accounts—and these only—in what is known as a General Ledger, with one or more separate ledgers to contain the personal accounts so classified that no accounts of a dissimilar nature will appear in any one of the auxiliary ledgers.

The accounts are thus *sectionalized,* and in order that the General Ledger may contain a complete record as to conditions and results, each section (or separate auxiliary ledger) is represented in the General Ledger by a special account. These special accounts are debited and credited from the several books of original entry with the monthly totals of all items which are posted separately to the various accounts in the corresponding auxiliary ledgers, thus making *the balance of any one of such special accounts* in the General Ledger, exactly equal the total of *all balances contained in the corresponding auxiliary ledger,* i. e., the excess of debit or credit balances in an auxiliary ledger under the system here referred to, should exactly equal the balance of the corresponding special or so-called controlling account in the General Ledger, and when a trial balance is taken from the General Ledger, the balances of the separate controlling accounts will indicate what the total of all balances in the corresponding auxiliary ledger should be.*

†There is a method through which an Individualized ~~Accruing~~ System may be sectionalized independent of the ledger or ledgers in use; but reference is here made to such plans when directly incorporated as a part of the ledger system.

* This explanation is only given to avoid any possible misunderstanding regarding the system here referred to; but other variations in the Sectionalized Account System are known to be possible.

132. Each auxiliary ledger would thus be provided with a governing or controlling account by which to verify the correctness of its balance; *but there would be no similar method of determining whether the General Ledger Trial Balance was correct or not,* and it is among the possibilities that even an equality in trial balance totals may cover one or more compensating errors in prior records.

133. In order then to furnish a controlling account for the General Ledger under the Sectionalized Ledger System, the system of *Adjustments Through Elimination* could be used by handling the *increase* or *decrease* amounts obtained from only a small proportion of the number of entries made, instead of all entries as in the other controlling accounts. Whether the totals of its Trial Balance corresponded or not, it would thus be possible to determine whether either one or both was right or wrong.

134. *Adjustments Through Elimination* are therefore recommended for use under the Sectionalized Account System in connection with the General Ledger only, and for this purpose the C. and D. checks (or others) would be noted only in connection with such items as appeared in the columns especially provided in the books of original entry for the General Ledger items, and for the totals of all other columns in the posting mediums through the plan hereinafter explained.

Columnar Records.

135. The principal advantages derived from double-entry records aside from the balancing feature of debits and credits are secured through a systematic classification of the items of which the records are composed.

This classification may be accomplished in many different ways; but that system which reduces the duplication of the records to a minimum while furnishing all needed information and at the same time avoiding all unnecessary contingent complications, is the most desirable and economically efficient.

When the books of original entry are supplied with a sufficient number of money columns (properly headed) to accomplish such a classification and provide a place for every possible variety of entry, the various items may be written in the particular column where they belong when they are first recorded. It is to books of this, or a similar nature, that reference is now made regardless of the purpose for which they are especially designed so long as their contents consist of items which find a final resting place in the ledger accounts and are thus controlled by the Trial Balance.

136. To apply the principles of *Adjustments Through Elimination* to columnar records—as defined—it is only necessary to combine the totals or items which are posted to the General Ledger from such books of original entry, in a regular journal entry form with debits and credits equal, and then apply the rules hereinbefore given for the use of the C. and D. checks, when their influence on the Trial Balance totals may be readily determined. This method will apply to Cash Book, Journal, Sales Book, Purchase Register or any other form of columnar record that may be included in the foregoing definition.

After once determining what posting checks apply to the totals of the various columns, they will continue to apply to said totals in each particular book unless some unusual conditions should arise, or some ledger account to which they are carried should be of a variable (debit and credit) nature. The General Rule in Art. 100 will apply to records of the kind here mentioned.

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