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# OFFICE PRACTICE

AN INTRODUCTION TO
THE WORK AND METHODS OF THE CLERICAL
SIDE OF BUSINESS

BY

WILLIAM CAMPBELL

CHARTERED SECRETARY

AUTHOR OF "MODERN BUSINESS AND ITS METHODS"
"WHOLESALE AND RETAIL TRADE"
"COMMERCE AND THE COMMERCIAL OFFICE," ETC.

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# PREFACE

WITHIN the limits of a junior course we have tried to make *Office Practice* an instructor that is practical. The book will, we hope, be found to give a faithful reflection of the work and methods of the modern business office. We have tried, also, to make the book up to date, as in the chapter that deals with Office Appliances and Mechanical Calculators.

Though it is not usual to do so in a manual such as this, we have ventured to introduce some instruction in the elements of book-keeping. The treatment of purchases, sales, returns, and payments seems incomplete without examples of how transactions with customers and suppliers of goods should be recorded. We have taken the view that, in explaining the forms and purposes of business documents, we ought also to show how the transactions they represent are handled in the business books. Similarly, with our treatment of discount and interest, of profits and expenses, of cheques and bills of exchange, of collecting or paying foreign currency, we have shown methods suitable for the calculations these transactions involve, and for office arithmetic generally.

The book will be found to provide questions and exercises sufficient to test not only the student's progress from subject to subject, but also the thoroughness with which the knowledge presented to him is assimilated.

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## EXAMINATION QUESTIONS

WHERE questions which have been set by examination bodies are given in this book, their sources are indicated by abbreviations as follows—

*L.C.C.* = London Chamber of Commerce.

*R.S.A.* = Royal Society of Arts.

*U.I.L.C.I.* = Union of Lancashire and Cheshire Institutes

# OFFICE PRACTICE

## CHAPTER I

### ORGANIZATION, STAFF, AND DUTIES

### 1. AN OUTLINE OF BUSINESS ACTIVITIES

#### KINDS OF BUSINESSES

PERHAPS the business you are engaged in is that of a *trader*. If your employer is a trader pure and simple, he buys goods to sell them in the same condition as that in which he buys. He may sell to the public in the small quantities suited to the individual user, and be what is called a *retail* trader. If he sells in greater quantities than the individual needs for personal or domestic use, he is a *wholesale* trader. His customers are then either (*a*) the retail shopkeepers who sell to the public individually, or (*b*) business establishments that use the wholesaler's goods at some other stage in the process of production and supply.

It may, however, be the business of a *manufacturer* in which you are interested. A manufacturer differs from a simple trader in that he buys labour to be expended on his goods before he offers them for sale. By means of the labour of his workers the materials he purchases are changed in form, structure, and appearance, so as to serve purposes for which the original materials could not be used. In the buying of his materials and the selling of his products, the manufacturer necessarily engages

in the activities of trader also. Usually he trades his products to the wholesale warehouses, which in turn trade them to the retail shops. But some manufacturers act as their own wholesalers, and supply the retailers direct. A few, for some kinds of commodities, take upon themselves the duties even of the retailer, and run retail shops of their own.

Again, a trader may be a *foreign merchant.* If he deals here in produce grown abroad, and sent to this country for sale, we call him an import merchant or *importer.* Examples are: (1) the wool merchant, who buys raw wool that has come, or probably has yet to come, from Australia, and who sells it to the Yorkshire spinning mill; (2) the corn merchant, who buys grain from Canada or Argentina, and sells it to the flour miller or the wholesale provender dealer; (3) the tea merchant, taking tea from Ceylon or Assam, and selling it to the grocery wholesaler.

A merchant, however, may be an *exporter,* buying goods manufactured here and shipping them to places overseas. He may take the yarn of the Lancashire spinner, and sell it for Continental fabrication into lace or cloth. He may buy cotton or woollen piece goods woven in our mills, and ship them to traders and manufacturers in the Empire and other lands.

Besides businesses of manufacturers and traders, of merchants in imports and exports, also those of produce and live-stock growers, there are many persons and companies carrying on business auxiliary to these. Chief of such auxiliary occupations are transport, banking, and insurance, which serve

grower, merchant, manufacturer, wholesale and retail trader all alike. Some business or professional men, again, are engaged in giving to the commercial community service of such a nature that it must, in the main, be rendered by themselves personally. The architect and the solicitor are examples. Every one of the occupations or pursuits we have indicated is part of the industrial and commercial system under which we live. That system man has evolved for the collection, production, and distribution of the immense variety of commodities with which he endeavours to satisfy his innumerable wants.

## FORMS OF PROPRIETORSHIP

A business may be owned by a single trader, by a partnership firm, or by a joint-stock company. A partner does not differ in his business responsibilities from a sole or single trader, except that he is one of two or more proprietors, instead of the only one. As a rule, each partner contributes an agreed sum to his firm's capital, and he takes a share in the management of the business. On the other hand, contribution to the capital of a joint-stock company does not give the contributing member a right to engage directly in managing the company's affairs. A big company would have far too many members or shareholders for that to be practicable. The control of a company's business is, therefore, placed in the hands of a small board of directors elected by the shareholders, and the managers of the business are responsible to the board.

In the eyes of the law a company is a body

with rights and liabilities distinct from those of the members that compose it. Creditors of the company can look only to the resources of the company for payment of their claims. They cannot sue individual members, because any liability that a member may have in connection with the company's affairs is a liability to the company itself, and not to the company's creditors. A partnership, however, is not in England legally distinct from its members. Consequently, every partner is liable directly to his firm's creditors for the firm's debts.

Again, most companies are *limited* companies, which gives another distinction between this form of proprietorship and the partnership form. It should be noted that a partner's liability is such that one partner can be called upon to pay the *whole* of what his firm owes. But, in the limited company, each shareholder's liability is limited to the extent of any sum still unpaid to the company on the shares he holds. For example, if he has taken up 400 shares of £1 each, and if 15s. a share has been called up and paid upon them, the shareholder's further liability cannot exceed 5s. on each of his shares, that is £100 in all. When once his holding becomes fully paid he cannot be required to contribute another penny. It is this limitation of members' liability that has made limited company proprietorship so common.

### FACTORY, WAREHOUSE, AND SHOP

The chief peculiarity of the works or factory is its use of machinery and of power plant. Buying and selling are operations to be transacted by personal activity; but in the factory these do not

loom so large as the processes of manufacture or production. When once a scheme for the making of certain goods has been prepared, very much of the work of manufacture is carried through by mechanical means. Besides, a large part of the office work in manufacturing business is concerned with time-keeping, costing, planning, and designing, for which trading business has little need.

Factories are to be found in the manufacturing towns, also in the country, where land is less costly for extensive works than in the crowded urban areas. But the warehouses of the wholesale trade are established in the busy cities, because they must be within convenient reach of retailers from the shopping centres and smaller towns around. Retail shops, on the other hand, spring up wherever people settle in sufficient numbers to make the opening of a shop worth while. In densely populated districts the trade to be done is sufficiently great for many large retail stores to thrive upon it.

## HOW BUSINESSES ARE ORGANIZED

Whether a business is big or little it engages in many activities of kinds common to every size. The differences between a large and a small business lie, not so much in the *kinds* of work to be done in them, as in the *quantity* there is to do of each kind. A small shopkeeper may trade in so modest a way that he acts himself as buyer and salesman, as window-dresser, clerk, and cashier. In a big business these activities are all needed; but, being needed on a very much larger scale, each activity is allocated to its own group of workers.

The small wholesaler might be sole buyer and travelling salesman combined, but the big wholesale warehouse would have many buyers and many travellers. The jobbing carpenter may himself prepare costs, himself order up materials, work on a job himself when he gets it, and himself render and collect the customer's account. But the large works has drawing, costing, and buying staffs, storekeepers for stocks of materials, many workshop foremen and numerous workmen, a sales-manager's department, and an office for accounts.

Quite commonly a wholesale house has a number of selling departments, each offering its own kind of goods, and each under its own head, who is usually the department buyer. In the larger retail stores similar arrangements exist. Commonly, again, every considerable business has its departments for receiving and for dispatching goods. The sales-manager's office, where one is maintained, controls outside salesmen, supplies prices and samples when required, supervises the execution of orders, records their receipt and dispatch, inquires into and answers customers' complaints. There are businesses that engage largely in making themselves and their goods known to the public through the Press, by the hoardings, and by catalogues distributed through the post. Such have usually a department set apart for advertising.

All but the smallest businesses have a counting-house or office for accounts. To the counting-house may be attached the correspondence staff, and the staff that keeps record of orders in hand and executed. It is with these office duties that we are concerned in this book. But counting-house and

office work arises out of what the other departments do. Besides, the counting-house is related through its own business to the activities of the commercial community at large, to whose customs it must conform. We have, therefore, thought it fitting to introduce our more immediate office interests with this brief survey of business activity as a whole.

### QUESTIONS

1. "The retailer is the last link in a long chain." Explain this statement as fully as you can, and outline the functions of three of the chief types of persons who assist in the distribution of commodities.

2. Compare a limited liability joint-stock company with an ordinary partnership, making special reference to the advantages of each in the carrying on of a business. (*U.L.C.I.*)

3. Take the kind of business with which you are best acquainted and describe briefly into what sections or departments its activities are organized.

4. Is it possible or desirable for a manufacturer to act also as a retailer of his own products? Give reasons for your answer. (*R.S.A.*)

## 2. THE OFFICE AND ITS ARRANGEMENT

### KEEPING THE BUSINESS ACCOUNTS

Nearly all businesses buy on credit, that is, they buy on the understanding that payment need not be made until some longer or shorter interval has passed after delivery of the goods. It is necessary, therefore, to keep accounts that will show what several amounts the business owes to any supplier of goods, what payments it makes, and what items each payment settles. That part of business bookkeeping is concerned with purchases. Another part relates to credit sales. It keeps accounts, under the names of the customers, of all goods the

business sells on credit, and of moneys the business receives from time to time in payment of sales.

These accounts record the relationship in monetary matters between the business and each of its debtors and creditors. But, besides these, other accounts are required to record the extent of the transactions of the business, and their effect on the business position and trading. For example, every business proprietor should be able to ascertain what his sales are day by day, and what they amount to for a week, a month, or a year. From time to time information is needed also about purchases, and about different heads of expense, such as wages, rent and rates, lighting, stationery, and bad debts. Further, a business man wants to know, periodically, in what form his possessions exist—how much in cash or at the bank, in book debts or in stock, in fixtures, machinery, or buildings. It is only by keeping accounts carefully for all such matters that the business proprietor can tell, at the end of the year or half-year, how he stands, and whether his business has proved profitable or not.

### RECEIVING AND PAYING CASH

The cash received comes mostly from customers of the business, and takes the forms of cheques, notes, and coins. Cheques are paid into the bank at once together with any notes or coin not required for present use. The handling of cash and the giving of receipts are the work of the cashier, or, in a large business, of the cashier and his assistants. In retail trade, where sales are commonly ready-money transactions, the bulk of the

cash will be taken in the shop and showrooms. But it passes to the cashier's office, and is banked by him.

Small sums that we pay away in notes or coin are usually paid from the "petty cash" held by an assistant cashier. Payment of creditors' accounts is made by cheques drawn on our bank account, and sent to the creditors through the post. Wages are paid in cash drawn from the bank for the purpose by the chief cashier. They should be authorized by a Wages Book or Wages Sheets, written up week by week and signed by manager or department heads before payment is made.

### HANDLING THE CORRESPONDENCE

To a third section of the office is allocated the duty of dealing with the letters of the business. So many of the transactions of most businesses are now carried through by letter that this section of office work is not the least in importance. For greater efficiency, it is usually advisable to have all correspondence, with customers at any rate, dealt with by one staff under a capable head. That gives to the business letters as a whole more uniformity and better quality, with the result that customers receive from the correspondence a more favourable impression of the business management.

The correspondence staff may deal with the opening of the letters that come in. If so, it will sort them into batches such as orders, inquiries, complaints, invoices, accounts, receipts, remittances, and will distribute them to the persons or departments concerned. The correspondence staff will type the letters that go out. It will keep

copies of these outward letters filed away methodically along with the inward letters, if any, that they answer. In every business it is essential to keep for reference exact copies of all letters and other documents that are sent away. Outgoing letters need to be collected for sealing and stamping, and a record of posting and of the stamps used has to be made. Indexes should be kept of the names and addresses of all customers and of regular suppliers of goods.

## DUTIES OF CONTROL

Much of the duty of controlling the business activities is closely connected with the work of the office by means of the information that the office records supply. The private rooms of the partners or the managing directors are, therefore, usually in near communication with the counting-house. Reports are handed in day by day, and week by week, of supplies ordered, deliveries received, above all of sales made—and, perhaps at longer intervals, of wages paid and expenses incurred. Where these statistical reports show that the affairs of the business are not going as expected or desired, steps are taken with the object of turning things in the right direction.

Cheques in payment of creditors' accounts have to be signed by the heads of the business. Before the cheques are dispatched it is necessary that money to meet the cheques shall be available, or made available, at the bank. Orders given out for supplies must, therefore, be watched, to see that goods do not arrive in excess of requirements, and of the funds from which payment can be made.

Also, the granting of credit to customers must be supervised to prevent goods being allowed to go out on credit with little likelihood of payment being received. And accounts owing by customers need to be scrutinized to keep them, if possible, from running on too long, with the result that the business will get short of funds, and be unable to meet its own liabilities as they fall due.

The size of the stocks held by selling departments is another matter that must continually be kept in view. That necessitates the scrutiny, again, of orders given out for supplies. A stock that is too large in proportion to the sales of the department means that capital is being absorbed unnecessarily by the excess of stock. The unnecessary capital will not be earning a sufficient return on its use, and it should be put into service in some other section of the business, where it can earn more. Besides, when too much stock is bought, some part of it tends to deteriorate or to become out of date. If it proves unsaleable, or has to be disposed of at a sacrifice, the result will be a loss that must be made up out of the profits on other goods.

It is, of course, the work of active partners or managing directors to appoint their sub-managers. These sub-managers are supervised with the object of ensuring that they carry out in detail the policies their superiors decide upon. Occasionally, differences between department heads may need to be settled by authoritative ruling. Advice, also, will be sought and given about the courses to be taken in difficult or doubtful circumstances.

## EQUIPMENT OF THE OFFICE

The desks used by the occupants of the office may be low and flat to sit down to, or they may be high and sloping to stand up at. For account book work, where two or more large books must be laid out together, and reference made continually from one to another, it is more convenient to stand at a high desk. For work taking less room and less bodily movement, the low type is more suitable. All desks and tables should be so placed that the light does not cast a shadow across the work. They should be arranged so that access from desk to desk is easy, and those clerks whose work brings them into frequent contact should be placed near each other. If possible, the arrangement should permit of documents and books moving forward stage by stage in a continuous line, instead of passing backwards and forwards in a disconnected course to and from clerks at points apart.

Besides desks and tables and books, office equipment includes safes. For books and documents of importance, the safes serve as a protection from possible fire, and for cash they are intended to resist the efforts of the burglar. Cabinets are required for filing papers of various kinds, and for indexes. Typing machines are wanted for the writing of letters. A machine for producing multiple copies of circular letters may be needed; also an addressing machine, if addresses are used in big continuous batches. Mechanical calculators are now fairly common, and stamp fixing or franking contrivances, and smaller implements for several

purposes. Most of these devices we shall have to deal with more fully again.

There should be provided in every business establishment such books of reference as are useful for the particular business. These should include Kelly's *Directory of London,* and perhaps those of other cities and districts, the local telephone directory, the *Post Office Guide,* and railway time tables and maps. A good atlas of the world and a gazetteer of the British Isles are always serviceable. Every office should have an English dictionary for staff use. Where trade is done with foreign countries, dictionaries of the languages of these countries will be necessary. In the counting-house a book of interest tables will be needed at times, and for invoice calculations ordinary ready reckoners are used. *Pitman's Business Man's Guide* and *Whitaker's Almanack* are desirable. Some members of the staff may have occasion to look into volumes of a more technical nature, to peruse the journals of the trade, and to refer to trade directories.

### QUESTIONS

1. Assuming that the three main divisions of office work are Accounts, Cash, and Correspondence, outline very briefly the duties of the staff of each of these divisions.

2. A business is carried on by two active partners, under whom there are several sectional or departmental managers. Explain briefly but clearly some of the duties of control that would be performed by the partners.

3. Enumerate the kinds of equipment and appliances to be found in a modern office, and explain succinctly their several uses and advantages.

4. Indicate some of the problems of unification and control that have to be solved by the manager of a wholesale warehouse. (*R.S.A.*)

## 3. THE INDIVIDUAL AND THE ORGANIZATION

### IN THE LARGE OFFICE AND THE SMALL ONE

The clerk in the small office acquires the better all-round experience. His duties are so varied. In the big office the duties to be performed by any one person are fewer. In the very big office he may be kept all his time on only one kind of work. His experience thus becomes more intensive in that particular kind; but the want of variation may cause it to be less interesting. Still, because of the size of the business, he gets more chances of promotion by transfer to another section. The clerk from the smaller office, with a grounding of experience in several duties, can probably obtain a new situation more quickly, his practical knowledge being wider. On the other hand, the specialized clerk will find that service satisfactorily put in with a large undertaking is always a recommendation to a prospective employer, and the thorough knowledge of his own particular job gives him advantages over the other man when a vacancy in that kind of work occurs.

### THE PLACE OF ROUTINE

What the young clerk usually learns first is that this thing or the other thing must be done in the same way every time. That is a necessity in any organization. If one person were allowed to file a letter according to one rule, and another person according to another rule, such licence would inevitably lead to confusion, annoyance, and delay. It is better that the same procedure shall always

be followed for the same purpose, even when the course taken is not the best that could have been adopted for the end in view. The ideal is no doubt that the routine adopted shall be the most suitable, and a person in control, before imposing set forms and courses upon his subordinates, should take pains to see that these are the best he can devise. When the novelty of his occupations passes, the young clerk may begin to weary of their monotony. It will help him to be reconciled to the sameness of his work, if he realizes that a fixed routine is necessary where business is to be disposed of with efficiency and dispatch.

### TRAINING IN CAREFULNESS

The young clerk should understand that he needs some little breaking-in. He has to learn to apply his attention, and not let it wander, if his work is to be done as it should be. What trouble for himself and others may not the copying of a wrong price or a wrong street number lead to? Careless reading or writing may cause a parcel of goods to be sent to Yarm, a little town in Yorkshire, whilst an important customer in Yarmouth is waiting impatiently for them. A quotation may be misdirected to Hereford, when it should have been posted to Hertford, and the mistake may remain undiscovered until a valuable order has been lost. Such instances show how carelessness affects, not only the smooth internal working of the business, but also its reputation with its customers for dependability.

Figures should always be clear beyond doubt, and words should be sufficiently plain to exclude

any likelihood of their being read as something else. In copying matter from one document to another, the novice has to watch intently that he does not omit any line or item, and that he transcribes quantities and values accurately. He should learn to do what he has to do carefully first, and quickly afterwards. He should take pride in keeping his work free from mistakes, and should try not to leave pitfalls for others.

## PULLING TOGETHER

In a business organization, one's own efficiency is not enough. It is true that the reliability of one servant shows up against the unreliability of another, and that merit usually gets some of the recognition it deserves. But the strength of an organization is the strength of its weakest joint. One indifferent member of a team can cause considerable havoc in the work of the whole. It is the duty of the management to see that each member of the staff pulls his weight, and that each section functions in harmony with the rest. Much friction and inefficiency result from different departments, under different heads, each seeking and working for its own advantage, irrespective of the welfare of the business as a whole. Though the individual ought to mind his own duties and not interfere with those of others, yet the minding of his own job must not be carried out in such manner as to make it more difficult or irksome for others to mind theirs. Agreeableness helps us and helps others in getting through the day. It is a habit worth cultivating, even if only to make the running smoother.

## DEVELOPING ABILITY

To perform our duties satisfactorily we need to take interest in our work, and to be imbued with the desire to learn. We must use our wits to pick up quickly whatever is required of us, to understand instructions and to carry them out smartly. Young men and young women alike should try to introduce method and orderliness into the performance of their tasks. Slovenliness and slipshodness do not help towards efficiency. It is the knowledge of how to do this and that, coupled with the ability to do them well, that makes us good workmen and workwomen. The feeling that we are masters of our jobs develops our characters in confidence and independence.

When we have mastered our own particular tasks, our interest as willing learners will overflow to related duties. The wider views we thus attain, and the wider knowledge thus acquired, will come in useful sometime. When vacancies occur higher up we need to be alert, intelligent, and willing, if we would get the best chance. In the higher position, when we reach it, we shall find opportunity of extending our knowledge and experience farther. Pursued in that spirit, a business career soon becomes interesting and satisfying.

A good all-round education is always a help to the young man or woman seeking advancement. If you feel that your English, whether spoken or written, needs improvement, take steps to improve it at once. It is a most useful accomplishment to be able to express clearly and correctly whatever you want to say. Your general knowledge you can

increase very effectively by trying to follow and understand the more important happenings reported or described in the newspapers day by day.

## EXERCISES ON CHAPTER I

1. Distinguish between trader and manufacturer, also between wholesale trader and retail trader.

2. Explain four kinds of service rendered to the business community that are made use of alike by the trader, manufacturer, and foreign merchant.

3. Describe briefly the work of several of the administrative and selling departments into which a large business may be divided.

4. Explain exactly what is meant by the word "limited" when it is applied to a joint-stock company.

5. What different kinds of accounts must a business man keep, and why is each kind necessary?

6. From what funds would the following be paid, and in what books of the business would the payments be recorded?

(*a*) Small items of carriage and local fares.
(*b*) Creditors' monthly accounts.
(*c*) Weekly wages of the staff.

7. Which in your opinion is the better, and why—to have letters to customers dealt with (*a*) by each selling department concerned, and by various assistants in each department; or (*b*) by a single correspondence department controlled by a capable supervisor?

8. Explain some kinds of work besides typing that may be entrusted to the Correspondence Department.

9. What several matters must the partners or directors of a business watch to ensure that funds shall always be available when wanted for the paying of creditors' accounts?

10. Name some books of general reference that you think should be kept in every business office of any considerable size.

11. (*a*) Why is fixed routine essential in business organization?
(*b*) Why should individuals and departments pull together, and whose duty would it be to check antagonism amongst them?

12. How would you equip, for yourself and one junior clerk, an office suitable for a small business that you are about to start?

## CHAPTER II

### MAIL, POST OFFICE, AND TELEPHONE

## 4. THE INWARD MAIL

### RECEIPT OF THE MAIL

THE small business receives its letters from the postman on his round. The large business has a numbered box at the post office, and its incoming mail is not delivered in the ordinary way, but is specially collected from the post office two or three times a day. Where the business is a very large one, the staff that opens the incoming mail should reach the office earlier in the morning than the ordinary staff, so as to get all letters opened and sorted for the hour when business begins. The opening and sorting should proceed under the eyes of a capable supervisor.

### OPENING THE MAIL

The mail bag or bags would be emptied on a large table, and the openers sitting round would first separate the sealed envelopes from the unsealed. Then, whilst some of the openers were taking invoices, statements, circulars, etc., from the unsealed envelopes, others would be slitting the flaps of the sealed ones. Experienced openers would take out the contents, unfolding them quite flat, and pinning all enclosures neatly together where any envelope contained more than one document. The enclosures should be scrutinized to see that they appear in order. Queries can be

dealt with more easily and satisfactorily at the time of opening than after the letters have passed into other hands. Particularly should money enclosures be checked with the amounts indicated on the accounts or letters they come with, and it is a good plan for the opener to initial on the letter or account the amount of money he finds enclosed. Any discrepancy should be checked at once by another opener. Both should then initial for the amount actually received, and the envelope should be attached.

All envelopes should later be slit down the sides and opened out flat to make sure nothing has been left in them by oversight. It would be well to keep them for a few days, as now and again some doubtful point can be settled by reference to the post mark or the address on the envelope. Every document taken from an inward letter should be stamped with the date of receipt, and in many offices a stamp is used that shows the hour of receipt as well. Often enough, there arises the question of the time when a particular letter came to hand.

## DISTRIBUTION OF THE CONTENTS

It would be only in a small office that all incoming communications passed before a principal of the business. In most commercial houses, some would go to one responsible person, some to others, and the inward mail would need to be sorted according to the destinations of its varied contents. A basket or a tray for each destination would be provided in the opening room. The contents would be distributed thus—

1. *Customers' orders* would be handed either direct to the selling departments that were to execute them; or first to a sales manager's or an order office, which would keep a record of orders received, of execution and dispatch. Here, for the information of the principals, some list might be made each day of the number of orders received, or of the quantity or value of the goods they represented.

2. *Cheques received* would go to the cashier to be entered in the Cash Received Book, and to be prepared for the bank. From the Cash Received Book they would be posted to the credit of the paying customers' accounts.

3. *Customers' letters*, other than orders, would perhaps pass to the Correspondence Office, if they were inquiries or complaints about goods—to the Counting House, if they were about accounts.

4. *Travellers' reports* would go to the sales manager or to the director or other person by whom travellers and outdoor salesmen were supervised.

5. *Suppliers' Statements of Account*, also receipts for payments sent out, would be handed to the keepers of the creditors' ledgers. The statements would be checked and discounted ready to be paid when due. The receipts would be filed away in the order of the entries made for the payments in the Cash Payments Book.

6. *Invoices inwards* would go to the Goods Receiving Room to be checked with the goods, and to be passed by the buyers of the departments that ordered the goods. The invoices would then be handed to the Counting House to be entered up and posted to credit of the suppliers' ledger accounts.

7. *Letters from suppliers* or would-be suppliers of goods would be handed to the buyers interested, or to the Buying Office, if there was a special office for that purpose in the particular business.

8. *Letters about shares* or shareholders would go the Secretary of the company, also letters about matters that the Board of Directors would deal with.

## RECORD OF RECEIPT

Orders received are best recorded in an office set apart for that purpose and for keeping watch upon them until the goods are dispatched. Remittances received are recorded by the Cashier's Office.

Statements, receipts, and such like scarcely need to be recorded when they come in, but a list should be made of all invoices received, and from this list the Counting House should check off all that are passed by the buyers. What are not checked off should still be in the Goods Receiving Room.

For letters, as distinct from other documents, it is advisable that some record be kept to show what letters have been received and how they have been disposed of by the Mail-opening Room.

LETTERS FOR ..... DEPARTMENT

Day ..... Date ..... Time .....

| Surname | Town | Any Remarks |
|---|---|---|
| | | |

The record should, however, be simple and easily made. Each batch passed on to any department could be listed, the list being duplicated by carbon leaf. One copy of the list would be left with the letters at their destination; the other copy would be signed by the person receiving them, he taking care to see that the number of letters listed corresponded with the number he received. The signed lists would be filed in the letter-opening room.

### NEED FOR SMART DISTRIBUTION

All this work should be got through speedily, so that the persons concerned shall have their

letters as soon as possible. If distribution is slow disappointments and inconveniences such as the following are likely to result. An advantageous offer of goods may be picked up by a competing business before our buyer has the chance to telephone or telegraph his acceptance. An important caller may arrive before the letter notifying his coming has reached the person who should be prepared to interview him. A special order from a valued customer may pass for execution too late to catch the train by which the customer wants the parcel sent.

### QUESTIONS

1. How would you organize the work of opening the letters received by a large business? Mention some of the regulations you would require the opening staff to observe.

2. When letters are received in an office, how should they be opened? How should each letter be dealt with before it is answered?

3. What records (if any) would you keep in business of incoming letters and other documents? Show the form of any record you would recommend.

4. The correspondence of the day includes—

(*a*) Offers of goods, (*b*) complaints, (*c*) orders for goods, (*d*) invoices for goods purchased, (*e*) inquiries about goods.

How should the Correspondence Department deal with these? (*L.C.C.*)

## 5. THE OUTWARD MAIL

### COLLECTING AND ENCLOSING

The clerk, or in a big office the several clerks, who prepare letters for the post, are probably attached to the Correspondence Department of the business. It is their duty to collect outgoing letters and to take charge of those brought to them. It usually is their duty, also, to seal each letter after

inserting in the envelope all enclosures. As a rule, the letter proper is marked with the number of any enclosures to go with it. These should come along with the letter and the addressed open envelope, but the post clerk must be careful to see that they do come, and that he or she encloses them. The post clerk must also take care that letters or enclosures, or both, are never placed in wrong envelopes. Where two or more documents are to go into the same envelope, they should be placed one inside another, so that the receiver of the letter cannot take out part of the contents and unknowingly leave the rest in the discarded envelope.

Folding of letters and enclosures should be done neatly, and it takes very little more time to fold neatly than slovenly. To start, place the bottom left-hand corner of the paper over the top left-hand corner, edge over edge exactly. Hold it there firmly with the left hand, whilst the right makes a fold straight across the paper. Never put more folds into a document than are necessary to get it into its envelope. Where enclosures are large or bulky, use a bigger envelope, and then less folding will be needed. If, to pass at a lower rate of postage, formal documents or circulars are sent in unsealed envelopes, see that the flaps are neatly tucked inside. In letters to be sealed see that the flaps are stuck down securely, but do not use much water in damping them. That causes the gum to spread from under the flaps, making envelopes stick together, and leading to trouble in the post. For the same reason, similar caution should be exercised in affixing stamps.

## ENVELOPES AND ADDRESSES

It goes without saying that envelopes must always be addressed clearly. That does not mean the putting of unnecessary details into the address, such as a long series of street numbers. The name of the business on the first line, the street with one number on the second, and the town on the third are, with exceptions, all that is needed. If a street number is not available, then the name of the works or the description of the business had better be given. For a large city, the postal district should be added after the town name. In London, where different streets in different districts have frequently the same name, the postal district *must* be given. If sender and addressee are both in London, the word "London" may be omitted from the address, the postal district, e.g. W.C.2 or S.E.15, being sufficient. Don't begin the first line of the address too high, as it will be liable to obliteration by the machines used in the larger post offices for defacing the stamps.

What we call "window" envelopes, that is, envelopes with a transparent panel on the front, are now in common use. Most documents to be sent through the post already contain the address of the person to whom they are being posted. If, then, a document is so folded that the address shows plainly through the window of the envelope, the time that would be taken in writing an outside address is saved. But the document that displays the address must be folded properly for the purpose. If it is folded too small, so that it can be shaken about in its envelope, the address may get

moved away from the window, with the result that part of it cannot be seen by the postman. A little practice soon shows where the folds must come, and frequently there is printed, on invoices and such like formal documents, some indication of where the address is to be typed, and where the folds are to be made. As an alternative to window

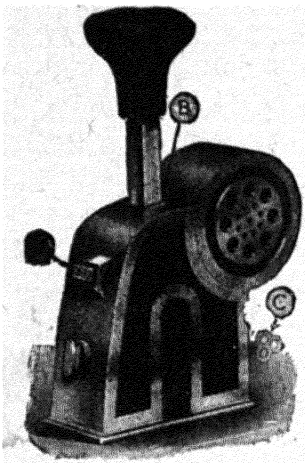

FIG. 1. MULTIPOST STAMP AFFIXER

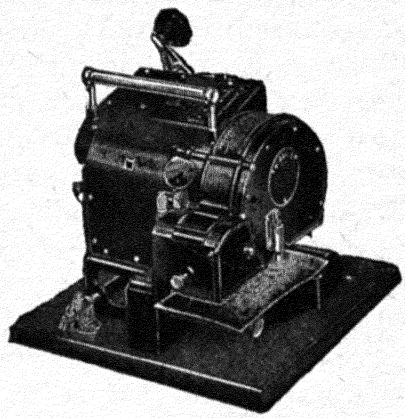

FIG. 2. UNIVERSAL POSTAL FRANKER

envelopes, invoice and statement forms can be used cut into such special shapes that they can be folded and sent through the post without the use of envelopes.

## STAMPING AND FRANKING

Various small machines are obtainable for affixing stamps to letters, and for these the Post Office supplies stamps of different denominations in rolls (see Fig. 1). But, if a "franking" machine (see Fig. 2) is used, adhesive stamps are dispensed with, and a red printed impression is made on

each letter instead. The number of letters that can at any time be franked by a machine is controlled by the local post office. That number is what the user of the machine has paid for beforehand, a detachable meter being locked so that no more than the number paid for can be used until a further payment has been made. These franking machines, licensed by the Post Office, save the Post Office the work of defacement, which is necessary when the usual adhesive stamps have been affixed. In the large business they save time in affixing postage stamps, and they prevent irregularities in the handling of the stamps or stamp money.

Whether letters are stamped by hand or by machine, the post clerk needs to be careful not to miss any, as the receiver would then be annoyed by having to pay double postage on delivery of the unstamped letter. The usual form that stamps are supplied in is perforated sheets with twelve stamps in each row. The post clerk, stamping by hand, should count out twelve letters, tear off a row of twelve stamps, and affix these to the counted letters. Should he miss a letter a stamp will be over. He should then do the same with another batch of twelve, and so on till all are stamped. If he has fewer than twelve to stamp, let him tear off only the number of stamps he needs. This method will prevent any letter being sent out unstamped. Perhaps the most convenient way of keeping the stock of stamps is in a book of several stout blank leaves. Each page or opening would take a different value of stamp, and the sheets of stamps would be fastened to the pages

by the gummed blank margin at the top of each sheet.

Another matter to be watched is that the letters all have stamps affixed of the correct values. If any are not sufficiently stamped double the deficiency again becomes payable on delivery. Letters that have been stamped should always be placed

POST BOOK

| Stamps Bought £ | s. | d. | Name & Town | Stamps Used £ | s. | d. | Remarks |
|---|---|---|---|---|---|---|---|
| | | | —30 June, 19..— | | | | |
| 1 | 1 | 9 | Balance brought forward | | | | |
| 2 | – | – | Stamps bought | | | | |
| | | | Green, Glasgow | | | 2½ | |
| | | | Brown, Birmingham | | | 4½ | Registered |
| | | | Black, Manchester | | 1 | 2 | Telegram |
| | | | 16 Invoices @ 1d. | | 1 | 4 | |
| | | | White & Grey, Walsall | | | 2 | |
| | | | etc. | | | | |
| | | | Total for the day | 1 | 11 | 6½ | |
| | | | Balance carried down | 1 | 10 | 2½ | |
| 3 | 1 | 9 | | 3 | 1 | 9 | |
| | | | —1 July, 19..— | | | | |
| 1 | 10 | 2½ | Balance brought down | | | | |

in a different receptacle from that in which unstamped letters lie. After stamping, the letters should be entered in the Post Book. They are then ready to be posted. Letters should be sent to the post throughout the day in accordance with a time table, so that they shall be on their way as soon as convenient after they are ready, and so that members of the staff can always know when the next dispatch will be made.

### THE POST BOOK

The purpose of the Post Book is to serve (1) as a check on the post clerk in regard to the number of stamps he uses, and (2) as a record of letters posted. The check is effected by requiring the post clerk to bring down in the Post Book every morning the balance between stamps purchased and used, and to agree the value of the stamps he holds in hand with the balance shown in the book. As a record of letters posted, the Post Book is referred to when doubt arises about whether a particular letter was ever sent off. For that reason, entry in the Post Book should be the last thing done with letters before they are taken to the Post Office.

#### QUESTIONS

1 If you were post clerk in a large office, about what matters would you be particularly careful when closing and preparing for the post the letters brought to your desk? How would you deal with documents to be sent in window envelopes?

2. Write the following names and addresses, spaced and punctuated as on envelopes—

(*a*) Harry Carter The Cottage Mount St Derby.

(*b*) Jane Taylor (Mrs) 4 Crescent Rd Salisbury.

(*c*) Collins & Brooks Ltd Drapers Broad St Weymouth.

(*d*) The Stationmaster The Railway Station Torquay.

3. What routine would you follow in stamping sealed letters for the post? How would you arrange to keep your stocks of postage stamps always in good order?

4. What are the uses of a Post Book? Submit a specimen ruling and make a few entries therein.

## 6. POST OFFICE SERVICES

### POSTAL REGULATIONS

Every post desk must be provided with an up-to-date copy of the *Post Office Guide*, obtainable

from any post office. Postal facilities are so numerous that we do not attempt to reproduce all the regulations here. Only an outline of the services available can be given. Full information is to be found in the *Post Office Guide*, to which the post clerk must refer whenever in doubt.

### Rates of Postage[1]

The more common rates of postage, inland, imperial, and foreign, are as follow—

1. *Letters*—

| | d. |
|---|---|
| Inland, including the Isle of Man, Channel Islands, and Northern Ireland and Eire, not exceeding 2 oz. | 2½ |
| each additional 2 oz. or fraction of 2 oz. | ½ |
| British Territories abroad and United States of America, first oz. | 2½ |
| each additional oz. | 1 |
| Other places abroad, first oz. | 3 |
| each additional oz. | 1½ |
| Post cards—inland, each | 2 |
| all other places, each | 2 |

2. *Printed and Commercial Papers*—

| | |
|---|---|
| Inland, first 2 oz. 1d., each additional 2 oz. up to 2 lb. | ½ |
| Abroad, all places, each 2 oz. | ½ |

There are variations in these rates for newspapers by inland post, and samples by foreign post with certain minimum charges.

3. *Parcels*. The inland rates (excluding Eire) are—

| | s. | d. |
|---|---|---|
| For the first 3 lb. | | 8 |
| ,, each additional lb. up to 8 lb. | | 1 |
| ,, 8 lb. to 15 lb. | 1 | 2 |

Foreign rates are so various that the *Post Office Guide* must be consulted for each country.

## REGISTRATION AND COMPENSATION

Letters and parcels for home or abroad can be sent by "registered post" on payment of an additional fee. A letter or package for registration should be handed in at the counter of a post office, where a receipt will be given for it. On delivery to

[1] Subject to variation.

the addressee, a receipt is taken by the postman. For a further small fee the sender can be furnished with an advice of delivery, when he thinks it advisable that he should obtain evidence of delivery having been effected.

The usual additional fee for the registration of an inland letter or parcel is 3d. In case of loss in the post, compensation will be paid by the Post Office. The ordinary fee entitles the sender to compensation for loss up to £5. For higher amounts and for insurance of foreign packets, higher fees are charged. The maximum compensation obtainable is £400 for one packet. If a registered letter contains money, compensation will not be paid unless one of the special envelopes provided by the Post Office for registered letters has been used. Ordinary envelopes used for other registered letters must be marked with the familiar registered crossing—a vertical and a horizontal blue line on the face and on the back of the envelope. Registered parcels must be similarly marked, and must also be sealed securely with wax.

## POSTAL ORDERS AND MONEY ORDERS

*Postal Orders* payable in the United Kingdom, Eire, and in British Dominions and Possessions, are issued in exchange for cash in denominations rising by 6d. steps from 6d. up to 5s., then for 6s., 7s., 7s. 6d., 8s. and by 1s. steps up to 21s. Odd pence between these amounts may be provided for by affixing postage stamps to the postal order. The commission charged is—

| | *d.* |
|---|---|
| On amounts from 6d. and 1s. | 1 |
| ,, ,, ,, 1s. 6d. to 5s. | 1½ |
| ,, ,, ,, 6s. to 21s. | 2 |

To obtain a *money order* the applicant must fill up a form naming the person to be paid and the post office at which payment is to be made. Money orders are issued for any amount up to £50 inland, £40 foreign, in one order. The commission charged for inland money orders is—

| | s. | d. |
|---|---|---|
| Not exceeding £3 | | 4 |
| above £3 up to £10 | | 6 |
| ,, £10 ,, £20 | | 8 |
| ,, £20 ,, £30 | | 10 |
| ,, £30 ,, £40 | 1 | – |
| ,, £40 ,, £50 | 1 | 2 |

For foreign money orders the commission rates are—

| | s. | d. | | s. | d. |
|---|---|---|---|---|---|
| For £1 | | 6 | For £4 | 1 | 9 |
| ,, £2 | 1 | – | and rising by 3d. per £1 up to | | |
| ,, £3 | 1 | 6 | 10s. 9d. for £40. | | |

Postal orders and money orders may be crossed like cheques. Then they will be paid only on collection through a bank, and, if a bank is named in the crossing, they will be paid through that bank only. Within the United Kingdom and Eire, and to certain countries abroad, money may be remitted by *telegraph money order* in accordance with the regulations published in the *Post Office Guide*.

**Postal Orders and Money Orders Compared**

The receiver of a postal order or a money order need have little fear of not being paid, because the Post Office receives payment from the sender before the order is issued to him. The part that the Post Office plays, in return for its small commission, is simply to take a certain sum of money from one person, and to pay out an equivalent sum to another person usually in another town.

From the sender's point of view, however, the money order is a safer means of transmission than the postal order. The office issuing a money order takes the name of the sender, also the name and town of the person to whom payment is to be made. The name of the payee does not appear in the money order as it is issued to the sender, but it appears in the advice sent by the issuing office to the office where the order will be paid. At that office the paying clerk gets a receipt from the person who applies there for payment, and it is the clerk's duty to see that the signature on the receipt corresponds with the payee's name in the advice. Postal orders, on the other hand, are issued with name and town of the payee in blank; so that as long as they remain blank, any persons coming into possession of the orders can make them payable at any town and to any name. Besides, the office that does pay has no advice by which to check the signature of the person taking payment.

**AIR MAILS**

Letters, post cards, printed papers, samples, and parcels can all be sent by air mail, where air-route services are now in operation. Particulars of routes, fees, etc., are given in the *Air Mail Leaflet*. Before war interrupted the services in 1939 air mail had become the ordinary means of carrying letters from and to all parts of the Empire.

**OTHER SERVICES**

There are Post Office facilities for: (*a*) *Express letters*, which are delivered from the post office at

destination to the addressee by special messenger; (*b*) *Poste Restante*,[1] where a letter addressed, for example, to Mr. Peter Gibbons, Poste restante, Scarborough, will be held at Scarborough post office "until called for," provided Mr. Gibbons calls within a fortnight; (*c*) *Cash on Delivery* (*or C.O.D.*) *services* at home or abroad, where payment of goods can be collected by the postman at the time he delivers the parcel. In addition, the Post Office handles Savings Bank and Annuity business, National Savings Certificates, Inland Revenue Stamps, National Health and Unemployment Insurance stamps, and payment of old age pensions. Telegraph and telephone business is treated of separately in the following two sections.

### QUESTIONS

1. Explain what services the Post Office renders to traders. (*R.S.A.*)

2. (*a*) What is the postage on: (i) a 2 oz. letter from Dover to Edinburgh; (ii) a 2 oz. letter from Dover to Paris?

(*b*) A 6 oz. letter from London to York bears a penny stamp. What will the surcharge be?

3. Give an accurate description of the facilities afforded by the Post Office for transmitting money from place to place, and point out the limitations imposed upon their employment. Examine the nature of the security offered by the several methods available. (*R.S.A.*)

4. What are the postal regulations for the registration of letters and parcels? What benefits does registration give?

## 7. TELEGRAMS

### INLAND RATES AND REGULATIONS

Telegrams, the senders and recipients of which are both within Great Britain and Northern Ireland,

[1] *Restante* is the present participle of the French verb *rester*, to remain or to wait.

are charged 9d. for nine words plus 1d. for each additional word. Night telegraph letters can be sent at 1s. for thirty-six words and 1d. for every three words more. To and from Eire ordinary telegrams cost 1s. 6d. for twelve words and 1d. for each word additional.

Unintelligible combinations of letters in the body of a telegram are charged as five to the word. Numbers, too, are counted five figures to the word. Thus, 2451 and 30972 are each taken as one word, 309726 as two. Letters and other signs each count as the equivalent of one figure. So that 23½ (with five characters), 104A or 22nd (with four characters) each pass as a single word, whilst 123½ or 1421st (with six characters), is charged as two words. Ordinary compounds such as fifty-six, bi-weekly, and printing-press are taken as single words. So are surnames like O'Neil and MacDonald, and names like Stuart-Melville joined by hyphen. Place names such as Newcastle-on-Tyne and Bishop Auckland, or as St. Pancras and Camden Town, are counted as single words, if they are the names of towns or villages, or of districts within a town or city.

Telegrams should be written by the senders on the forms provided by the Post Office. The sender may pay for a telegram in reply up to 48 words, and in that case a reply-paid form is enclosed when the first telegram is delivered. Telephone subscribers may dictate telegrams over the telephone to certain telegraph offices, being charged the local telephone call extra, and they may receive telegrams in the same way. Any person may, for a fee of £2 a year, register an abbreviated

telegraphic address of two words, the second word being the name of the town, as "Hercules Liverpool." In London an indication of the appropriate delivery office is inserted free of charge in each registered telegraphic address, thus, "Sycophant Wesdo London."

### FOREIGN TELEGRAMS

These may be sent to many places nowadays by "radio," or they may be sent by the telegraphic cables laid before "wireless" communication was developed. The rates for telegrams to the Continent of Europe vary from 3d. a word for France, Belgium, etc., to 6d. a word for Turkey. There is a minimum charge, which is that for five words, and there is a special rate of double the ordinary charge for telegrams marked "urgent." Code telegrams go at lower rates and letter telegrams (marked ELT) at less still.

Examples of ordinary rates to countries outside Europe are: South Africa, 1s. 3d. a word; New Zealand, 1s. 3d.; Japan, 2s. 9d., United States of America from 9d. a word for New York City to 1s. 6d. for Alaska. To some destinations beyond Europe urgent telegrams are taken at double the ordinary rates, and to most places some of the following lower rates are in operation for telegrams in plain language, but not for "code" or "cypher."

1. *Deferred Telegrams* (marked LC). The rates for these are usually half the ordinary rates, and transmission is deferred only so long as to allow higher priced messages to pass in precedence.

2. *Night Letter Telegrams* (NLT), normally delivered in the morning of the day next following that of handing in.

3. *Day Letter Telegrams* (DLT), normally delivered on the next morning but one.

4. *Post Letter Telegrams* (PLT) to Canada, telegraphed from London to Montreal, and handled as letters afterwards.

For any letter telegram, whether ELT, NLT, DLT, or PLT, there is a minimum charge, which covers twenty-five words. In the Extra-European system, as in the European, the minimum charge for plain language is that for five words.

**Plain Language and Code**

(1) *Plain Language* telegrams are those written in ordinary words used in their ordinary meanings. In telegrams for abroad, words of not more than fifteen letters are each charged as one word. Any excess over fifteen letters must be paid for at the rate of fifteen letters to the word. Groups of figures, or of letters, figures, and signs combined, are charged at the rate of five to the word as in inland telegrams.

(2) *Code Language* consists of artificial words or of dictionary words used in other than their ordinary meanings.

Foreign telegrams in code language are accepted at reduced rates. In the European system the minimum charge for a code telegram is the charge for five words. In the Extra-European system the minimum code charge is the same.

A sender who wishes his telegram to be charged at code rate should say so when he hands the telegram in. It will then be marked with the indication CDE. To pass as one telegraphic word, a code word must not exceed five letters.

A proper name may be inserted, or a dictionary word of more than five letters, if it is used in its ordinary meaning, and it is charged at the rate of five letters to the telegraphic word. Figures with a secret meaning are not allowed in this class, but only in cypher telegrams.

(3) *Cypher Telegrams* may consist of either groups of figures or groups of letters not fulfilling the conditions attached to plain language or code, but figure and letter groups must not be used together. Cypher telegrams are chargeable at the rate of five characters to the telegraphic word.

### EXAMPLE OF CODE

There are many books of code words published, and foreign merchants often issue to their customers or correspondents private codes of their own. Some of the code books consist of ten-letter words, others of five-letter words. The manner of using them will be understood from the following simple illustration.

EXAMPLE. Brown, Jones, & Gibson of London, whose telegraphic address is "Brownjong Cent London," desire to telegraph to their agent in Capetown in answer to his inquiry for instructions. The agent is named Langford, and his telegraphic address is "Farkross Capetown." Brown, Jones, & Gibson wish Langford to see that a certain shipment of goods is not delivered to the buyer of the goods until he has paid the bill of exchange drawn on him for their value. And, should the bill not be met, Langford is to sell the goods elsewhere for the best price he can get.

The "A B C, Sixth Edition" is a book of five-letter code words in which we find, in their proper places, the following code words made to stand for the phrases given against them—

| *Code Word* | | *Phrase* |
|---|---|---|
| PEPHA | = | Do not deliver the goods. |
| YADMO | = | Before payment is made. |
| YAGAI | = | If payment not made. |
| PFASY | = | Sell the goods on best possible terms. |

Brown, Jones, and Gibson could send Langford a cable like this—

> Farkross Capetown Pepha yadmo
> yagai pfasy Brownjong

The message would go, in that form, at the reduced rate applicable to code language, the address and the sender's telegraphic name coming under the plain language charge of fifteen letters to the word. This telegram, however, written out in full in plain language, need not contain more than twenty-five words. In that form it could be sent at the minimum DLT rate. When received its meaning would be clearer than if it were written in code, whilst the sender would be saved the trouble of coding the message and the receiver of decoding it. The reduction in recent years of the ordinary charges for foreign telegrams, and the introduction of deferred and other rates on lower scales still, have caused the use of code telegrams to decline.

### HINTS FOR COMPOSING TELEGRAMS

As a telegram is made use of to save time, it must be so worded that the receiver cannot have any doubt about the sender's meaning. If he needs to wire back asking for explanations, time will be lost instead of gained. That is the *first rule* for the sender to observe.

Telegrams being charged for by the number of

words they contain, the *second rule* is that, wherever possible, subject to keeping the sense quite clear, one word should be used in place of two or even three that convey no more meaning than the single one selected.

EXAMPLES—

| | |
|---|---|
| Send by return | = send today. |
| Send at once | = send immediately. |
| We are unable to | = unable to = cannot. |
| Waiting for | = awaiting *or* waiting. |
| Place order for | = order up = book (three Speedwell cars). |
| Showcases for Hopewell Bros. | = Hopewells showcases. |

A *third rule* arises out of the fact that words in full are less liable to error in transmission than are figures or abbreviations. "Leaving Euston 3.25 p.m. to-day" would be improved, if re-written as "Leaving Euston three twenty-five this afternoon," although in the latter form it takes one telegraphic word more. For the same reason, "forty-seven and six" is preferable to "47/6," "thirteen hundred" to "1300," and "Manchester station" to "F.O.R. Manchester."

For saving on the cost of telegrams by condensation of statement, a *fourth rule* requires that the message shall not contain any repetition either of words or of sense. In: "Coming by train leaving Euston 12 o'clock noon," "coming" is implied in the word "leaving," "by train" is implied in "leaving Euston," and "o'clock" is implied in "twelve noon." Words and phrases should always be placed in the position where each will say most. Condensed to: "Leaving Euston twelve noon," the telegram is quite as effective as before, and

being evidently an inland telegram, it would cost less, where with address and signature the original contained more than nine words. As a further example, "Waiting for delivery of girders wire if any on way work at a standstill," should be revised to: "Work stopped for girders wire if dispatched." This shows how fourteen words can be reduced to seven without any loss of clearness or of sense.

In order to prevent mistakes, it is wise to confirm telegrams by letter the same day. With that object in view telegrams are sometimes written in triplicate by carbon leaf, one copy being sent to the post office, another with the confirmatory letter, and the third kept for reference. Telegrams, however, are not now resorted to so much as they used to be, the telephone trunk call being used instead, except where distance causes the latter to be dearer.

### QUESTIONS

1. How would the following be charged in telegrams?
(*a*) can't, (*b*) Ashby-de-la-Zouch, (*c*) 63½, (*d*) 74,862, (*e*) 5729876, (*f*) S.W., (*g*) No. 94, (*h*) 529½, (*i*) 3674th.

2. What is a telegraphic address, and what is its advantage? What rules are laid down by the Post Office with regard to the words in a telegraphic address?

3. Why are telegraphic codes used? Compile a fragment of code, and show how you would use it.

4. Draw up a telegram, as short as possible, from "Ajax" to Mr. Charles Smith, King's Parade, Brighton (T.A. "Hopeful Brighton"), stating that a representative will call on Thursday, 23rd April, to discuss the terms proposed by Mr. Smith in his letter of Saturday, 18th April, and to give fuller details of repairs to be carried out at the premises of "Ajax." State the cost of the telegram.

5. On 30th September Hawkins & Thorndike, Ltd., Lanchester, order from Quickly & Leadham, London, 5,000 "Easyfind" Index Filing Cards, No. 00645, 6 in. × 4 in., ruled feint, to be delivered by 8th October. Quickly & Leadham cannot guarantee delivery

before 10th October. Hawkins & Thorndike accept delivery for the 10th October. The transaction is carried out by telegraph. Write the telegrams, supplying—

(*a*) Times of dispatch and receipt of telegrams.
(*b*) The actual words of each telegram.
(*c*) Suitable telegraphic addresses. (*U.L.C.I.*)

## 8. THE TELEPHONE

### HELPFUL HINTS

The novice will do well to study the hints and instructions that are set out very fully in the Telephone Directory. Like the telegraph, the telephone is made use of to save time. Some of the hints have that object directly in view, and all of them are intended to lead to efficiency in working. The person making a call ought to have the number he wants ready, so as not to keep the operator waiting while he fumbles about to find it or confirm it. He should also be quite sure he asks for the correct number from the latest issue of the directory. If he occupies the line asking for a number he does not want, he wastes the time of himself and the operator, and he obstructs other intending callers. Time will be saved, again, and the line cleared more quickly for another subscriber's use, if the person answering a call announces his name or number at once, without waiting for the caller to ask who he is.

The user of the telephone must drill himself into speaking distinctly—a little slower than in ordinary conversation, and a little more articulately. If he does that, and speaks well into the mouthpiece of the transmitter, he will not need to shout. The hints in the directory on pronunciation, and on

making doubtful words plain to the hearer, should be read. If the listener has to leave his 'phone before the conversation is finished, he must not hang up his receiver, for that will cut the caller off. On the other hand, when the conversation does end, he should hang the receiver up at once, for, if he does not, other callers will not be able to get through. The Telephone Directory reminds subscribers that there are at least three parties to every call—the caller, the operator, and the person called. It is the duty of all three to help each other as much as they can, remembering that, if one of the parties is careless or indifferent, he causes trouble to the other two. Thoughtless want of co-operation does, at times, make telephonic communication somewhat irritating.

### TELEPHONE MANIPULATION

A subscriber attached to a "manual" exchange asks the operator at the exchange for the number required, and the operator gets the subscriber through. As a rule, telephone numbers should be given to the operator in pairs of figures, with a slight halt between each pair. The following examples show how—

| | | | |
|---|---|---|---|
| 12 | is to be | pronounced | one two |
| 0023 | ,, | ,, | double oh . . . two three |
| 0134 | ,, | ,, | oh one . . . . . three four |
| 2002 | ,, | ,, | two oh . . . . . oh two |
| 2354 | ,, | ,, | two three . . . five four |
| 2622 | ,, | ,, | two six . . . . double two |
| 3000 | ,, | ,, | three thousand |
| 3400 | ,, | ,, | three four . . . double oh |

On the newer "automatic" exchanges each subscriber has a dial attached to his telephone. If he wants a subscriber who is on the same or an

adjacent automatic exchange, he gets through himself, by dialling the number, or the exchange and number, he needs. By audible signals, which are explained in the Telephone Directory, an automatic exchange notifies the caller how his call is proceeding. A "dialling tone," to be heard when the receiver is lifted by the caller, indicates that dialling may be begun. A "ringing tone" tells that the called subscriber's bell is ringing. An "engaged tone" notifies the caller that the line is engaged, and a "number unobtainable tone" lets him know that he has not got through from some other cause. If an error has been made by the caller, he should depress the receiver for a few seconds, listen for the dialling tone, and begin again. When a distant exchange is required, the subscriber dials for the trunk call operator.

### TRUNK CALLS

"Trunk" calls are those made to distant towns, and they are so named because they pass over main or trunk lines that run between important points of the national telephone system. We proceed to obtain a trunk call by asking the trunk operator for the town and exchange number we want. Then we hang up the receiver and wait for our exchange to let us know that connection has been made. If the trunk line is busy, our turn may not come for some little time.

From midnight to 6.30 p.m. and from 9.30 p.m. to midnight trunk call rates vary from 10d. for points between 15 and 20 miles to 3s. 9d. for points beyond 125 miles. From 6.30 p.m. to 9.30 p.m. there is a reduced rate of 1s. 6d. for anywhere

beyond 75 miles, whilst shorter distance calls cost less. These are the minimum charges in Great Britain and Northern Ireland for ordinary trunk calls not exceeding three minutes each. To Eire the charges are higher.

A "personal" call is one that will be timed only from the moment that the person asked for is found and is ready to speak. Personal calls are subject to an additional charge. Also, for an extra charge, a call can be booked beforehand to be made at a fixed time on any single day, or on every day over a period.

### OVERSEAS SERVICES

Telephonic communication is available between this country and the Continent of Europe, also radio-telephonic communication between this country and many more distant lands. Like those for inland trunk calls, the charges for places abroad are calculated on a minimum for the first three minutes, and one-third of the minimum for each succeeding minute of conversation. From London to Paris the minimum day charge is 6s.; to Rome 18s. 6d. The service to Germany and the Balkan countries is temporarily suspended. London to Australia costs £3 for the first three minutes. To Canada and the United States the minimum rises from £3 day and £2 5s. night for Toronto or New York to £3 15s. day and £3 night for cities farther west.

### DEPARTMENTAL TELEPHONES

The Post Office will install an extension from the main telephone, in any business or private house,

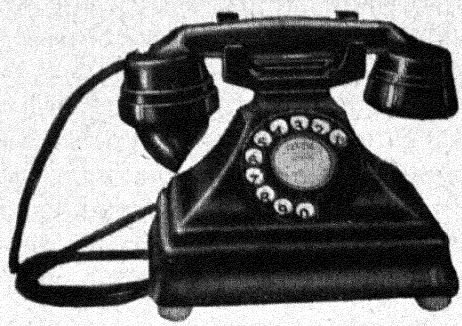

FIG. 3. SIEMENS "NEOPHONE" AUTOMATIC TELEPHONE

FIG. 3A. SIEMENS "NEOPHONE" INTERCOMMUNICATION TELEPHONE

to any part of the same or another building. Many business houses have these extensions put into all departments. They enable any person to be switched through, and to speak direct from his own room or desk, to any exchange number outside.

Business houses, too, often possess an inter-departmental telephone system of their own. By that means any department can ring up any other, and save the time and cost of sending messengers from floor to floor and building to building. Inter-departmental telephones are usually worked without a switchboard attendant, each caller obtaining himself, by dial or otherwise, the department he requires. (See the "Neophone" illustrations, Figs. 3 and 3A.)

### RECORDING TELEPHONE MESSAGES

For trunk calls, and especially for overseas calls where the charges are high, a record should be kept of each call made, so that the telephone account can be checked satisfactorily when it comes in each month or quarter. Local calls are not so costly and, being very numerous, are much more troublesome to keep correct account of, if the attempt is made.

But, apart from the purpose of checking charges, some record of the substance of a telephone conversation is frequently advisable. If the communication is an outward one, and if it is a matter of importance (e.g. accepting an offer of a stated quantity of goods at a stated price), it should be confirmed by letter. The copy of the letter sent in confirmation will then be sufficient record of what

has happened. Should the communication be an inward one, a note on one of the blank forms provided for the purpose, and made by the person who takes the message, will keep the communication from being forgotten, until a confirmatory letter, if any, is received from the other party. When the matter is of less importance, an informal dated note, probably attached to previous correspondence, will be record enough.

### QUESTIONS

1. State how the telephone may be used for sending and receiving telegrams, and give the charges.

2. Describe the procedure of making a local telephone call, (*a*) by manual exchange, (*b*) by automatic exchange.

3. How do telephone trunk calls differ from local calls? What facilities are available for telephonic communication overseas?

4. Explain some of the suggestions officially made for the more efficient use of the telephone service.

5. Explain what benefits are obtainable from the installation of inter-departmental telephones in a business house.

### EXERCISES ON CHAPTER II

1. Suppose you are engaged in opening your firm's morning mail, and that you take from an envelope postal orders value 22s. 9d., whilst the covering letter states that 32s. 9d. is enclosed. What exactly would you do?

2. Give reasons why the opening and distribution of incoming letters should always be carried through with dispatch.

3. What steps would you take to make sure that nothing was left by oversight in the opened envelopes of the inward mail? Would you, or would you not, throw the envelopes away at once? Why would you keep them or discard them?

4. How should the letter-opening staff distribute (*a*) cheques received, (*b*) receipts coming in for cheques previously sent out, (*c*) reports from travellers on distant grounds, (*d*) letters and documents connected with the company's share capital?

5. A letter has to be sent to Jinks & Jackson, motor wagon manufacturers, 221, 223, and 225 North Road, Coventry. Show how you would write the address on the envelope.

What are the advantages of window envelopes over ordinary envelopes?

6. Are there any benefits to be derived from the use of a machine for the franking of outgoing letters, and, if so, what are they?

7. A careless post clerk posts one letter without any stamp, and another insufficiently stamped. What will happen in consequence, and how could such mistakes and their consequences be prevented?

8. What is the postage on (*a*) a 4½ oz. letter from London to Bristol, (*b*) a 2½ oz. letter from Bristol to New York, (*c*) a 1½ oz. letter from Southampton to Amsterdam, (*d*) a 6½ lb. parcel Birmingham to Glasgow, and (*e*) a 7 oz. packet of commercial papers from this country to South Africa?

9. Describe the routine for registration of a postal packet, and state how evidence of delivery can be obtained.

10. Compare the postal order and the money order in regard to safety as a means of remitting money. Do you prefer one to the other; and, if so, why?

11. What is meant by "crossing" a postal or a money order? What difference as regards payment does the crossing make; and what advantages, if any, does it give?

12. What are (*a*) an express letter, (*b*) *poste restante*, (*c*) the C.O.D. postal service?

13. What do LC, NLT, and ELT signify on telegrams sent abroad? How do telegrams bearing these letters differ from ordinary telegrams?

14. State some of the rules you would observe in the writing of telegrams as distinct from letters.

15. What records do you think it advisable to keep in business of outward telegrams?

16. What are your views about keeping record in business of telephone messages and conversations?

# CHAPTER III

## THE BUSINESS LETTER AND THE TYPIST

## 9. WORK OF THE TYPIST

### METHOD AND NEATNESS

THE typist who cultivates habits of method and neatness will turn out her work much better because of these, and with a greater sense of satisfaction to herself. Where a typist's table and papers are kept more or less in a muddle, traces of the muddle are almost sure to find their way into the work she produces.

The efficient typist will clean her machine carefully every morning, and she will maintain it as well as she can in sweet running condition. The different stationery forms and envelopes she uses will all be kept tidy and clean. They will not be flopped about all over the desk, but each kind will be kept by itself, and all so arranged that any kind is easily accessible when needed. The stationery most in use will, of course, be in the most accessible positions.

The typist's notebook will be provided with a strong rubber band to hold back all the leaves that have been used. The place will then be found quickly when the next letter has to be taken down. If letters are taken down in pencil, the typist will find that a good pencil lasts longer and gives much less trouble than a cheap one. She will find it advisable to keep two pencils well sharpened, so that if one breaks the other can be used

immediately. If she writes with a fountain pen, she will see that it is always clean and filled. If small articles in frequent use are invariably put back in their proper places they will never be missing when wanted.

Typed letters, together with all enclosures and envelopes, should be placed in order in a basket by themselves. Where letters are taken regularly to be signed by different dictators, a cover should be kept for each dictator and be marked with his name. All letters to be signed by him should be placed in his cover. Another basket must be kept for inward letters that have been dealt with and are ready for filing, and for the carbon copies kept of the letters sent out. If the typist closes the letters for the post, she must be very careful to see that letters and enclosures are all placed in their proper envelopes.

### NOTE-TAKING AND TYPING

Letters to be typed are usually dictated to the typist, and taken down by her in shorthand. The good shorthand-typist will make sure that she understands the letter when she takes it down, and she will get doubtful points cleared up before leaving the dictator. When a typist fails to understand what she writes down, she is not likely to reproduce it correctly in its final form. Names and addresses must be taken very carefully always, and the same applies to prices, quantities, and descriptions of goods, to pattern and sample numbers. Letters should be dictated as early in the day as possible, and a number at a time. As a rule, they are typed in duplicate, the carbon

duplicates to be filed away for future reference along with the inward letters, if any, that they answer. Later in the day, probably at an arranged time, the typed letters are brought to the dictator for signing, and the carbon copies for initialing.

Every shorthand-typist ought to make herself efficient in note-taking. Many mistakes appearing in the typed letters arise from bad or careless shorthand, often necessitating the letter being typed all over again. Waste of stationery and frequent erasures are sure marks of inefficiency. Punctuation and the correct use of capitals must be understood and practised. There is little excuse for bad spelling, as the typist should have a dictionary handy in case of doubt. The spelling of peculiar or technical terms not to be found in the dictionary should be inquired about. Before beginning to type it would be well to read the letter through in the shorthand, getting the sense into the mind, and inserting the punctuation marks that seem desirable. The typed letter had better be read through again before it is taken off the machine. Any correction found necessary can be made then with less trouble than after the letter has been removed.

### SETTING OUT THE LETTER

Also, before beginning to type a letter, the typist should judge its length, and decide how best to centre it on the letter paper. A short letter, all typed in long lines near the top of the paper, does not present a good appearance, nor does a long letter begun too low down, so that there is barely room for the signature at the foot. The ends of the

lines need attention as well. If the letter is to look neat, all lines (except the last one of each paragraph and those that are purposely inset) should end about the same distance from the right-hand edge of the paper. How much margin to leave at each side will be determined by the length of the letter to be typed. Very narrow margins do not look well unless the page is very full.

Good paragraphing is an art well worth taking pains to learn. When the dictator indicates where a new paragraph is to begin, the typist will, of course, follow his instructions. If she gets no hint, she must use her own judgment. A letter chopped up into many very short paragraphs gives the reader an impression of disconnectedness. On the other hand, much too long paragraphs give a feeling of tiresome monotony. If a letter deals briefly with each of a number of subjects, a separate paragraph should go to each subject. If it deals at length with one subject, some new turn in the sense, or the introduction of some new point, is the place for a new paragraph to begin.

### EXAMPLE OF PARAGRAPHING

Below is a simple example of the sense of one paragraph being incorrectly mixed up with that of another—

We have to inform you that Mr. A. B. has this day ceased to represent us in the North Eastern district. He is succeeded by Mr. C. D., who has been for the last fifteen years a representative of Messrs. X.Y.Z. & Co.

Mr. C. D. comes to us highly recommended. He has had an extensive experience of our class of trade, and he hopes to call upon you on the 30th instant.

The last clause of the second paragraph is more

in keeping with the tenor of the first paragraph than with the statements that immediately precede it. Also, the last clause of the first paragraph would fit better into the sense of the second. Each of these two clauses should be moved to the other paragraph, and the letter should read thus—

We have to inform you that Mr. A. B. has this day ceased to represent us in the North Eastern district. He is succeeded by Mr. C. D., who hopes to call upon you on the 30th instant.

Mr. C. D. comes to us highly recommended. For the last fifteen years he has been a representative of Messrs. X.Y.Z. & Co., and his experience of our class of trade is very extensive.

## USE OF ABBREVIATIONS

Some abbreviations, because they are used and recognized by everybody, are not only permissible, but are even clearer than the full words for which they stand. For example, it will be generally conceded that 15 Nov. 1942 is at least as clear as 15th November, 1942. A few typists would write both "fifteenth" and "November" in full words, using perhaps three lines for the complete date. The practice is not to be commended. It is done for exceptional effect in the look of the letter, and not for clearness or convenience to the reader.

In a letter the date should never be written like "25/5/1942," but should be given either as 25 May 1942, or as May 25th, 1942. The name of this month cannot be abbreviated. Those of the next two months, June and July, could be shortened to "Jun." and "Jul."; but, as there would be only one letter difference between the abbreviated and the full forms, it is better to give the full forms. March and April are also written

in full. The other months of the year may be shown in the dates of letters as Jan., Feb., Aug., Sep., Oct., Nov., and Dec.

London postal districts, to take some further examples, would be given, as is usual, in initials only, as E.C.2 and S.W.19, and they would be plainer so written than if the full names East Central and South Western were shown. By common practice, "24th ult." or "3rd prox." would usually be written instead of "24th ultimo" or "3rd proximo," and "Esq." would be used instead of the longer "Esquire." The signs of £, lb., oz., cwt., should, as a rule, be typed in place of the complete words, whenever figures accompany them. Discount and interest abbreviations, such as "3¾% prompt" and "5% p.a." should be written so.

Except for examples of the kind mentioned above, abbreviations are to be resorted to sparingly by the writer of business letters. Novices, and even old hands, often have the idea that the frequent use of contracted words makes their letters look "business-like" and smart. That is a mistake. Such contractions as "a/c," "advt.," "a/s," "insce.," are not in general use in correspondence, probably because they are not so plain to the ordinary reader as the full words "account," "advertisement," "after sight," and "insurance." The words should be used in full. So "B/E" and "M.O." should not be substituted for "bill of exchange" and "money order."

### QUESTIONS

1. Reply to *one* of the following advertisements—
   (*a*) Required at once, youth for Liverpool Shipping Office.

Must know the city and be quick at figures. 3,065X *Liverpool Argus.*

(*b*) Wanted immediately, girl 16–17 for business office, Knowledge of typing essential. 2,075B *Birmingham Post.*

In your reply state your age, present occupation, qualifications for the post, and the name and address of a referee. The reply to (*a*) is to be signed "Harold Chitham," that to (*b*) "Maud Noble." (*U.L.C.I.*)

2. For what words do the following stand, and what do they mean?

i.e., e.g., viz., re, inst., ult., prox., p.a., p.c., P.S.

3. Re-write the following letter, correcting grammatical and other mistakes, deleting superfluous words and expressions, and altering the construction or the phrasing where you think either can be improved. Set the letter out neatly, insert all necessary punctuation marks, and write words in full where desirable—

Messrs the Rex Sulphate Co Ltd 24 Gracechurch St EC Sep 24 19.. Gents we beg to ack. rect. of yr. lr. offering to us the sole agency in this town for your goods and beg to thank you for the same we however regret that the commission that you offer is too small to be an inducement to us to take up the agency for yr. goods if you feel however disposed to increase the rate to 10% we shall have much pleasure in giving the matter farther consideration we may point out to you that your goods have at present as you yourselves state no great sale in this district but we think with the means that we have at our disposal we could increase the sales to a considerable extent awaiting the favour of a reply yours faithfully James Brown & Sons. (*R.S.A.*)

6. A business house has rebuilt and extended its premises. Draft a suitable circular letter to be sent to its customers. Point out the improvement in facilities, the opening of new departments, and any other relevant matters.

## 10. FORM OF THE BUSINESS LETTER

The letter on the following page is given as a model to illustrate the points raised in this chapter.

### ARRANGEMENT OF THE LETTER

(1) **The Margins.** On the left-hand side there should be a fairly wide margin; on the right the margin may be a narrower one. The widths

depend in part on the length of the letter the page has to take. All lines, except those purposely indented, should begin at exactly the same distance from the edge of the letter paper. They will then give a clean straight margin on the left, of the same width all the way down. The first line of each paragraph should be indented a little from the margin, and each new paragraph must begin exactly underneath the first letter of the paragraph preceding.

**BROWN & JENKINSON LTD.**

HOSIERY DYERS AND FINISHERS

TELEGRAMS:
Brownkson, New Basford.
TELEPHONE: 47051

NEW BASFORD,
NOTTINGHAM,
*15th Aug.*, 19..

MESSRS. C. &. W. POPPLEWELL,
20 Central Avenue,
Kingston-on-Thames.

Dear Sirs,

Fast dyes on hosiery are becoming more and more indispensable. The cuttings that we enclose are from material that has been dyed by our standard process, and has passed through our works along with other goods. As you will see from the condition of the wool in the washed sample, we have not spared the washing. The colour would have been still less affected, had we taken greater care.

The dyes we use have no deleterious effect on the wearer, as they are, in fact, of an antiseptic nature. You will notice, also, that the shades do not turn green under artificial light. We can supply fast dyes on silk, lisle, and mercerized cotton, as well as on wool; and we specialize in dyes for bathing costumes fast to sun and sea-water.

We are dyers to the trade only; but your wholesaler can obtain from any manufacturer, and at no extra cost, goods dyed by us. If you wish it, our trade-mark can be stamped on the goods for a very small extra charge, and we hold ourselves responsible for every article bearing our mark.

Should you be interested in any particular shade, we shall be pleased to send you washing tests on request.

Yours faithfully,
*For* BROWN & JENKINSON LTD.
J. JENKINSON,
*Managing Director.*

The margin on the right is not so easy to regulate. The last words of all the lines should, however, be made to finish as nearly as possible at the same distance from the right-hand edge of the paper, so that the margin on this side shall not be too uneven. Words should not be broken between the end of one line and the beginning of the next, except where that is really necessary for keeping the ends of the lines fairly even. To spoil the margin by squeezing a word in at the end of a line makes the letter unsightly.

(2) **The Letter Heading.** On the quarto paper, now mostly used for typewritten letters, the name and address of the sender are usually printed across the top. Some description of the business is very often given, and telegraphic address and telephone numbers are added. Here, also, in compliance with the *Registration of Business Names Act*, 1916, are shown the name or names of a single proprietor or of partners, where businesses are carried on under names other than the proprietors' correct ones. And the *Companies Act*, 1929, requires that the names of directors of any company registered since 23rd November, 1916, shall appear on the company's letter paper.

(3) **The Date.** The date on which the letter is written is usually typed immediately under the sender's printed address, and so placed as to end at the right-hand margin of the letter. The date is plainer if it is given in the natural order of day, month, and year. The figures for the day and for the year are then separated by the letters standing for the month.

(4) **The Reference.** Frequently, a reference, like

the example below, is inserted just above the direction of the letter. Frequently, again, the initials of dictator and typist as in REF. EDW/FJ. are used instead.

In your reply quote
E.D.W. 429

(5) **The Direction.** The address to which the letter is to be sent starts on the left-hand margin and is usually slanted off by equal steps, as shown in the model above. The person to whom the letter is sent is called the "addressee." In the direction a complimentary title, such as "Mr." or "Messrs." is used, unless the name is an impersonal one. Variations in the title given are dealt with below.

(6) **Opening Salutation.** This begins at the left-hand margin again, exactly underneath the first letter of the direction. The opening salutation makes use of a different set of titles from those of the direction, the most common being: *Sir*, *Dear Sir*, *Gentlemen*, and *Madam*.

(7) **The Body.** This is the most important part, because it contains the message the letter has to convey. The other parts are mostly formal, making up a framework into which this, the essential part, is set. Unless the letter is a very short one, the body should be divided into paragraphs. As explained in Section 9, each paragraph should treat of a separate subject. But, if much is to be written on one subject, a separate paragraph should be given to each phase of the subject. What has to be said should, of course, be so clearly expressed

that the reader of the letter shall not be left in any doubt about the writer's meaning.

(8) **Closing Salutation.** By his opening salutation the writer bows himself, as it were, into the reader's presence. By his closing salutation he bows himself out of audience. This part may consist of the shortest expression of civility or sincerity, as

*Yours truly* or *Yours faithfully*.

In other circumstances, the closing salutation may run to greater length, as in—

*Assuring you of our readiness to serve you at all times,*

*We are, Gentlemen,*

*Yours respectfully*,

where the writer's manner becomes distinctly deferential.

(9) **The Signature.** Usually, the closing salutation, with the signature following it, is made to slope off gradually so that the end of the signature just reaches the right-hand margin of the letter. After the body, the signature is the part next in importance, because it gives authority to the statements that the body contains. As the form a signature takes depends on the capacity in which the writer makes it, we deal next with signatures of different kinds.

### KINDS OF SIGNATURE

There are four forms of signature made use of in commercial letters and documents—

(1) *Signature of a Principal*, as

Yours faithfully,

BLACK & GREEN.

When a person signs as a principal, he writes

and signs for himself, and not merely as the servant or representative of someone else. This kind of signature may be that of the sole proprietor of a business, or, as in our example, it may be the signature of a firm written by one of the partners. In signing the letters of his firm, a partner usually writes the name of the firm and nothing more, so that this example may have been written either by Mr. Black or by Mr. Green.

(2) *Signature of a person writing under instructions*—

Example 1: *For* Black & Green,
Tom White.

Example 2: Black & Green,
*per* T. W.

Example 1 is the more usual form, but in most instances, the initials of the clerk are sufficient. In receipts for money or for goods, however, it is better that the writer's name appear in full, and it may, of course, be written in full in letters as well, if the writer's position is one that warrants such prominence being given to his name. The Latin word *pro* is sometimes used instead of "for," the meaning being the same. The word *per* in the second example means "through" or "by," in sense of "by the hand of T. W."

(3) *Signature per procuration*, as

*per pro.* Black & Green,
Theodore Brown.

"Per pro." stands for *per procurationem*. It means in this example that Theodore Brown has been *entrusted with authority* by Black & Green to write on his own responsibility the letter or other document to which this signature is appended.

A clerk, signing as in (2) above, receives instructions about what he has to say, but a person in a position of responsibility, such as a manager or head cashier, has authority given him to deal with matters coming within the limits of his responsibility. He may, therefore, use the "per pro." signature, and he does not, as is sometimes stated, need the *written* authority of his employers to do so. In this form of signature the writer's name should always appear in full.

(4) *Signature of an Officer of a Company or an Institution*, as—

*For* The Hillborough Potteries, Ltd.,
Thos. Crocks,
Managing Director.

In this kind of signature the director, secretary, or other officer signing should add his designation to his name, as in the example. He may use "per pro." instead of "for," if he wishes to do so, but the authority of a director or secretary is implied in his designation. Some of the distinctions between a company and a partnership were explained in Chapter I. A Chamber of Commerce or a hospital would be an example of an institution.

## THE USE OF TITLES

(1) **Mr. and Esq.** The title "Esquire" is used in its abbreviated form of "Esq." By custom it takes the place of "Mr.," when the individual addressed is a person of some little pre-eminence, unless his standing gives him a title, such as "alderman" or "councillor." It is used, also, for professional men like barristers and solicitors, who have not a professional title like a doctor or a professor. Retai

tradesmen make much use of "Esq." in other cases, for fear of offending customers, many of whom are susceptible to little flatteries. Wholesale dealers and manufacturers use "Mr." and its plural "Messrs." in all ordinary circumstances.

(2) **Miss and Mrs.** The latter is used in the address of a letter to a woman who is married or widowed, the former to one unmarried. "The Misses Smith" is the form to be used for the plural of "Miss." For the plural of "Mrs.," the only word we can use is the French "Mesdames." For both married and unmarried ladies, we say in the salutation, "Madam" for the singular, and "Mesdames" for the plural.

(3) **J.P., M.A., F.C.A., etc.** In addressing letters to a Justice of the Peace, a Master of Arts, a Fellow of the Institute of Chartered Accountants, and others with similar titles, the letters J.P., M.A., F.C.A., etc., must be made to *follow* and not to precede "Esq." Examples—

Philip Gibbs, Esq., J.P.
W. H. Crossfield, Esq., B.Sc.

(4) **Junior.** As "junior" is an addition to the *name* of the addressee, used to distinguish him from a "senior" of the same name, it should precede "Esq.," thus—

Henry Smith, Junr., Esq., B.A.

(5) **Companies.** Where the name of the company is an impersonal one, as in "The Manchester Bill-posting Co., Ltd.," the title "Messrs." is dropped, and "The" usually takes its place. The dropping of "Messrs." is required also in names such as "Brooks Brothers Bakeries, Ltd.," where the impersonal word "Bakeries" is the chief word in the

name. In the salutation of a letter addressed to a company, we have nothing to use except "Sirs" or "Dear Sirs," although neither of these is appropriate, yet it is not customary to omit the salutation. As an alternative, the letter can often be addressed to the manager or secretary, and then "Dear Sir" can be used. A company with a personal name, such as "Henry Smith & Sons, Ltd.," is usually addressed "Messrs. Henry Smith & Sons, Ltd."

(6) **Knight and Baronet.** "Sir" is a higher title than "Esq." or "Mr.," or the plural "Messrs.," and it takes the place of these in such addresses as—

Sir Henry Smythe, Bart., and
Sir Henry Smythe & Sons, Ltd.

"The Right Honourable," used for cabinet ministers and others, has the same effect. Example—

The Rt. Hon. Sir Stafford Cripps,
The Treasury,
Whitehall, London, S.W.1.

## REFERENCE TO DATES

The table below shows how dates should be referred to in the body of a letter, which we shall assume is written on the 15th of August, 1947—

| | | | |
|---|---|---|---|
| For | 1 May, 1946, | write | 1st May, 1946. |
| ,, | 2 June, 1947, | ,, | 2nd June last. |
| ,, | 3 July, 1947, | ,, | 3rd ult. or ultimo, or 3rd July. |
| ,, | 4 Aug., 1947, | ,, | 4th inst. or instant, or 4th August. |
| ,, | 14 Aug., 1947, | ,, | yesterday. |
| ,, | 15 Aug., 1947, | ,, | to-day. |
| ,, | 16 Aug., 1947, | ,, | to-morrow. |
| ,, | 20 Sept., 1947, | ,, | 20th prox. or proximo, or 20th Sept. |
| ,, | 21 Oct., 1947, | ,, | 21st October next. |
| ,, | 22 Sept., 1948, | ,, | 22nd Sept., 1948. |

## THE MEMORANDUM AND THE POST CARD

The "memorandum" is sometimes used for short and informal communications, and takes a form like the following—

**MEMORANDUM**

| | |
|---|---|
| *From*<br>THE SILVERDALE PRESERVING CO., LTD.,<br>Silverdale Works,<br>Silverborough. | 1 *Aug.*, 19..<br>*To*<br>MESSRS. HOPPER & HALE,<br>22 High St.,<br>Haslingford. |

As we have not received back from you any empty cases since the end of May, we shall be obliged by your returning at once all you have on hand.

*F. D.*

Opening and closing salutations are dispensed with in the "memorandum," also a formal signature. The writer may or may not add his initials. Instead of a form like this a post card may be used, and be treated in the same way as regards signature and salutations. The direction must appear on the face of the post card, and it need not, therefore, be repeated on the back.

In any business there are usually a few kinds of letters which recur again and again. For all letters in each of these kinds, the same wording can be used, except for date, direction, and one or two other particulars. These conditions make possible the use of printed forms which have blanks left for filling in the particulars applicable to any given case. Such blank forms are used for (1) ordering goods, (2) quoting prices for the supply of goods, (3) acknowledging orders not being immediately executed, (4) inquiring about the financial standing of new customers, or (5) about the characters of new employees.

## QUESTIONS

1. (*a*) Show on sketches of envelopes how letters should be addressed to (*a*) a bank manager, (*b*) a clergyman, (*c*) a limited company, (*d*) the secretary of a traders' association.

(*b*) Set out the following addresses as they would appear on envelopes, and show the names of the counties in their usual shortened forms—

(i) R. Taylor, 27 High St., Farnley, Yorkshire.
(ii) Walker & Co., 35–39 Castle Chambers, Berkeley, Gloucestershire.
(iii) Frank Brendon, LL.D., Langho, Lancashire.
(iv) Sir James Ashton, Baronet, The Willows, Wellington, Shropshire.

2. (*a*) What is the meaning of *per pro.*? Show an example of the use of the words by Henry Hudson, manager of the business of Millinson & Ward.

(*b*) Show how Walter B. Cassidy should sign a letter as managing director of the Crissington Main Collieries, Ltd.

(*c*) How should Mr. Burton usually sign a letter for the firm of Butterworth & Burton, of which he is a partner?

3. In writing a letter on the 20th June, 1939, how would you refer to the following dates?—

(*a*) 4 Mar., 1939.
(*b*) 21 May, 1939.
(*c*) 6 June, 1939.
(*d*) 21 June, 1939.
(*e*) 10 July, 1939.
(*f*) 30 Oct., 1939.

4. Set out, punctuate, and paragraph in correct form the following letter—

"Sir Transatlantic Telephone Service You will have observed from announcement in the Press that the charges for the Transatlantic Telephone Service have recently been greatly reduced and that telephone service to and from this country has been extended to include parts of South America may I also direct your attention to the improvements which have been effected in the Transatlantic telephone service since it was first opened in 1927 the service is now available continuously night and day and transmission is normally fully up to the standard necessary for conversation to be carried on easily and without effort owing to the provision of four speech channels it is no longer necessary to require calls to be booked considerably in advance in many cases communication can be established immediately if the required person in America is available and there are many instances in which conversation begins within two minutes of the receipt of the application for the call in London the Personal Call is a valuable feature of these

services under this system the Post Office and the distant administration endeavour to trace the person required and a call does not become effective and chargeable until the calling person and the called person commence conversation the Personal Call facility for which on Inland and Continental services an extra charge is made is available without extra charge on transoceanic services I am your obedient servant . . . Controller."

## II. MATTER AND EXPRESSION

### CARELESS LETTER-WRITING

Most of the following examples are taken from actual letters received at some time or other. They are reproduced here to show how *not* to turn out business correspondence. The revisions that emerge from our criticisms are given as suggestions of how the letters might have read had the writers been more competent correspondents.

ORIGINAL VERSION

We herewith beg to return Plan of your Works which you so kindly lent to our Surveyor this morning, and are much obliged for the same.

POINTS CRITICIZED

1. *herewith beg.* The word "herewith" is not intended to go with "beg." It belongs by the sense to "return," and it should be placed after "return," instead of before "beg."

2. *beg to.* This is a much overworked phrase in business letters, often used, as here, where it is inappropriate. The writer of the letter does mean that he is actually begging us to accept return of the plan. Business men, though so much addicted to the use of "beg" in their letters, are very often men of independent bearing, far from being mendicants. The word would, of course, be the right one if it were used in the right connection. It would be quite correct, for example, to beg forbearance for one's mistake or omission, or for unfortunate delay in the execution of an order. But where the phrase is put in the letter merely for sound, and not for meaning, it is better omitted.

3. *Plan.* Write "the plan." It was the plan *which had been lent* that was returned. The definite article "the" is necessary, because it helps to point out "plan" as the antecedent of the

relative "which." By the arrangement of the original, the word "which" would, except for the obvious sense, stand for "works" and not for "plan."

4. *Plan . . . Works . . . Surveyor.* These words are not used as proper names. Nor are they used in any manner that, by custom, requires them to begin with capitals. In the name of particular works, such as "Progress Works," or in a title such as "Plan of the Ages," the capitals would be used correctly. Here the words should begin with small letters.

5. *which you* may be omitted, as it does not make the meaning the least bit clearer. The relative "that" is very often better than "which," when used to point out a particular object. Compare—

(i) The book that you lent me will be returned next week.

(ii) The moon, which shone brightly, was a welcome friend.

In (i) the relative is used in a distinguishing sense, in (ii) it is not.

6. *so kindly.* "so" serves no purpose and may be omitted. "Kindly" is also a word that business letter-writers tend to overwork. If it were omitted here the quality of the letter would not suffer, and the sense of the word can be introduced with better effect lower down.

7. *and are.* The subject of the verb "are" is not plain. Better re-introduce the pronoun "we," and so make the statement exact and clear.

8. *same.* This, again, is a much hackneyed word. Its real signification is "similar" or "identical," but that meaning does not suit the context here. The third personal pronoun "it" is the right word to use, if a pronoun must be used instead of repeating the noun. In "You stumbled on that step yesterday; I did the same to-day," the word "same" is given its proper meaning.

Bringing in here the sense of the word "kindly," which we previously discarded, we may say "much obliged for your kindness in lending it."

*Our revised version* of the letter will now read—

We return herewith the plan of your works borrowed by our surveyor this morning, and we thank you for your kindness in lending it.

The use of "borrowed" in one place and of "lending" in another gives a little variety to the diction.

## ANOTHER BAD EXAMPLE

### The Original Letter

31 *Oct.*, 19..

In reply to your letter of the 30th inst. *re* napping of the piece as pattern sent us, we could nap this in 3/4 days after receiving same, but we could not say what kind of nap it would make, as it is rather on the coarse side for this purpose, however, we will do it for you, if you will send it along, the price will be 2½d. per yard.

### Suggested Corrections

1. Say "letter of yesterday" instead of "letter of the 30th inst."

2. For "re" write the simple English words "about the." "Re" is a Latin word much used by lawyers, and meaning "in the matter." Many business people use it mistakenly thinking it to be an abbreviation of "regarding."

3. Does "as pattern sent" mean that the piece is of the same material as the pattern; or that the napping is to be done like that of the pattern?

4. "In reply . . . we could nap" is not sense. It is not the *napping* of the cloth that would constitute the reply. The reply consists of the writer's *statement*, and his letter should read, "In reply . . . we may say that we could, etc." Better still, perhaps, would be, "We desire to say, in reply . . ., that we could etc."

5. In place of "3/4 days," write "three to four days."

6. For "after receiving same," say "after receiving the piece."

7. Instead of "but we could not say," use the present tense, and write "but we cannot say." The writer means that he cannot now say. After the napping had been done he would be quite well able to say what kind of nap had been made.

8. "For this purpose." "Process" is a more fitting word than "purpose" in this connection.

9. Begin a new sentence at "however," and re-arrange the words thus: "We will, however, do it for you, etc." It is a very common fault in letter-writing to run on, tacking statement on to statement in a single conglomerate sentence that is dragged out far too long.

10. "However we will do it" is a rather unnecessary repetition of "we could nap this" earlier in the letter.

11. As our revised letter now stands we must begin another new sentence at "The price will be . . ."

12. This statement about price would fall more naturally into a place immediately following that about the time the napping would take.

13. In "2½d. per yard," the English word "the" would be quite as effective as the Latin "per," though some writers prefer the latter, because they think it smarter.

THE REVISION

31 *Oct.*, 19..

We have your letter of yesterday asking about the napping of a piece of cloth, a pattern of which you have sent us. To prevent disappointment we should like to say that the material is rather coarse for this process. For that reason the result might not be as good as you expect.

We would, however, be willing to do the work, if you sent the piece along. The price would be 2½d. the yard, and the time needed would be three to four days after the piece was received.

## HINTS ON EXPRESSION

Below we indicate four main qualities that enter into good letter-writing; and then follow contrasting examples of the absence and the presence of these qualities—

(1) *Clearness of Expression.* The recipient of the letter should not, after reading it, be left in doubt on any point.

(2) *Conciseness of Statement.* Diffuseness of statement, or the spreading out of what one has to say over too many words, makes the sense too thin. It trifles with the reader's attention, and causes him to lose interest in the thread of the communication.

(3) *Diction, or the Choice of Words and Phrases.* The business letter-writer's taste in diction should not be elaborate. Nor should it be high-flown, pompous, or bombastic. On the other hand, his letters need not be flat and spiritless.

(4) *Courtesy in Expression.* The courteous writer's letters will be free from abruptness, and from any commanding or domineering manner.

The absence of these does not mean, however, that the letters need be padded with weak drawn-out compliment.

## EXPRESSION ILLUSTRATED

1. *Want of Clearness.*

(*a*) "Mr. Biggs called on our agent last week, he being very indignant about the treatment he had suffered."

Who was indignant—the agent or Mr. Biggs? Say "Mr. Biggs called . . . and was very indignant . . .," or "Mr. Biggs, who called . . ., was very indignant . . ."

(*b*) "We inspected the machine in the case which you supplied on its arrival, and we found it badly knocked about and broken."

What was supplied—the machine or the case? Was the case supplied on arrival of the machine, or was it the inspection that took place then? Was it the machine or the case that was knocked about?

Say: "The machine that you supplied was examined by us on its arrival, and before it was taken out of the case. The case had been knocked about and broken, and the machine was badly damaged."

2. *Want of Conciseness.*

(*a*) "We can recommend the Board-room table that we delivered to your address not only for the soundness of the material used in making it; we can recommend it also for the quality of the workmanship put into it, and for the beautiful manner in which it has been finished."

Say: "The Board-room table we sent you can be recommended alike for soundness of material, quality of workmanship, and beauty of finish."

(*b*) "The principal may be paid in one lump sum or a portion of same; e.g. if the loan be £100, the whole amount may be paid; or, if only able to pay, say, £40, this latter amount could be paid, the remaining balance of loan of £60 would be attachable to the policy, on which £60 interest would have to be paid."

This example is neither clear nor concise. Re-write it thus—

"The principal may be repaid in one sum, or a part at a time. For example, on a loan of £100 you may repay £40, and leave only £60 to attach to the policy and to have interest paid upon it."

3. *Choice of Word and Phrase.*

(*a*) "He had hardly taken his departure from us when a living

avalanche of mounted cossacks rushed across the path on which he had entered."

| | | | |
|---|---|---|---|
| For | "he had hardly," | say | "hardly had he" |
| ,, | "taken his departure from" | ,, | "left" |
| ,, | "living avalanche" | ,, | "horde" or "troop" |
| ,, | "mounted cossacks rushed" | ,, | "cossacks galloped" |
| ,, | "across the path on which he had entered" | ,, | "across his path" (or "thwart his path" if a touch of literary grace is admissible). |

(*b*) "Many stories that are rejected by us obtained general acceptance in previous times."

| | | | |
|---|---|---|---|
| For | "stories" | say | "legends" |
| ,, | "that are rejected by us" | ,, | "that we distrust" |
| ,, | "obtained" | ,, | "enjoyed" |
| ,, | "general acceptance" | ,, | "full credence" |
| ,, | "previous times" | ,, | "former times" or 'bygone ages." |

(*c*) Use definite rather than general terms. Where the alternatives are suitable, say "inform" rather than "tell," "order" or "inquiry" rather than 'letter," "complaint" in preference to "communication," and "five cases of boots" instead of "several cases of merchandise."

4. *Want of Courtesy.*

(*a*) "Send me at once a dozen hammer shafts, must be good ones, 18 in.," is abrupt to the point of rudeness. Compare it with, "Please oblige by sending up to-day one dozen 18 in. hammer shafts of your best quality."

(*b*) "Gentm. We regret to find we have been longer than usual without your valued orders for leather belting, combing leathers, etc.

Kindly look us up an order so we may again have the pleasure of writing your name in our books. Price list enclosed."

Orders not received can scarcely be "valued" or appreciated by the firm that has not had them. In this letter politeness is apparently intended; but it is not achieved. Words importing courtesy are used; but they are used badly. Let us try the following instead—

"Gentlemen—We regret to notice that we are now missing your orders for leather belting and similar goods. It would give us pleasure to see your name on our books again, and to be favoured with an order when you are next in need of materials such as we

supply. We take the liberty of enclosing a copy of our present price list; and we should like to add that the opportunity to quote you for any special requirement will always be welcome."

## SOME GRAMMATICAL POINTS

Mistakes of grammar should be guarded against by the inexperienced letter-writer. Some that occur rather frequently are—

1. *Errors in Number*, such as (*a*) Those kind of helpers (That kind of helper, or helpers of that kind); (*b*) The bulk of the goods are (is) up to sample; (*c*) Two thirds of the stock is (are) bad.

2. *Errors in Case*, such as (*a*) Who, did you say, you paid? (Whom . . . you paid); (*b*) Whom, did you say, paid you? (Who . . . paid you); (*c*) Between you and I (and me); (*d*) You know as well as me (as I).

3. *Errors in Parts of the Verb*, such as (*a*) The cloth shrunk (shrank) in the making up; (*b*) Jones rung (rang) me up this morning; (*c*) We will see what happens (shall see); (*d*) We would not be satisfied if we had them (we should not); (*e*) If you will come we should (shall) be glad; (*f*) I expected to have finished (to finish) to-day.

4. *Sentence Left Incomplete.* A sentence is a single complete statement. It ends in written composition with the mark of a full stop; but sometimes we find the stop inserted, and a new sentence begun, before the first sentence has been finished. Examples—

(*a*) In reply to your inquiry about the window fittings on order. These are well in hand and should be dispatched this week. (In reply . . ., we have to say that these are well in hand, etc.)

(*b*) Trusting to be favoured with your orders. Yours faithfully, Hope & Hillyard. (Trusting to be favoured . . ., We are, Yours etc.).

### QUESTIONS

1. From the following notes draw up a suitable letter, inserting appropriate names for sender and receiver: Recd. yrs. 28 inst. . . . dispute claim for damage to goods . . . carr. was at O.R. . . . every care tkn. . . . no negligence admitted. . . . agents suggested C.R. . . . yr. directors prfrd. O.R. . . . no claim.

2. Write a suitable letter to an agent whose orders have recently been few, and who has been generally remiss in attention to business.

3. Messrs. Bagshaw & Clever, Fruit Brokers, Bridge Street,

Cardiff, in their recent auction sale were bid 16s. per case for 10 cases of Valencia oranges by Mr. John Brown, Wholesale Fruit Merchant, Llanelly, who sent a cheque for £7 10s. in payment stating that he had bid 15s. per case. He had done a similar thing on a previous occasion. Write a suitable letter from the brokers. (*U.L.C.I.*)

4. Correct and improve the following—

(*a*) Dear Sirs. In answer to your letter of the 8th inst. *re* Order No. 165 8th Nov., and 108 21st Jan. We beg to inform you that same are now in hand and we will dispatch these with the utmost speed. Apologizing for delay. Yours truly, etc.

(*b*) In reply to your letter of the 9th inst. *Re* 746, 739, and 762. We regret we are now unable to do these shades as we cannot get the dyeware under present Government restrictions; the same comes from the continent.

We send the 5 pcs. asked for to-day, and have cancelled the others on order.

(*c*) Owing to the unsettled state of the Raw Material Market and the difficulty of obtaining same, the scarcity of Dyewares and the increased prices of both commodities we are compelled to withdraw all prices.

## EXERCISES ON CHAPTER III

1. Draw up a letter from the following notes—

Proof of pr. list recd. . . . alterations made . . . better qual. paper reqd. than sample submitd., espec. to take illustrations . . . decided to print fifty instd. of five thousd. . . . to be delvd. not later than Thurs. 25th.

2. From the following notes draw up suitable letters, inserting fictitious names and addresses—

(*a*) Cannot trace item mentioned—send invoice No., date, method of carriage, etc.—search will be made—will notify.

(*b*) Ltr. recd. . . . pleased with proposals . . . may accept . . . interview desirable, any time next wk. . . . phone day and time.

3. Write the following three letters—

(*a*) Mr. Edward Thomas, Solicitor, Church Chambers, High Street, Reading, writes to Clayton & Sons, Law Stationers, Chancery Lane, London, asking them to forward a price list of office stationery.

(*b*) Mr. Thomas writes to Clayton & Sons ordering 5 reams of typewriting paper, foolscap size; 5 reams of typewriting paper, quarto size; 5,000 envelopes, foolscap size; 5,000 envelopes, commercial size; 5 reams of single-sheet notepaper with printed

heading and address; 3 dozen "Safety" cardboard folders; two deed boxes, each 14 in. × 10 in. × 7 in.

(*c*) Clayton & Sons write to Mr. Thomas acknowledging receipt of the order. (*U.L.C.I.*)

4. Messrs. Robinson & Jones, High Street, Bristol, have just started business as manufacturing stationers. Draw up a suitable circular letter to be sent to prospective customers, stating that the stock is now complete and that they are prepared to do business forthwith. Solicit a trial order.

5. You have been for six years with the large grocery firm of Messrs. Pink & Sons of Portsmouth, and you are now opening for yourself a business in groceries and provisions. Your experience as buyer for Messrs. Pink & Sons has given you practice in choosing the best articles, and you intend to sell at such prices as will cut down your profits to the smallest margin. By close personal attention and courtesy to all, you trust to secure a share of patronage. Write a circular calculated to bring customers to your shop.

The following is given as an exercise in conducting lengthy correspondence on one subject—in this example, a money demand made, disputed, upheld, again rejected, finally compromised and settled—

I. Your employer runs a café at the Castle Picture Palace, Modernborough. He has received from the Montagu Cinemas Limited, the proprietors of the picture-house, an account for electricity consumed in the café. The account is for the quarter ended 31st December last, the charge being 2,080 units at 6d. the unit. Write in correct form with names and addresses complete, also dates and signatures, the letters outlined below—

1. To the secretary of the Montagu Cinemas, Ltd., saying, (1) that you have received the account, (2) that you think the charge of 6d. a unit excessive, (3) that you would like to be informed why that rate is charged.

2. From the secretary of the Cinema Company stating, (1) that 6d. a unit has been the rate charged, and paid quarter by quarter, since you took the café over, (2) that, in view of this fact, he would like to learn why you now object to that rate.

3. To the Cinema Co. pointing out, (1) that you have no knowledge of any agreement binding you to pay 6d. a unit, (2) that the ordinary lighting rate of the local electricity company supplying

the cinema is only 4½d. the unit, (3) that you are not willing to pay more than the local supply company's ordinary rate.

4. From the Cinema Co. stating, (1) that their picture-house, like others, is charged with electricity on the maximum demand system, and not at the ordinary rates, (2) that they estimate the lighting of your café to cost them more than 6d. the unit, (3) that they consider the charge reasonable in the circumstances, and that they insist on payment at the rate charged.

5. To the Cinema Co. saying, (1) that you are of opinion no sufficient reason has been given for charging more than the ordinary local rate, (2) that you enclose a cheque (amount to be named) for the quarter's consumption calculated at 4½d., (3) that you desire their receipt for the cheque.

6. From the Cinema Co., (*a*) enclosing their receipt for the cheque, (*b*) stating that the sum underpaid (amount to be named) is still due to them, (*c*) asking for a settlement at once.

II. Continue the foregoing correspondence, writing in full and correct form the further letters sketched out below:

7. To the Cinema Co., (1) Say you duly received the March quarter's account recently rendered, (2) enclose your cheque (amount to be named) tendered in payment of the March quarter's consumption of 2,240 units at 4½d. instead of the 6d. charged, and (3) ask for a receipt.

8. From the Cinema Co., (1) enclosing their receipt for the cheque, (2) requesting payment by return of the balances unpaid on the December and March accounts (each balance to be shown, and the sum of the two), (3) saying the question has again been considered by the Cinema directors and that they decline to reduce the charge.

9. To the Cinema Co., (1) acknowledging their last letter, (2) repeating that you refuse to pay willingly the balance in dispute.

10. From the Cinema Co., (1) reminding you that the lease of the café will expire very shortly, (2) offering to settle the dispute for half of the difference still demanded, (3) explaining that this offer is without prejudice to the full claim should you not agree to the suggestion now made.

11. To the Cinema Co. (1) agreeing to settle for half the amount in dispute, (2) enclosing your cheque (amount to be named), (3) asking for a receipt in full discharge of all sums due for electricity to 31st March, (4) presuming that 5½d. a unit will be the rate charged on accounts falling due between now and the end of the lease.

12. From the Cinema Co., (1) thanking you for your letter and cheque, (2) enclosing a receipt in final settlement, (3) agreeing to charge 5½d. the unit in future accounts.

# CHAPTER IV

## OFFICE APPLIANCES

## 12. FILES AND FILING

### METHOD IMPERATIVE IN FILING

By "filing" we mean, (*a*) the putting away of letters and other documents to preserve them from dirt and damage, and (*b*) the arranging of them according to some plan, so that any letter or document can afterwards be laid hold of quickly, should it be wanted. The plan to be followed must be worked out in sufficient detail to provide an exact place on the file for every letter or document that is likely to turn up. Ease of reference is quite as essential as preservation from damage.

When once adopted, the plan must be adhered to strictly by the filing clerk, and the filing must be kept up to date day by day. The clerk in charge should be held responsible for time wasted through the filing being behind, and through documents being misplaced. Time has a money value in business, and, the more speedily any piece of work can be efficiently carried out, the more economically can the business be run. Besides, inability to find, or delay in producing, a document is likely enough, on occasion, to operate as a handicap in the daily contest for gaining or retaining profitable business.

Before the typewriter came into general use, the practice with outgoing letters was to write them by hand in copying ink, and to copy them in a

press-copy letter-book. Nowadays, the letters are typed in duplicate by means of a carbon leaf, and the carbon copy is filed away along with the inward letter, if any, that it answers. The receptacle in which the letters are filed is a drawer, box, or binder designed for the purpose, many varieties

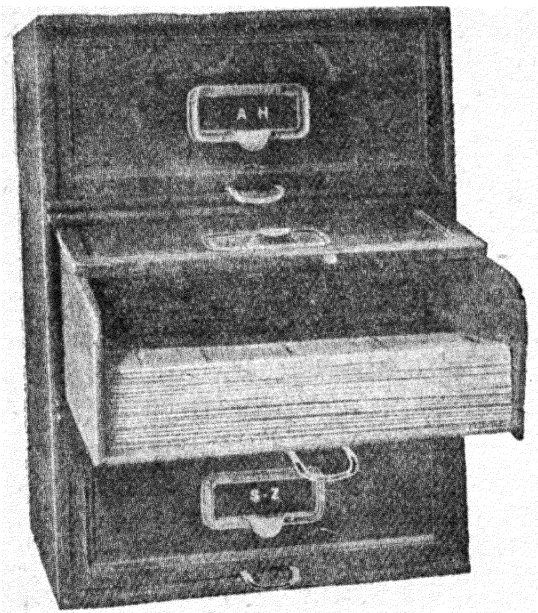

FIG. 4. SMALL FILING CABINET

being supplied by commercial stationers. The papers may or may not be held in place by a spring, and stout tabbed sheets are usually interspersed to divide the contents into sections, alphabetical or other.

## ALPHABETICAL ARRANGEMENT

For filing letters the arrangement we most commonly adopt is an alphabetical one. We look first

at the surnames of our correspondents—taking for an inward letter the name of the sender, for an outward one the name of the addressee—and we place the letters on the file in the alphabetical order of the initials of the surnames. When two or more surnames have the same initial, we go by the second letters of the names. If these are alike, we take the third letters, then the fourth, and so on, arranging the letters under the surnames in exactly the same order as the words in a dictionary, or the names in a directory. When surnames are entirely alike, we turn to our correspondents' other names to determine the order, and, should these also be the same, we pass to the names of the correspondents' towns.

For illustration, the following surnames, all beginning with the same initial, are arranged in dictionary order—

| | | | |
|---|---|---|---|
| Palgrave | Peel | Player | Preston |
| Palmer | Pemrose | Plumtree | Pretyman |
| Paterson | Pickard | Podmore | Pringle |
| Pears | Pickersgill | Potter | Pugh |
| Pearson | Pilling | Poulson | Pym |

A letter from John Peel would follow one from James Peel, and another from Robert Peel would be placed last of the three, because A in James comes alphabetically before O in John, and J of John before the initial R of Robert. For a similar reason, Robert Peel of London would precede the same name from Manchester. A letter from the Postmaster, Aberdeen, had better be filed under A, and one from the Postmaster, Birmingham, under B. With post offices in every town and village, the town name is more distinctive than the general name "postmaster." On the other

hand, a letter to the Manager, Westminster Bank, Bolton, would probably be filed under W; a second to the same bank at Sheffield would follow, also under W, and a third to that bank again at Liverpool would come between the other two. The place of The Mersey Steamship Company is under M, the initial of the chief word in the name.

### NUMERICAL FILING

A good example of numerical order in filing is to be found in a method very suitable for inward invoices, that is, for invoices of goods purchased by the business. Such invoices, when passed as correct, are commonly entered in a Purchases Journal. The entry for each invoice should be a one-line entry, showing date, name, and amount only. If particulars of the goods are needed at any future time, they can be obtained by turning up the invoice on the file.

It is customary for the pages of a Purchases Journal to bear printed consecutive numbers. If the lines of the pages are also given printed numbers, say 1 to 32 on each page, then every invoice can be marked with the number of the *page and line* on which it is entered. Those entered on page 125 will be marked 125/1, 125/2, 125/3, and so on up to 125/32. They will then be placed on the *Inward Invoice File* in the order of their numbers, earliest first, latest on the top. When each entry is posted from the Purchases Journal to the supplier's account in the Creditors Ledger, the posting should show the page and line number again. Reference, when necessary, can then be made direct from the ledger to the invoice on the file.

This method is suitable, also, for the filing of the carbon copies kept of invoices sent out for goods sold to customers. These carbon copies are entered similarly in a Sales Journal, then numbered and filed in the order of their numbers on an *Outward Invoice File.* Copies of debit notes sent to suppliers of goods, and of credit notes sent to customers (see Section 18), should be filed away on the same plan. Receipts obtained from creditors, when their accounts have been paid, can be numbered to correspond with the entries of the payments in the Cash Book. In this case, however, the numbers would have to be inserted by hand in the Cash Book, and they would run on continuously from 1 up to, say, 10,000, before a new start was made.

### ALPHABETICAL AND NUMERICAL FILING COMPARED

In the numerical method of filing just explained, the order of the invoices is permanent from the start. It corresponds from the first with the order of the entries in the Purchases or the Sales Journal, and it is never altered afterwards. Additions to the contents of the file simply follow on. For these conditions a file with a fastening, such as the Flat File about to be described, is the more suitable, the fastening being an advantage where the order of the contents is never to be disturbed.

The alphabetical arrangement, on the other hand, is the more suitable for letters. As all letters from and to the same person must be placed together on the file, and as they come in and go out at different times, we cannot give to letters a

permanent order from the first, as we can with invoices. The alphabetical plan permits of our continually disturbing the order of the letters already filed, as new additions to the contents are inserted in their proper places—one at one point, and another at another—on the file. For this continually changing order, a file in which the contents are not fastened is the easier to operate. Such is the Vertical File that we shall treat of soon.

A different method of numerical filing, sometimes used with the vertical file, will be explained when that file is dealt with. And there is no reason, of course, why daily or weekly reports and similar documents should not be put away, each kind on its own file, simply in order of date, and without any attempt at arrangement by number or initial.

### THE FLAT FILE

This file (see Fig. 5) gets its name from the fact that, when in use, *its contents lie flat*, one paper on the top of another, and do not stand on edge as in the vertical file. The most distinctive part of a flat file is its fastening—*a double arch* of thin metal tube or thick wire that opens and closes by means of a spring. On to the posts of this arch, when open, the invoices or other papers are slipped by perforations made in them with a punch of the same gauge as the arch. To insert a document amongst the previous contents, or to extract one, all papers above the point required are turned upwards and backwards over the closed arch. The arch is then opened, and the document taken off or put on. When the arch has been closed again, the upper contents are turned down into their

normal position. Documents to be put on a file like this should be pushed well into the slot of the punch, so that the punch holes do not come too near the edge of the paper. It is also worth while taking a little trouble to keep the contents neat and straight.

Flat files are now commonly made in the *form of a box*, or of a strong cover like the backs of a

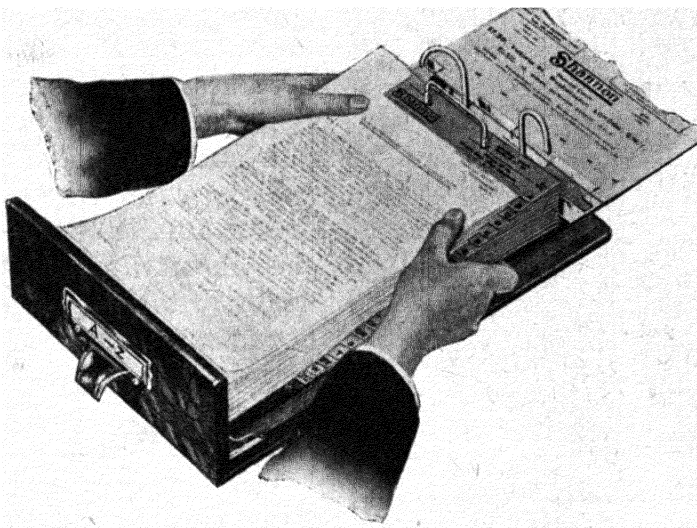


FIG. 5. THE SHANNON FILE

quarto or foolscap size book, and the box or the cover stands upright on a shelf. The arch, which holds the contents together, is fixed inside. If the contents are to be kept in alphabetical order, *an index* of tough loose sheets, with A B C tabs, is used to divide the file into its alphabetical sections. Initial A letters go behind the A index, initial B behind the B index, and so on; but, if the file is to be a numerical one, these index sheets are dispensed with.

Where the quantity of documents to be filed is large, the file will comprise a number of covers or boxes, so many initials (if initials are used) being allotted to each unit. The complete file may, however, take the *form of a cabinet*, drawers being now substituted for the more movable boxes or covers.

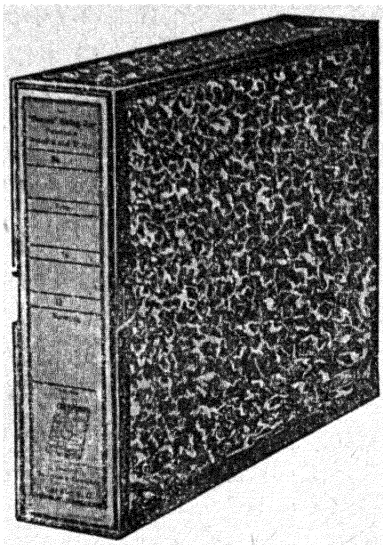

FIG. 6. SHANNON BINDING CASE

Where filing is heavy, a substantial cabinet should be used. In time, each file or unit becomes filled. Its contents are then taken out and placed in a *transfer case* like that shown in Fig. 6, and the file itself is free again to take the new documents that each new day brings.

### THE VERTICAL FILE

Here the *contents stand upright*, usually on their left-hand edges, and face foremost. They are accommodated in a *box* or *drawer*, some 24 in. long by 12 in. wide by 10 in. deep, as shown in Fig. 7. At the bottom of the drawer a rod of thin metal runs from front to back, and on to this rod a series of stout *guide cards* is strung, by means of an eyelet at the base of each guide card. These guide cards divide the contents of the file into sections, usually alphabetical. On a projection from the top edge of each guide card there appears the initial or other indication for the section

immediately behind, the tabs or projections running consecutively in fives across the width of the file.

If the file is used for letters, *folders* or *covers* (see Fig. 8), each bearing the name of a regular correspondent, are placed behind their appropriate

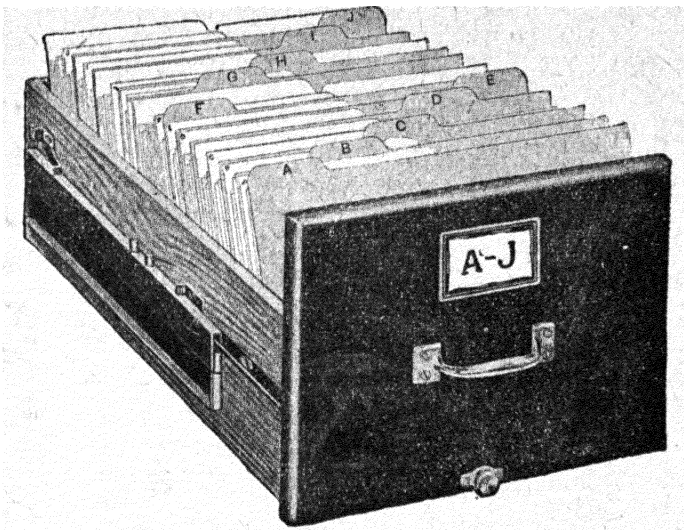


FIG. 7. A VERTICAL FILE

guide cards. All letters from and to the same correspondent are kept in his folder in order of date. For irregular or infrequent correspondents, a miscellaneous folder is placed at the back of each section, the contents of this folder being arranged in dictionary order.

With the exception of the guide cards, the contents of a vertical file *are not fastened* in any way. Each addition to the contents is just slipped into its proper folder, and, when the letters of any correspondent are wanted, his folder is just lifted

out. Should the folder be temporarily taken away, a card with a memorandum showing where the folder has gone should be inserted in its place.

For a large vertical file, as for a large flat file, *a cabinet* containing several drawers should be used. The cabinets are made either of wood or of steel, and they are usually supplied in tiers of three or four drawers (see Fig. 9), being so constructed that another tier can be added at the side, when expansion demands it. When a drawer gets too full, the older contents can be picked out and placed in transfer boxes, or the whole of the contents can be transferred in bulk to a box of the same size as the drawer.

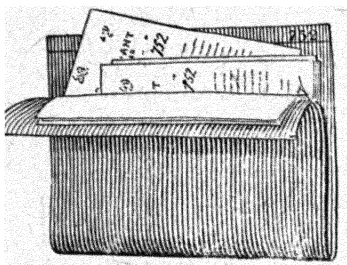

FIG. 8. A FOLDER

**Advantages of the Vertical File**

As compared with the flat file, the vertical file, when used for letters, saves much time, for the following reasons—

(*a*) The capacity, and therefore the range of reference, of a single unit is many times greater than that of a flat file unit. The construction of a flat file does not permit of the contents of any unit being more than some 3 in. deep.

(*b*) There is no fastening to tear any of the contents of a vertical file, and no time is taken up in releasing a fastening before a letter can be inserted or withdrawn.

(*c*) There is no turning over of letters already filed above the letter or place required. In a vertical file the letters are not kept one on the top of another. They stand upright, one behind another, with the upper edges of all exposed to view and to touch on the surface of the file.

(*d*) When it is desirable to do so, a folder can be given a subject

title instead of a correspondent's name, e.g. "Green Street Works Extension." All letters on this subject, no matter to whom sent or from whom received, are then filed in this folder.

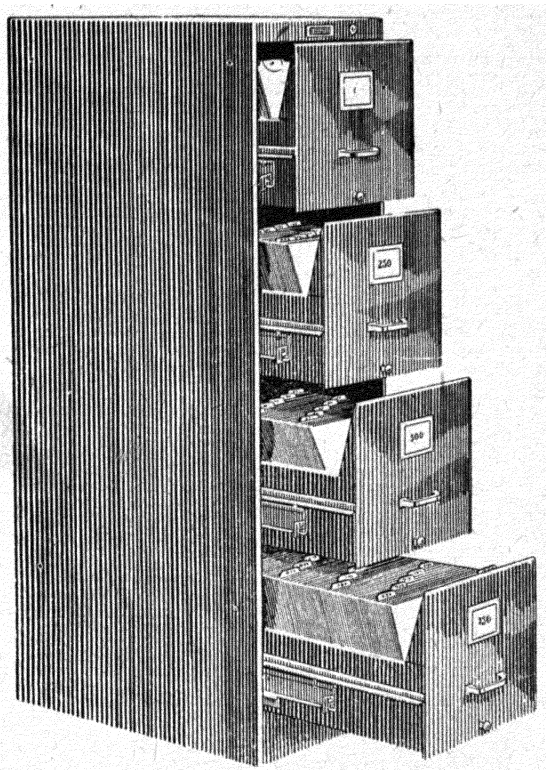

FIG. 9. STEEL VERTICAL FILING CABINET

## SUBDIVISION OF GUIDE CARDS

An efficient filing system should permit of documents remaining on the file for two or three months at least before they are transferred to storage boxes. Where much matter has to be accommodated, the file may, therefore, comprise a good many drawers. In such conditions, the division of the file into initial sections only will not be enough,

as each initial section will be too big for the place of any document to be speedily found. In a large file. then. it is usual for the initial sections to be

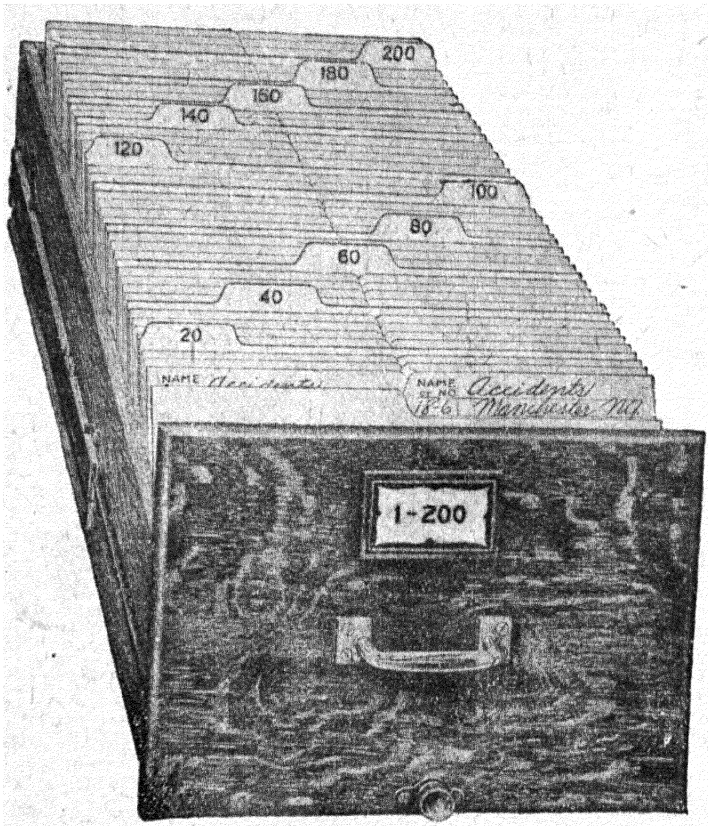


FIG. 10. VERTICAL FILE NUMERICALLY ARRANGED

subdivided, as shown in Fig. 12. Guide cards can be bought ready printed with quite a long range of subdivisions.

Another variation of method, is to give each folder a number, and to keep written up, on the guide card of each subdivision, an index showing

the names and numbers of the folders that the subdivision contains. Sometimes, again, the guide cards themselves are tabbed with numbers instead of initials, e.g. 20, 40, 60, and so on, as in Fig. 10. This means, for a letter file, that twenty numbered folders are allowed for behind each guide card. For a letter file, however, numerical guide cards have this disadvantage—that they necessitate the keeping of a separate index which shall give the number of the folder for each name on the file. The index would usually be of the card-index type explained in Section 13.

### QUESTIONS

1. Describe a system of filing correspondence suitable to an ordinary business office.

2. Arrange the following in alphabetical order as in a directory—

Miss Bertha Clay, Thomas Taylor, Esq., Messrs. Ainsworth & Co., Charles Baxter & Co., Graham Furnishing Co., Madame Defrieze, Messrs. Taylor & Brown, Limited, Sir Hubert Bowen, The Acme Gas Stove Works, Mr. George Moore, Peterkin's Electrical Company.

3. Describe ways in which records of outgoing correspondence may be kept when a press-copy letter book is not used.

4. If, in your business, the invoices for sales to customers are typewritten in duplicate by carbon leaf, the carbon copies being retained, explain how you would enter up the sales in the Sales Journal; also how you would deal with the carbon copies in filing them for future reference.

## 13. INDEXES AND LOOSE-LEAF RECORDS

### INDEX IN BOOK FORM

One of the best examples of an index is the Customers Address Book, a list giving, in alphabetical order of their initials, the names and addresses of all the customers of the business.

Kept in the form of a bound book, this index would have one or several openings set apart for each letter of the alphabet. Names beginning with initial A would be written in the A section of the book, those beginning with B in the B section, and so on. Each section has the leaves cut away at the side in such a manner as shows, before the book is opened, the initials of all the sections at the same time. To open at K section, we put the thumb on K initial and turn over all the leaves above it. Names beginning with K are then before us, and we pick out from the list the one we want.

### VOWEL INDEX

In an ordinary book index, the entries cannot be made in dictionary order, as each new name, when it turns up, has to be written on the next line available in its section. If the list of customers is a long one, as it is likely to be in a big business, it may take us a considerable time to locate the name we want. For that reason, an improvement on the simple form just described is often used. Each initial section is divided into six sub-sections for the vowels A, E, I, O, U, and Y. The place where a name is to be entered is then determined, first by the initial of the name, and next by the *vowel first following the initial.* The name CROCKER goes under initial C, vowel-division O; JAMESON under initial J, vowel A; SUMPTER under initial S, vowel U. This subdivided form of the ordinary index is called a Vowel Index. An example of the C opening of a vowel index, but with streets and numbers omitted, is as follows—

VOWEL INDEX

A

Campbell, D. & M., Glasgow
Carter & Son, R., Oxford

E

Cleghorn & Co., Ltd., London
Century Mills, Ltd., The, Bolton

I

Cripps & Dodds, Carlisle
Clissold, William, London

O

Collins & Collins, Warrington
Cowper & Hunter, Leeds

U

Clutterbrook, Sam, Newcastle

Y

Cryer Bros., Birmingham

It should be noted, in the case of a name beginning with a vowel, that the sub-divisional place is decided by the "vowel first following the initial" of the name. The name ANDREWS, therefore, goes under initial A, vowel E; EVANS under initial E, vowel A; and ORMOND under initial O, vowel O.

This kind of index is commonly used for a ledger or similar book made up in bound or loose-leaf form; but it has still several defects, and for a large index like that of customers, a card index is much more convenient to use.

## THE CARD INDEX

The card index is similar in construction to the vertical file, but smaller, the commonest size of card used being about 5 in. by 3 in. A card index consists of a *drawer* or *box* of size suitable for the cards used, and with or without a rod running from front to back at the bottom of the drawer (see Fig. 11). In this drawer small *guide* or *initial cards* are placed standing on edge and face to front. They are arranged in alphabetical order, and each guide card bears the initial of the section of the

index immediately behind it. Between the initial cards are placed *name cards*, on which the names and other information to be indexed are typed or written. The name cards of each initial section are arranged amongst themselves in dictionary order.

When the names are numerous, the complete

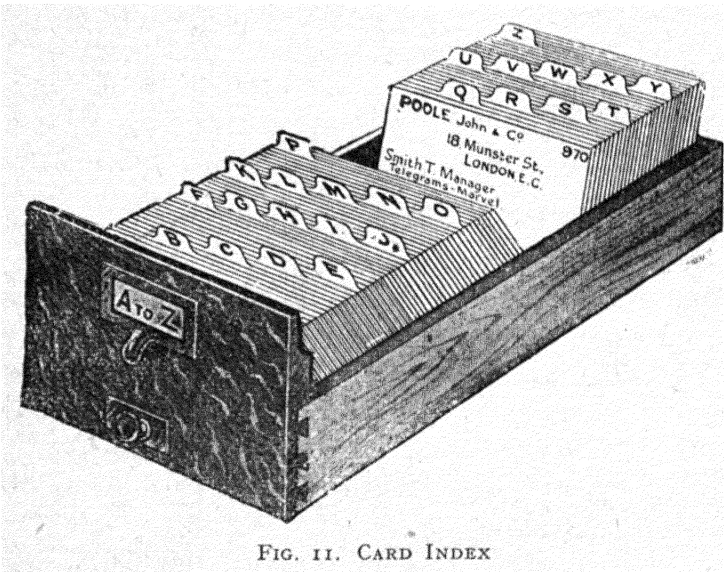


FIG. 11. CARD INDEX

index may need quite a number of drawers to contain it. Then some more elaborate system of guide cards, like those shown in Fig. 12, will be substituted for the simple A B C divisions. The card index is suitable for the names and addresses of customers, of suppliers of goods, of shareholders in the business, of annual subscribers to periodicals or to charities. Telephone No., telegraphic address, and other short particulars may be added on each card.

**Advantages of the Card Index**

Over an index kept in a bound book the card index has the following decided advantages—

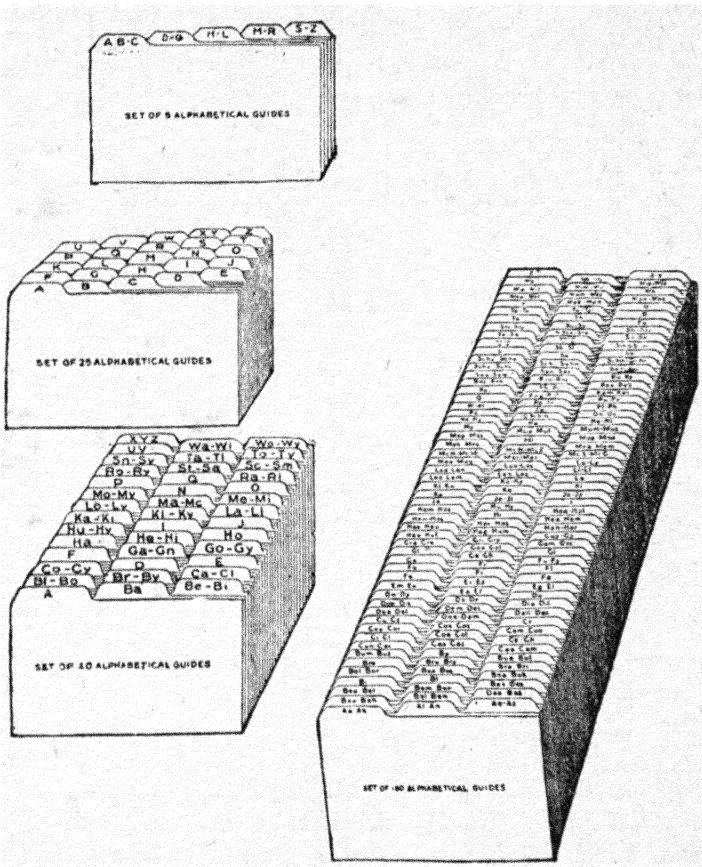


FIG. 12. GUIDE CARDS, SHOWING SUBDIVISION OF INITIALS

1. Each new entry, being made on a separate card, can be *inserted in the index in strict dictionary order*. That means, there is an exact place for every name; and to find any name we go at once to the place where it should be. In a book index, however, we may need to look through nearly a whole section before we discover the entry we want. It also means that, if the name sought

is not in the place for that name, we may conclude it is not on the index.

2. A card index *never gets full, and never needs to be entirely re-written*, as a book index does, when the book is filled up or worn out, and a new one has to be substituted. As a card index expands we simply spread the increased number of names over more drawers, without altering their dictionary order.

3. A card index need *never get choked up with out-of-date names.* Cards that have gone out of use are transferred to an out-of-date set of drawers, leaving only "live" names on the current index.

4. As the cards in an index of this kind are never in a fixed and final order, their *arrangement can be altered from time to time*, if and when that is desirable. For example, instead of keeping the cards in a single long ABC series, we may break the index up into geographical areas, such as London, South Coast, Western Counties, Eastern Counties, Midlands, etc., the cards of each area being arranged alphabetically amongst themselves.

5. *Different colours of name cards* may be used to indicate distinctions. For example, in an index of customers, kept by a shop-fitting business, pink cards may be used for drapers, green ones for grocers, yellow ones for boot retailers, and so on.

6. Where letters on a given subject are filed in the separate folders of the correspondents, *a subject card* can be used to collect together the names of the various correspondents on that subject. For example—

*Green Street Works Extension*

Landowner—Lionel Gibbs.
Architect—Roland V. Moore.
Contractors—Pearson, Turner & Co.
Corporation Water Department.

7. The arranging and keeping of names and addresses in strict order does not exhaust the possibilities of the card index. Cards of suitable size may be used for *more elaborate records* of various kinds; and, as the cards are kept in alphabetical order, an index to any set of records is not required. One set of cards may be ruled to show, in monthly totals over a number of years, the value of the *business done with each regular customer.* Another set may be used as *records of articles in stock or store*, a separate card for each kind of article stating quantities received, quantities disposed of, and balance in hand. A third set may serve as a *record of present and past employees*, each card showing the name and address of an employee, his age, date of engagement, where he came from, the position he holds. and any others he has held; when he left, if he

has left; why he left and where he went to. Further uses for the card form of record will suggest themselves.

## CARD RECORDS WITH NAMES VISIBLE

Notwithstanding the advantages of the card index over the older bound-book index, it is still imperfect in its ordinary form. Because the cards stand on edge one in front of another, the user

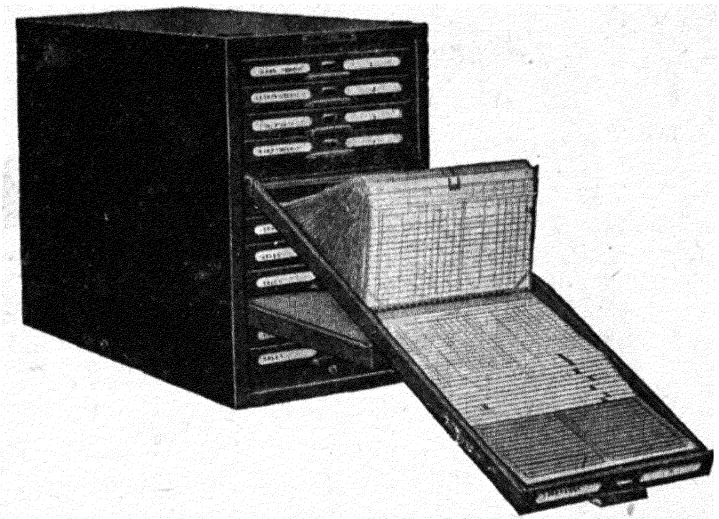

FIG. 13. A "KARDEX" CABINET

of the index can see the name of only one card at one time. That is a defect to remedy which development has been carried further. Fig. 13 shows a steel "Kardex" cabinet of twelve very shallow trays, in each of which some fifty or more cards can lie flat, and so overlapped that the names or titles of all are visible at once as soon as the tray is pulled out. The ability to see so many names at one view speeds up reference very considerably.

In this visible form, the name or title of each card is not typed at the top, but on a narrow strip at the *bottom*, where the card above does not overlap. Each card fits into a transparent pocket through which the title or the name can be read. In other respects this improved type of index is just as suitable as the ordinary type for keeping continuous records of various kinds. Besides, the

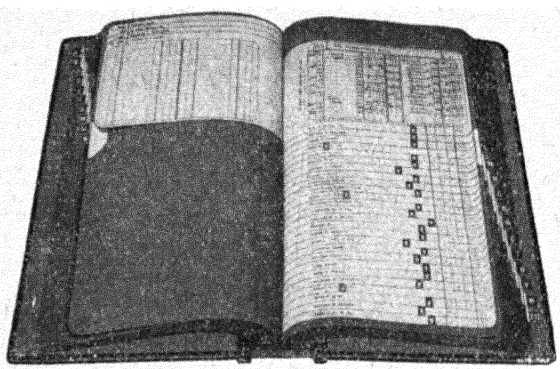

FIG. 14. BINDER WITH VISIBLE RECORDS

construction is such that entries can be made on the cards without removing them from the trays.

Another form of visible record is that of a strong binder in the form of a rather long and narrow book. Numerous rings in the back of the binder can be opened to allow of cards or sheets being slipped on and off (see Fig. 14). The cards or sheets in this form of index or record also overlap, so that the names of all in any opening are visible at once. In both of these visible forms the records are easily inserted or removed, and new ones can be placed quickly in exact order ,amongst the others.

**LOOSE-LEAF BOOKS**

Cards, however, even though they are of fairly large size, are not suitable for every kind of record that business men find it advisable to keep. The accounts of customers, for example, are usually too long and too continuous to be conveniently accommodated on any card. The construction of a card index necessarily imposes some limit on the size of card that can be used. The principle of keeping records always in dictionary order has,

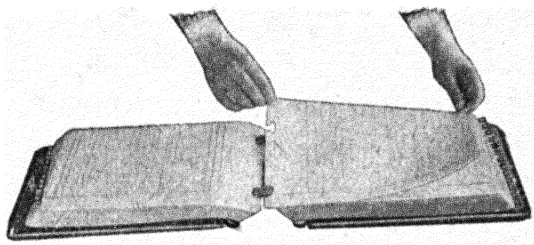

FIG. 15. A LOOSE-LEAF BOOK

therefore, come to be applied to the leaves of books. Instead of the leaves being sewn permanently into the covers of the book, they are single removable sheets. But they are slotted at one side, so that they can be fitted on to thongs or other fastenings in the back of a strong binder that holds them securely together, as shown in Fig. 15. When a new leaf is to be inserted, the binder is unscrewed a little to make space for inserting the leaf. The leaf is then fitted into its proper place, and the binder screwed up again.

The loose-leaf form of book is suitable, amongst other uses, for *departmental wages sheets*. One or more sheets would be used for each department.

They would be written on one side only, and ruled to show four or more weeks' wages on the page, the names being written only once for the duration of a sheet. Until the sheets were filled they would not be placed in the Wages Book Binder, one of the advantages of keeping the sheets loose being that each department head, in signing his wages roll for the week, would see and handle his own sheets only. A second advantage is that the full sheets of any department would all be kept together in the binder. For a Wages Book no index would be needed, unless it were a short one merely to show the order of the departments. Departmental analysis sheets of weekly or monthly totals of Sales, Purchases, Wages, etc., may also be kept very conveniently in loose-leaf form.

### THE LOOSE-LEAF LEDGER

A more common use of the loose-leaf book, however, is for ledger purposes, but a loose-leaf ledger needs an index of some kind. One leaf or one set of leaves is kept for each regular account, and the accounts are arranged in A B C sections, with a stout tabbed leaf inserted to show where each section begins. For ledger work, the accounts in each section are usually numbered and arranged in the order of their numbers. Thus, Black & Green's account might be B10, Gray & Brown's G31. On the tabbed initial sheet at the front of each section, there would then be written up a vowel index of all the accounts in that section. If the ledger were a large one, it might, of course, consist of a number of volumes or binders. For example, a four-volume ledger might be divided

into: (1) Names beginning with letters A to D; (2) E to K; (3) L to R; and (4) S to Z.

*The Register of Members or Shareholders* in a public company is an example of a book of accounts that can conveniently be kept without an index other than the tabbed initial leaves of the A B C sections. The accounts in each section would not be numbered or indexed, but would be arranged in strict dictionary order. The chief advantages of a loose-leaf account book are: (1) That the writing up of an index is wholly or partly saved; (2) that the book need never be cumbered with quantities of used-up leaves, these being transferred to the out-of-date binder; (3) that this kind of book never needs to be entirely rewritten, as a bound book does when filled; (4) that each account always keeps its own place, and never needs to be moved to another because the space originally allotted to it becomes full.

## QUESTIONS

1. Arrange these names in alphabetical order: Mrs. E. Smith, T. Windsor, Esq., Miss Baker, Mr. T. Long, Carlton Works, Barclays Bank, The Acme Cycle Co., Sir H. Thomas, Lady M. Grove, The Martin Distillery, The Ideal Book Co., Mrs. S. Pope, Mr. R. Walter, Arlington Gas Works, The Camden Dairies, The Victor Machine Co.

2. A quotation for the supply of boxes has been received from Messrs. Jackson & Co., Box manufacturers, Leeds. Show how their name may be indexed in different ways on the card index system. Draw specimen cards.

3. Arrange the following in vowel-index form: G. & T. Butler, Horace Brandon, Brooks & Gillingham, Geo. Baker & Son, The Bell Engineering Co., Blinkhorn Bros., Bonnington Vale Paper Co., Ltd., Biddles & Brown, Ltd., S. J. Brown & Co., Bryce Watson & Co., Burke & Kirkpatrick, Blake's Supply Stores, Beech, Miller & Richardson, H. Vivian Birch, F. S. Bloomfield & Co., Byrne & Dunkerley.

4. Explain in what respects an ordinary card index is superior to an index in bound-book form.

5. Describe the construction and arrangement of a loose-leaf book.

## 14. COPYING AND ADDRESSING MACHINES

### USES OF MULTIPLE COPIES

In business, multiple copies of the same letter may be needed for circularizing customers about changes in price, about special offers of goods, and such like. They may be needed for notifying suppliers or creditors of some event in the business of interest to them. Multiple copies may be made of instructions to the staff about some particular duties, such as those of stock-taking, or about some revision of procedure in the routine of the house. Forms to be used for daily or weekly reports by departments or branches, and for internal communications generally, may be thrown off in serviceable condition and quantity by an office-operated machine, which saves the outside printer's bill. Even invoice and statement forms, letter-headings, and similar forms are now turned out quite efficiently by many business houses on an office-printing machine of the better class.

### FOR SMALL QUANTITIES

If only a dozen or so copies are required they can be made on the typewriter, in batches of four to six at one typing by means of carbon leaf and thin typing paper. Should fifty to a hundred copies be wanted, the "Ormig" machine will produce them quickly. A master-copy must be made by typed or handwritten impression from special

carbon paper, and different colours may be used in the same copy. The master-copy having been made, it is fixed on the drum of the machine. When all is ready, the handle is turned, and the machine feeds itself with blank sheets placed in position, passing them one at a time round the drum in contact with the master copy. By the aid of the fluid, with which the paper is mechanically damped, facsimile imprints of the original are neatly and accurately licked off. This machine is the latest development of the hectograph process, the older hectograph appliances having been mostly superseded, first by flat stencil copiers, and later by the rotary machines we now proceed to describe.

### STENCIL PROCESS

Where some hundreds of copies are needed, one of the rotary stencil machines may be used, such as the Gestetner, Ellams, or Ronco (see Fig. 16). These machines are commonly called "duplicators," but, as they are required to produce many more than merely a duplicate or double copy, the name is inappropriate. For this class of multi-copier a stencil of the letter or form must first be cut on a special sheet. The stencil could be made by hand, but it is usually cut on the typewriter after removing the inking ribbon. Then it is fixed on the drum or rollers of the machine. When the handle is turned, the machine picks up the blank sheets at one end, carries them one by one round the stencil, through which an ink impression of the matter is made on each sheet, and throws them off at the other end ready to read.

**PRINTING FROM TYPE**

A type-printing machine is expensive to buy, but its serviceableness is much greater than the others we have described, and it will prove economical in an office where it can be kept in regular use. The "Gammeter Multigraph," as shown in

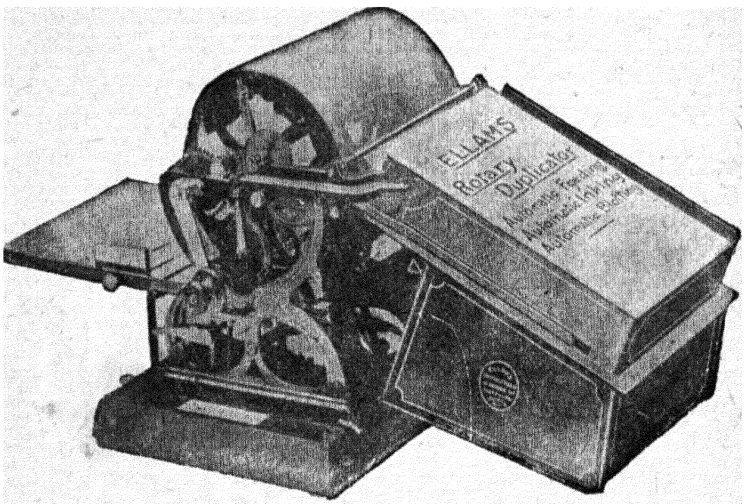


FIG. 16. ROTARY DUPLICATOR

Fig. 17, is a well-known example of this class. It prints from type which is set for each letter or form in a frame of cylindrical shape, so that the machine can be operated on the rotary principle. Blocks can be cast to fit the curve of the cylinder, and work can be turned out comparable to that of the practical letterpress printer. Not only sales letters, but catalogue sheets, and all the forms used in a business house, may be office-printed on a machine of this class. Not the least of the advantages of using a machine like this is that a job

can be prepared and completed on the machine before a proof could be obtained from a printer

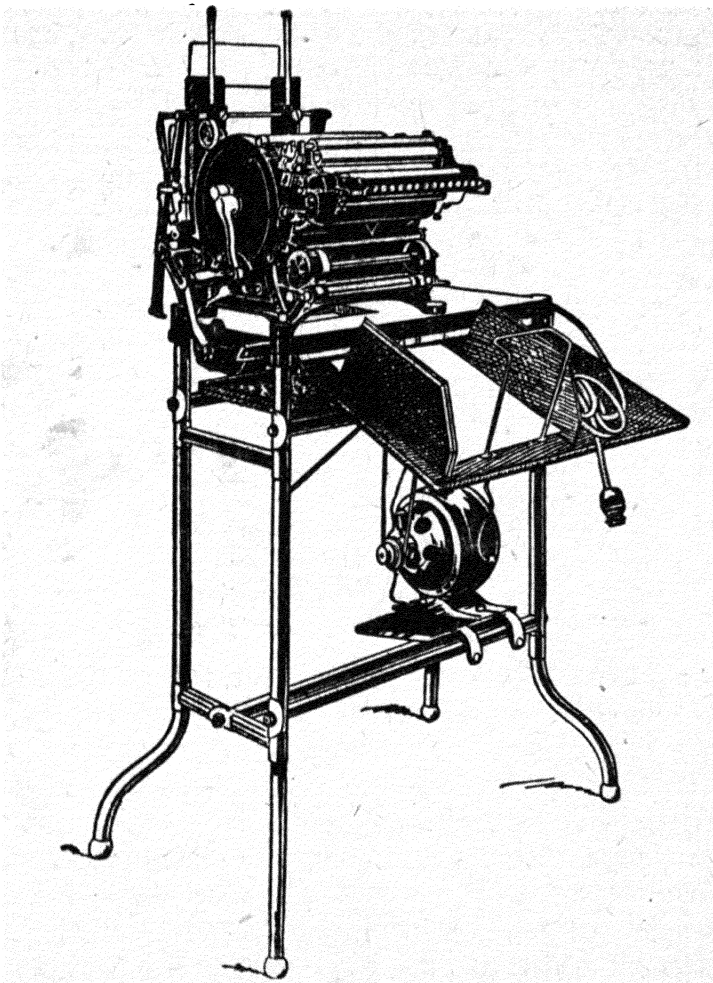

FIG. 17. GAMMETER MULTIGRAPH

outside. This kind of machine is usually electrically driven.

## THE ADDRESSING MACHINE

Just as sales and other circular letters are now produced in bulk mechanically, so the addresses for the letters are printed mechanically. There are several types of addressing machine on the market. One type prints from embossed metal plates, others from stencils cut on a tough kind of paper gummed to a small cardboard frame. Where goods are sold to the public through the post, the addresses being

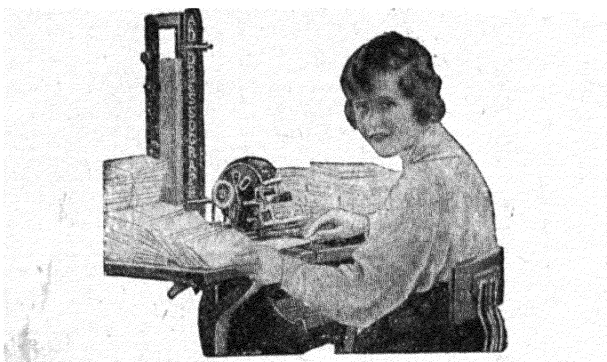

FIG. 18. ELECTRICALLY OPERATED ADDRESSOGRAPH

used for catalogues sent out by post, the cardboard frame of the stencil can be enlarged and utilized for a record of orders executed.

The plates or stencils are kept standing on edge in trays like an ordinary card index. They may be arranged under counties or in other geographical divisions, with the names in each division in dictionary order. When addresses are to be printed, a tray of names is placed on end on the table of the addressing machine, as shown in Fig. 18. The machine takes hold of the bottom plate or stencil, carries it forward to the printing point, prints its contents on an envelope or on the circular itself

as that is fed into the machine, and replaces the plate or stencil in another tray or container fixed below the table to receive it. Addresses starred in certain colours may be skipped, if so desired, by touching a treadle as each is seen to approach the point for printing. By the use of another treadle, each or any address can be printed two or more times. Small addressing machines are hand-driven, the large ones have electric motors attached.

An addressing machine can be used for putting the headings on monthly statements of account, for supplies of ready-printed envelopes or labels addressed to regular customers of the business. Used for printing names and addresses on circular letters, it enables us to send the letters in window envelopes. In the share-register office of a public company, it will print the shareholders' names and addresses on notices of meetings, on dividend warrants, and on the annual return to be made to the Registrar of Companies. A device can be used for cutting out the addresses when operating the machine, so that only the names are printed, either on separate documents or in a continuous list.

### POST OFFICE REGULATIONS

Circulars wholly or partly printed in imitation of typewriting, or reproduced from a typewritten original by a mechanical process ordinarily used to produce a number of identical copies, are admissible at the Printed Paper Rate only if—

(*a*) They are handed in at a Head or Branch Post Office, Town Sub-office, or certain of the more important Rural Sub-offices.

(*b*) Special attention is drawn to the fact that they are printed or reproduced in imitation of typewriting.

(*c*) At least twenty packets, each containing one copy or more, are posted at the same time.

(*d*) A form of declaration, P241, is signed by the poster, stating

that all the copies of the circulars are identical in text, so far as the portion printed or reproduced in imitation of typewriting is concerned, and bear nothing in writing which is not permitted by the regulations of the Printed Paper Rate.

The circulars must be securely tied in bundles of convenient size with the addresses all faced one way.

Postage may be prepaid in money instead of by postage stamps at certain offices in London and the provinces, provided—

1. The amount prepaid in money (including any registration fees) is in no case less than 10s.

2. The packets, with the addresses arranged in the same direction, are tied in bundles of 60 (or in the case of bulky packets, in bundles of convenient size, each containing 10 packets or a multiple of 10), the articles in each bundle being chargeable with a uniform rate of postage, which must be indicated.

3. The money is paid at the time the packets are handed in.

### QUESTIONS

1. Which would you prefer to use, the hectograph or a stencil process, in producing a number of circulars? Give your reasons.

2. Explain how a rotary duplicator is used.

3. Explain in some detail what services a multiple copying machine can render in a business office, and what benefits can be derived from its use.

4. Say what you know about addressing machines, how they are operated, to what uses they can be put, and how they will prove economical to the business user.

## 15. MECHANICAL CALCULATORS

### BEFORE THE COUNTING MACHINE

Before the advent of counting machines the Ready Reckoner was the only aid we had in the making of office calculations; many offices have still no other aid. In the form most commonly used, each page or opening of a ready reckoner deals with a different price. A long list of different quantities is set down under each price, and against each quantity is given in money how much that quantity comes to at the price the page shows.

In another form, that of Interest Tables, each page deals with a different number of days. Against each of a long list of amounts it shows, at several common rates of interest, how much the interest comes to on that amount for the number of days taken.

## HOW MECHANICAL CALCULATORS WORK

Though not applied generally to office work until quite recent years, mechanical calculators of various kinds have been in everyday use for a very long time. The household clock not only keeps count of the minutes as they fly, but is regulated to the apparent daily movement of the sun. The gas meter not only records the number of units of gas consumed, but measures the units out as they are used. The cyclometer counts the revolutions of the wheel it touches, and records the result in miles. Clock and gas meter and cyclometer all record by means of cogged or notched wheels acting one on another as they turn round. The mechanical calculators of the office work in a similar way.

Imagine four cogged wheels set in a row each having ten notches in its rim. Let us number the wheels 4, 3, 2, and 1 from left to right. Now, suppose No. 1 so fitted to No. 2 that, each time No. 1 moves ten notches in the same direction (that is, each time it makes a complete round), it causes No. 2 to move one notch, also that, each time No. 2 moves round ten notches, it causes No. 3 to move one; and each time No. 3 moves round ten notches, it causes No. 4 to move one. Such an arrangement corresponds to our arithmetical system of notation, where every time we

add up to ten in the units column, we pass on one to the tens column; and every time we reach ten in adding the tens column, we pass on one to the hundreds.

If, by depressing a disc or "key" marked 6 we cause No. 1 wheel to move 6 cogs, then by depressing another disc marked 7 we cause No. 1 wheel to move 7 more cogs, No. 1 wheel will have moved three cogs of its second round, and will have caused No. 2 wheel to move one cog of its first round. Were the positions of the wheels shown by numbers on an indicator, they would appear as 0013. If next we depress a disc to turn No. 2 wheel 9 cogs, and another disc to turn No. 1 wheel 2 cogs, the indicator will read 0105. Something like that is what happens when we use an adding machine.

### MACHINES THAT ADD AND LIST

Our adding machine has a keyboard containing columns of keys marked as the following—

| | | | | | |
|---|---|---|---|---|---|
| 9 | 9 | 9. | 9 | 9 | 9 |
| 8 | 8 | 8. | 8 | 8 | 8 |
| 7 | 7 | 7. | 7 | 7 | 7 |
| 6 | 6 | 6. | 6 | 6 | 6 |
| 5 | 5 | 5. | 5 | 5 | 5 |
| 4 | 4 | 4. | 4 | 4 | 4 |
| 3 | 3 | 3. | 3 | 3 | 3 |
| 2 | 2 | 2. | 2 | 2 | 2 |
| 1 | 1 | 1. | 1 | 1 | 1 |

The number of columns varies with the size and capacity of the machine. If we want to add 6,237. 41,924, and 52,358, we depress first keys 6, 2, 3, and 7 in the thousands, hundreds, tens, and units columns respectively. The indicator, usually at the foot, will then show the number 6,237. Next

we depress in their proper columns the keys 4, 1, 9, 2, and 4. When that is done, the indicator will show the addition of the two numbers, namely, 48,161. Lastly, we depress, again in their respective columns, the figures 5, 2, 3, 5, and 8, and the indicator will give us the sum of our three numbers,

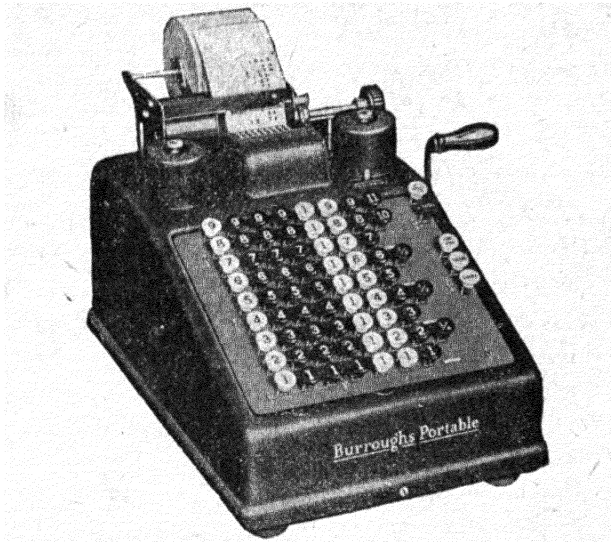


FIG. 19. BURROUGHS ADDING AND LISTING MACHINE

namely, 100,519. The machine, it will be noticed, adds on one complete line at a time.

To add numbers that contain decimal fractions, a few of the columns on the right of the keyboard are used for the decimal portions of the numbers. For amounts in English money, machines are supplied with keyboards containing shillings and pence columns. Many of these machines carry a roll of paper at the back, on which each number, quantity, or amount is typed as the keys for it are pressed down. Depression of a special key causes

the total to be typed when the addition is finished. There are many varieties of adding machine with some differences in manner of operation. For heavy work, they are driven by small electric motors. The cash register, much used in retail shops, adds and records on an inside roll the amounts of cash taken, as each amount is registered on the keyboard and put into the till.

An adding machine will give the total of a column of figures more quickly and more accurately than it can usually be obtained mentally. For cross-casts its advantage is more pronounced, and, when items have to be listed before they are added, the saving is greater still, as the machine takes no extra time in listing. Bankers use these machines extensively for listing and adding the large quantities of cheques that daily pass through their hands. Big retail stores use them for totalling and sub-totalling the duplicates of the checks that the assistants make out for their sales. The machines give excellent service in all the many kinds of adding work that business of any volume entails.

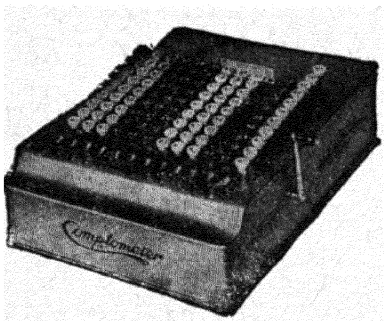

FIG. 20. THE COMPTOMETER

## MULTIPLICATION AND DIVISION

Where a machine is required for multiplication, the listing parts are not of any use. For that reason, machines intended for multiplication are not provided with them, and the smaller of the

adding machines have too few columns on the keyboard to permit of their having any but a limited service as multipliers. Subject to these considerations, there is no reason for our not using an adding machine as a multiplier, because multiplication is nothing else than continued addition. Multiplying £24 by 6 is just the same as adding together six items all of £24 each.

To multiply 4,398 by 276, we proceed thus: With four fingers we depress six times the keys 4, 3, 9, and 8, in the thousands, hundreds, tens, and units columns respectively of the machine. That gives us 4,398 × 6 = 26,388 on the indicator. Next we move each finger one column to the left, and depress the same keys seven times. The second depression raises our previous product by 4,398 × 70 (or 43,980 × 7) = 307,860. Lastly, moving a further column to the left, we depress 4, 3, 9, and 8 twice, which will raise our second product by 4,398 × 200 (or 439,800 × 2) = = 879,600. These three separate products are the same as we obtain in multiplying by head and hand-figuring. Ordinary arithmetical process requires us to add them to find the final product. The calculating machine, however, registers the continuous result as the keys are pressed down each time, and the final result shows up on the indicator as soon as the last depression is made.

| |
|---|
| 26,388 |
| 307,860 |
| 879,600 |
| 1,213,848 |

When the multiplicand consists of pounds, shillings, and pence, the shillings and pence are usually converted into decimals of a pound before multiplication can be begun. This conversion is an easy operation, if carried out by the rule explained in

Chapter VIII. To find the dollar equivalent of £246 14s. 6d. when the rate of exchange is 3·85 dollars to the £1, we multiply £246·725 by 3·85, and the machine will show the answer as 949·89125, say, 949·89 dollars. For 349¾ yd. at 3s. 3d. the yd., we multiply 349·75 by 0·1625, getting the result in pounds and decimals of a pound. Quarters and pounds weight must also be converted to decimals of the ton or the hundredweight, but printed tables of all such conversions ready worked are supplied with the machines. Were our tables of money, measures, and weights constructed on the decimal system these conversions would not be necessary. Still, for work of the kinds we have indicated the advantages of calculating machines in speed and accuracy are very great.

In operating some mechanical calculators, the multiplicand is first set out on the machine. Then, instead of pressing down keys to effect the multiplication, a handle or crank is turned the required number of times for the units, tens, and hundreds figures of the multiplier. Now, just as multiplication is continued addition, so division is simply continued subtraction. Dividing 352 by 16 is just the same in result as subtracting 16 from 352, 16 again from the first remainder, again from the second remainder, and so on until the 352 becomes exhausted. On the crank type of calculator, multiplication is accomplished by turning the handle one way, division by turning it the opposite way. The dividend or amount to be divided is first set up on the machine, and held showing on the indicator. Then the setting-up mechanism is cleared, and the divisor is set up upon it. Next,

the handle is turned in the dividing direction until the indicator shows that the dividend has been exhausted. When that occurs another indicator gives the quotient, or answer required. Besides ordinary division, we can work in this way percentages, conversion of foreign currency into sterling, and interest calculations. For example, to find the sterling equivalent of 2,498·60 belgas at

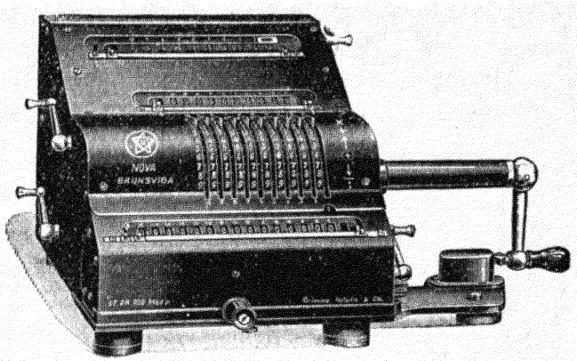


FIG. 21. NOVA-BRUNSVIGA CALCULATOR.

24½ to the £1, we divide 2,498·6 by 24·5. The answer is 101·9837, or £101 19s. 8d.

## TABULATION AND ANALYSIS

In a large business a great deal of analysis or dissection work has usually to be done. Sales have to be analysed and tabulated according to selling departments, the work being commonly done in columns, the cross-cast of the totals of the columns equalling the grand total of the sales. Purchases have to be dealt with in the same way; also sales made by, or going to the credit of, travellers and agents must be analysed with the object of ascertaining on what sum commission is due to each,

Typewriters with adding mechanism can be used to tabulate amounts on sheets of many columns, to add the columns separately and to cross-cast the totals. The sheets can afterwards be bound in loose-leaf binders. Book-keeping machines are obtainable that type in separate columns the debits and the credits of a ledger account, and that show in a third column the balance after each posting.

Long and complicated dissections, as where census returns are analysed and re-analysed under many heads and descriptions, are carried out on Powers or Hollerith sorting and tabulating machines. The Powers registers the particulars mechanically, and the Hollerith electrically, by means of cards in which holes have been punched at selected points. In business they are used for collecting and recording the numerous items of labour, material, and overhead charges in the compilation of manufacturers' costs.

### QUESTIONS

1. Why are calculating machines coming more and more into use in business offices? Give four examples of the kind of work they do.

2. Explain briefly what an adding and listing machine is, and give a simple illustration of how it works.

3. How would you carry out the operation of multiplying 1,345 by 87 on a calculating machine? Suppose the amount to be multiplied were £2,345 17s. 6d., how would you proceed?

4. Suppose you had to analyse the sales of a business according to ten selling departments. How could you do it by machine?

### EXERCISES ON CHAPTER IV

1. What are the objects of filing letters and other documents in business? For what reasons must the filing be done regularly and methodically?

2. What rules would you lay down with régard to the order in which *letters* should be placed on the files in your office?

3. How would you recommend that invoices inwards should be filed?

4. Describe the chief parts of a flat file, explaining how they enter into the structure and the use of the file.

5. Describe the chief parts of a vertical file, explaining how they enter into the structure and the use of the file.

6. Compare the flat and the vertical file from the points of view of convenience in use and efficiency in result. Is either more suitable than the other for any particular purpose?

7. (*a*) Arrange the following names of counties in alphabetical order: Yorkshire, Lincoln, Surrey, Monmouth, Bedford, Lancashire, Cheshire, Gloucester, Norfolk, Bucks, Cambridge, Glamorgan, Renfrew, Cornwall, Middlesex, and Linlithgow.

(*b*) Arrange the following list of trades in alphabetical order: Cabinet-makers, zinc workers, wheelwrights, bakers, printers, plumbers, bricklayers, grocers, drapers, ironers, victuallers, machinists, smiths, tailors, oilmen, tobacconists, masons.

8. What is a vowel index, and how are its contents arranged?

9. Describe the construction of an ordinary card index, and name some of the purposes for which it may be kept.

10. Do you think that a visible card index is superior to an ordinary card index? Give reasons for your answer.

11. What are the advantages of loose-leaf books over ordinary bound books? Name some of the purposes for which loose-leaf books are suitable. Explain why you do or do not consider them better than ordinary bound books for every purpose.

12. Explain how you would arrange a loose-leaf ledger for customers' accounts.

13. What is a rotary stencil multicopier, and how does it work?

14. What are the Post Office regulations regarding (1) the posting at printed paper rate of circulars produced in imitation of typewriting, (2) the payment in money instead of in stamps of the postage on circulars?

# CHAPTER V

## THE HOME TRADE

## 16. GETTING IN THE ORDERS

### MAKING AN INQUIRY

WHEN a trader wants to buy certain goods, knowing where to get them and at what price, he does not trouble to send an inquiry about them. He gives the order at once. But, if he is not sure where he can procure the goods, or at what price he can get them, he will send an inquiry to the place where he thinks he can find them. He may make his inquiry at two or three likely sources of supply with the view, probably, of discovering the best article at the most suitable price. He will ask, (1) whether the goods he wants can be supplied, and (2) if so, what the price will be. He may ask, also, for (3) a few samples or patterns to select from. He should (4) describe what he wants as clearly as he can, and should (5) say about what quantity he needs. If the subject of his inquiry is something it will take time to make, he should also (6) state when delivery will be required.

Suppose the proprietors of a large general store have decided to distribute a quantity of catalogues, they would probably address to several printing establishments an inquiry in terms like those of the example on page 117.

Notice here (1) that the quantity required is explicitly stated, (2) that specimens show exactly the quality, style, and size of the booklet required,

221–245 Southern Highway,
London, S.W.16, 3 Jan., 19..

The Meridian Press, Ltd.,
The Crossways,
Southwark, S.E.1.

Dear Sirs,

We shall be obliged by your quoting us for—

50,000 Illustrated Catalogues,
50,000 Order Forms,

quality, size, and get-up similar to the specimen catalogue and order sheet we enclose. Delivery, free at this address, will be required to commence on the 7th of March next. Electros for the illustrations will be supplied by ourselves.

Yours faithfully,
for Kirkby & Langton,
*E. W.*

(3) that the catalogues are to be delivered free, (4) that the time for delivery is stipulated, and (5) that the cost of the blocks for the illustrations is not to be included in the price to be quoted.

## PREPARING THE QUOTATION

Each of the several printers to whom this inquiry was sent would probably acknowledge it at once, with thanks. They would then set about compiling an estimate of the cost of the job. For 50,000 catalogues, of the size and number of leaves of the specimen, so much paper of quality similar to the specimen would be needed. There would be so much time in all, based on an average per page, for setting so many pages of type and illustration. There would be the cost of preparing and sending proof sheets—author's corrections in the proofs to be charged for extra. When the whole of the

matter was complete, and the proofs finally passed, there would be the machine work—making ready and printing off 50,000 copies of the book. There would be folding, wiring, trimming, and parcelling to be allowed for. Something would be included in the estimate in respect of the general or "overhead" charges of carrying on the business. To the total of the estimated cost so reached there would be added the margin of profit that the printer hoped to secure. The quotation, sent when the estimate was finished, might be as follows—

QUOTATION

The Crossways, Southwark,
London, S.E.1, 6 Jan., 19..

Messrs. Kirkby & Langton,
221 Southern Highway, S.W.16.

Dear Sirs,

We have the pleasure of now submitting our quotation for catalogues and order forms similar to the specimens received with your inquiry of the 3rd inst.—

50,000 Catalogues, 32 pages 9½ in. by 7¼ in. printed in black, and 4 page three-colour cover, wired two wires, electros to be supplied by yourselves,
on quality A paper, £10 14s. 6d. a thousand net.
" " B " £12 18s. 0d. " "

50,000 9 in. by 7 in. single-sheet Order Forms, printed in black on one side only,
on quality C paper, 5s. 6d. a thousand net.

Goods delivered free to your address, banded and packed securely.

As you are already acquainted with the quality of our work and service, and as we have given you very keen prices, we are hopeful of being entrusted with the execution of your order.

Yours faithfully,
For the Meridian Press Ltd.,
*H. F. Jackson,*
Director.

**POINTS IN THE QUOTATION**

Notice that the different samples of paper submitted are given the distinctive marks, A, B, and C. Samples and patterns should always be marked in such a way as to prevent any possibility of confusion either in the quotation or in the order that may follow. The word "net" attached to each of the prices quoted means that payment would be required without deduction of any discount. In business, it is customary for a small discount, such as 2½ per cent of the total of the account, to be allowed if payment is forthcoming before a certain date. But, when a price is specially quoted for a job, the price is frequently given *net*. An exact copy of every quotation sent out must, of course, be kept by the senders.

We have used the words *quotation* and *estimate*. Sometimes the quotation is called an estimate, but the estimate is, more correctly, the completed calculation of probable cost on which the quotation is based. Sometimes, again, the name *tender* is used instead of "quotation." That is more usual when the quotation is sent in answer to an advertisement, as when a hospital announces in the Press that tenders are invited for the supply of coal, or utensils, or foodstuffs, for a period. A *firm offer* is one that, like the foregoing quotation, will remain open for acceptance within a specified or a reasonable length of time. This name is given to such an offer to distinguish it from one made "subject to the goods being unsold on receipt of your reply." Such a condition would be introduced where the same offer was made to more than

one person, and where only a limited supply was available of the goods to be disposed of.

### THE TRAVELLER DOES HIS BIT

Our conjectural quotation might be passed by the printers to their traveller, who would then call and deliver it to the inquirers. It is more likely, however, that the quotation would be sent by post direct, but the traveller would very soon follow with a copy in his hand. Should the inquirers not have arrived at a decision, he would ask if he could furnish any further information, or if he could help in any way. And he would keep the inquiry warm until, one day, he went away a happy man with the order in his pocket, or until he learned with some little disappointment that the order had been placed elsewhere. If there was not a traveller on the ground, and if a special man could not be sent, the quotation would be "followed up" by letter, unless the order came to hand very soon.

We have assumed that this inquiry was received by post. It might, however, have been picked up by the traveller on one of his regular calls. Most wholesale and manufacturing houses keep a staff of travelling salesmen on the road, each assigned his own district. Where the nature of the goods for sale permits, the travellers carry samples, and take orders from the samples where they can. Many of them, carrying numerous and bulky samples, find a motor-car a necessity for moving themselves and their goods speedily from point to point. In each of the larger cities, a manufacturer usually keeps a selling agent with a fixed office, instead of a travelling salesman, and it is

the duty of the agent to maintain continuous touch with the wholesale houses in his city.

These agents are, as a rule, remunerated solely by commission at a small rate per cent of the value of the orders taken by them and executed. Usually, too, they provide office accommodation themselves, though sometimes a manufacturer opens an office of his own, and puts in his own staff. Travellers are sometimes paid by commission only, but more often, perhaps, they are paid partly by fixed salary and partly by commission. As the amount of the commission depends on the volume of sales effected, this method of remuneration encourages salesmen to do their best.

PRICE LIST OF ENVELOPES

| Size in Inches | Manilla | | | | Cartridge | |
|---|---|---|---|---|---|---|
| | CB 20 | CB 22 | CB 24 | CG 26 | Thick CB 28 | White CB 30 |
| | s. d. | s. d. | s. d. | s. d. | s. d. | s. d. |
| 7½ × 5 | 6 – | 7 9 | 9 5 | 11 8 | 13 6 | 18 9 |
| 8¼ × 5¼ | 7 5 | 9 6 | 11 3 | 13 4 | 15 – | 23 4 |
| 8½ × 5⅝ | 7 8 | 10 – | 12 – | 14 – | 15 6 | — |
| 9 × 6 | 8 4 | 10 8 | 13 3 | 15 – | 17 6 | 27 6 |
| 9⅝ × 6⅝ | 9 6 | 12 4 | 15 2 | 17 – | 20 10 | — |
| 10 × 7 | 11 – | 14 – | 10 4 | 20 – | 22 – | 35 2 |
| 10½ × 8 | 13 – | 16 9 | 19 10 | 23 10 | 27 6 | 42 2 |
| 10½ × 8½ | 13 10 | 18 6 | 22 – | 24 9 | 29 8 | — |
| 12 × 9 | — | 20 9 | 24 9 | 29 9 | 34 8 | — |
| 12 × 10 | — | 21 8 | 26 – | 31 9 | 36 8 | 55 – |
| 14 × 9 | — | 25 6 | 30 6 | 36 9 | 42 – | — |
| 15 × 10 | — | 29 – | — | 45 – | 48 4 | 79 – |

The above prices are each for one thousand envelopes.

For large quantities reductions are made as follows—

For 10,000, 2d. a thousand
,, 20,000, 4d. ,,
For 50,000, 6d. a thousand
,, 100,000, 8d. ,,

## SEEKING CUSTOM BY ADVERTISEMENT

One means of seeking and obtaining orders is by advertisement in the Press or on the hoardings. For local business the local papers will serve, but for wider trade the national news press would be used. Some advertisements are intended to bring by post specific demands direct to the advertiser's place of business. In these cases the attempt is commonly made to record the numbers of replies, with the view of ascertaining which periodicals prove most profitable. Other advertisers seek merely to stimulate a general and indirect demand through the usual retail channels. Which of the methods to adopt will be decided chiefly by the nature of the commodities to be sold. A form of advertisement that no retail shopkeeper dare neglect is attractive window display.

## CATALOGUE AND PRICE LIST

Still another means of fostering and extending trade is the catalogue and price list. A *price list* may be a single sheet, like the specimen on page 121. A number of such sheets in book form is usually called a *catalogue,* particularly where detailed descriptions of the goods are given. If pictorial representations of the articles are also included, the book is called an "illustrated catalogue." Price lists and catalogues may be kept on hand to be sent out only in answer to inquiries, or they may be distributed broadcast by post, in the hope that inquiries and orders will pour in freely as a consequence. The name *prices current* is used, in the wholesale provision trade, for

example, for a list of prices ruling on the day when the list is issued. It is issued merely to show probable customers what the trend of prices is in a trade where prices vary quickly. Unlike a "price list," it is not an offer the acceptance of which would bind the issuer to supply the goods at the prices named.

### QUESTIONS

1. Enumerate points that should be watched—
(*a*) in making inquiry for goods that a trader needs,
(*b*) in sending a quotation for the supply of goods.

2. (*a*) Write to the British Packing Case Co., Ltd., Princess Street, Manchester, on behalf of Messrs. Smith & Son, Bolton, a letter asking them to quote for crates. The crates are to be made of good white wood planed all sides and, besides nailing, you require all edges to be secured by pierced iron strips. You enclose scale drawings of the crate required. Mention the fact that you would require deliveries of 120 at a time, and on a satisfactory quotation would require 120 a week, and would probably be willing to give a year's contract.

(*b*) Make a quotation of 4s. 9d. each for the above, and specify free delivery; terms: 5 per cent three months.

(*c*) Send a letter accompanying the quotation, and soliciting the order. Say that on a year's contract the price would be only 3s. 9d., as special arrangements could be made for the work. (*U.L.C.I.*)

3. Name four distinct ways by which orders are obtained in business, and make briefly about each way such observations as occur to you.

4. (*a*) What is meant by: net, estimate, firm offer, discount, traveller's commission?

(*b*) How does a list of "prices current" differ from a "price list"?

## 17. ORDERS IN EXECUTION

### WHEN AN ORDER IS GIVEN

Let us suppose that the quotation of The Meridian Press, in Section 16, is accepted by Kirkby

& Langton. Their order for the catalogues would take a form like the following—

ORDER

The number of this order must be given on your invoice. No. C289

From KIRKBY & LANGTON,
221–245 Southern Highway,
London, S.W.16, 10 Jan., 19..

The Meridian Press, Ltd.,
The Crossways, Southwark, S.E.1.

Dear Sirs,

Please supply us with—

50,000 Catalogues at £10 14s. 6d. the thousand, net.
50,000 Order Forms at 5s. 6d. ,, ,, ,,
as your quotation of the 6th instant.

Several pages of copy for the catalogue will be posted to you next week.

Yours faithfully,
For Kirkby & Langton,
*E. W.*

*Every order should be precise*, so that the supplier of the goods will not have to ask for further information, and so that the giver of the order will not suffer annoyance by receiving goods other than those expected. Terms of payment and time of delivery should also be stated, unless these are already understood. The full particulars for this order of Kirkby and Langton are contained in the inquiry and the quotation shown in Section 16. As the order makes reference to the quotation, the particulars need not be detailed again. It is a common practice for orders given out to be written in a carbon duplicate book, one copy being sent

to the supplier of the goods, the other copy being retained in the book for reference.

It is usual, too, for every order to bear *a printed serial number*. Many business houses require this number to be quoted by the supplier on his invoice for the goods. That is useful to the customer where the orders he gives out are very numerous. It enables him to refer quickly to the order he wants for the purpose of comparing the invoice with it, and of marking upon it the dates and quantities of the deliveries received. When odd articles wanted specially are ordered by telephone, the orders can be written in a Telephone Order Book, and the number of each order can be 'phoned to the supplier along with the particulars of the goods.

Another reason why *written orders are advisable* is to save or to settle dispute about the goods when they arrive. Business men frequently give orders for considerable amounts by word of mouth only. Many of them are for immediate delivery from stock, and, as the goods come in whilst the orders are fresh in mind, disputes are less likely to arise. Besides, if any goods supplied from stock are returned at once and in good condition, the supplier will usually take them back. Where, however, an order is taken for delivery on a distant date, supplier and customer should give each other a written copy or confirmation of the order. The *Sale of Goods Act* prevents any claim being enforced by law for goods of the value of £10 or upwards, unless—

1. The goods have been accepted and actually received; or
2. Something (e.g. a deposit or payment on account) has been given to make the bargain binding; or

3. The party claiming can produce a note of the material points signed by or for the party claimed against.

## RECORDS OF ORDERS RECEIVED

When a customer enters a retail shop, selects an article, pays for it and takes it away, no order record is needed, because the article is selected, supplied, and paid for all at once, and the transaction immediately closed. In wholesale trade, however, some time may intervene between the order being received and delivery being made. In these circumstances, a customer may write asking when goods on order are going to be sent, and it will be necessary to trace the order in the warehouse. In wholesale trade, also, payment does not usually come in until after a longer or shorter period of credit. A customer, when asked to pay, may say that he never ordered certain goods and never received them. That will necessitate turning up the order, tracing its execution, and proving delivery of the parcel. Without some adequate record of receipt, execution, and delivery of the order, it will not be possible to convince the customer that he owes the money.

*Methods of keeping order records* vary greatly, and no fixed plan can be applied generally, because of the different conditions that obtain in different trades. Some businesses retain all original orders in the Order Office, and send out to the warehouse or department concerned extracts or instructions only. The old-time leisurely method was to enter each order in full detail in a Customers' Order Book. Whilst all that may not be necessary, the other extreme of entering nothing at all is far from

satisfactory. We suggest, for one method, that a printed form should be used as a facing slip for each order, the form to contain spaces for the customer's name and full address, the date the order was received, the department or departments the order is for, also spaces for date of dispatch, name of carrier by which the goods are sent, initials of the assistant getting out the goods, and those of the packer and dispatch clerk. Each order received should be given a serial number, that number to appear on the facing slip. If the number is repeated on all other forms and entries used or made in the process of execution, it will clearly connect all these records when, on occasion, it becomes necessary to trace from one to another. Should an order received refer to more than one department, the original order and facing slip would be sent to the chief department concerned. Extracts would go to the others, but a note of each extract would appear on the facing slip, so that the goods for all could be collected and sent away together.

The facing slip should be typed in duplicate by carbon leaf, and the carbon copy should be retained in the Order Office, whilst the top copy attached to the original order goes the round of the establishment. These carbon copies in the Order Office should be arranged in alphabetical order on a file of Customers' Orders on Hand. A watchful eye must be kept on this file to see that no order remains on hand too long. The originals would be returned to the Order Office after execution, and would be placed in the order of their serial numbers on files of Customers' Orders Executed. On the

return of the originals, the corresponding carbon copies should be taken from the file of Customers' Orders on Hand, and placed in alphabetical order on a third file, which would serve as an A B C index to the serially numbered file of orders executed. By such a method any order on hand or any order executed could be found quickly at any time, either by its serial number or by the customer's name. Orders for delivery in the future would be kept on a separate file from the others until the date for execution and delivery was approaching.

### THE PROCESS OF EXECUTION

Here, again, the different conditions of one trade from another impose a different routine in getting up orders on hand. An order for 50,000 catalogues would usually mean that the paper necessary would have to be procured. When the first sheets of copy arrived and were set up by the compositor, proof sheets would be printed and submitted to the customer. As these came back, such corrections as were needed would be made in the type. When the first proofs were all dealt with final proofs would have to be submitted and passed. Sheets sufficient to make up 50,000 of the catalogues would then have to be printed off, and put into book form, before the goods as the customer required them could be handled, charged out, and dispatched.

In a wholesale trader's business the procedure would be much simpler. There the goods required would simply be taken out of stock, and allocated to the order, or the order would be held up until goods of the kind required came in. Should goods

of the exact kind not be in stock and not be expected soon, the nearest might be sent, the customer having the option of keeping them or of sending them back. The assistant getting up an order must be careful about many points, such as quality, size, and colour. He must see that he charges the correct price for the correct quantity to the correct name and address. The routine of entering out the goods should provide for these last particulars being checked over by another person. The goods would then find their way to the Dispatch Room to be packed and sent off, the packer checking the number of articles over again with a copy of the entry, which he would initial. A slip copy of the charge entry would go to the invoicing room for the calculations to be extended and the invoice typed.

### THE GRANTING OF CREDIT

Before any order received by post or taken by a traveller is handed on for execution, it must be *passed for credit by the sanction clerk*, whose initials or stamp on the order authorizes dispatch of the goods. For orders taken in the warehouse, the Dispatch Room slip must be sanctioned in the same way. If that rule were not observed, customers who are bad payers would be allowed to run up credit beyond the agreed limit, or beyond what it was considered judicious to allow. Losses in bad debts would then result.

When *a new customer* gives an order, the sanction clerk has no experience to guide him. It is usual, therefore, for "references" to be requested before a new account is opened, unless the new customer

is one well known in the trade and of good repute. If a traveller takes a new customer's order he will usually ask for the references, and he may be required by his counting-house to fill up a form giving the new customer's full and correct name and address, such other information as the traveller can supply, and the necessary references.

**Trade References.** The references are generally the names of two supply houses with whom the customer has been running credit accounts for some time. These houses are then written to, being asked their experience of the account—whether it is one of long standing or not, to what amount they have found it safe to grant credit, and how long the customer takes to pay. Such inquiries being answered as a matter of courtesy, and not by obligation, a stamped and addressed envelope should always be enclosed for the reply. If any house referred to is in the same city as the inquirer, a messenger would be sent out to obtain the answers. It is advisable to take the names of at least two houses for reference, and to compare the answers they give.

In replying to an inquiry of this kind, the safest course is to state facts and not to express mere opinion. If an answer were given that led the inquirer astray, he might have legal cause for bringing an action to recover damages suffered because of the misrepresentation. It is usual, also, to mark a written reply "Private and Confidential," for, if an unfavourable answer came to the knowledge of the person inquired about, he too might consider himself aggrieved, and justified in setting legal proceedings afoot.

**Bank References.** Sometimes a new customer furnishes the name of his bank for reference. The inquiry to the bank named would then have to be made through the inquirer's own bank, as bankers follow the rule of not supplying information about their customers except to other banks. Bankers' answers, however, do not usually make any but very general statements, and are not as good guides as the answers of trading houses in helping us to decide what course to take.

**Status Inquiry Offices.** Most wholesale houses subscribe to a trade protection society, or to a status inquiry agency, or to both. Such offices supply their subscribers with information they have filed about the reputation of traders and others who buy on credit. If they have no information on their files, they procure it where they can. Their reports on the "status" or standing of persons inquired about are useful for comparison with the answers that trade references bring.

## QUESTIONS

1. A. Brown & Co. wish to purchase from Duncan Bros. 15 cases of cutlery at £12 the case, subject to 10 per cent trade discount and 5 per cent for cash in one month. Give the usual form of order, and add any instructions and stipulations you consider necessary. (*L.C.C.*)

2. A manufacturer carrying on a business divided into departments receives an order for goods to be supplied in parts by different departments. What office work would be involved in respect of the order from the moment of its receipt to the time when the goods were dispatched?

3. Describe in detail a method you would adopt to effect the speedy dispatch of goods ordered. (*L.C.C.*)

4. (*a*) Explain exactly what is meant by "trade reference." (*L.C.C.*)

(*b*) Describe two courses that you could take as alternatives to the trade reference.

## 18. INVOICES GOING OUT AND COMING IN

### INVOICING GOODS OUT

We have seen how a warehouse assistant, getting up a customer's order, charges the goods out in a warehouse entering book. The entries in the book are made in duplicate or triplicate, a slip copy of each entry passing along with the goods to the Dispatch Room, and the same or another slip going to the invoice clerk. The necessary calculations are then made on the slips, and the invoices are typed, checked, and sent off. A thorough check is carried out to make sure that every entry has been invoiced and dealt with correctly. Should it be discovered that an invoice sent off is inaccurate in any particular, an amended one would be posted to the customer at once.

Let us suppose that The Meridian Press has now delivered all the order sheets and 10,500 of the catalogues mentioned in our last two sections. We may take the following to be a copy of the invoice they would send—

**INVOICE**

THE CROSSWAYS, SOUTHWARK,
LONDON, S.E.1,
6 *March*, 19..

MESSRS. KIRKBY & LANGTON,
221 Southern Highway, S.W.16.

INVOICE from THE MERIDIAN PRESS, LTD.

| | | £ | s. | d. |
|---|---|---|---|---|
| 10,500 | 32 pp. Catalogues in black with 4 pp. 3 col. cover @ £10 14s. 6d. the thousand . . | 112 | 12 | 3 |
| 50,000 | Single-sheet Order Forms printed one side only @ 5s. 6d. the thousand . . . | 13 | 15 | – |
| | Your Order No. C289 | | | |
| | Net | £126 | 7 | 3 |
| | Delivered by our van. | | | |

In the heading of this invoice we have used the words "Invoice from." More usual, perhaps, is the phrase "Bought of," whilst another variation to be met with is "Sold to."

### THE PURPOSE OF AN INVOICE

An invoice is a note showing quantity, description, price per unit, and total value of goods supplied, or showing particulars of charges for work done. It is sent by the seller to the buyer on delivery of the goods, or on completion of the work. In some businesses the invoice does not go at the same time as the goods, but follows later. Where that is the custom, *a delivery note* is sent, either with the goods or to reach the customer in time for their arrival. When goods are sent to one address and the invoice to another, a delivery note should always go to the same address as the goods.

If delivery were made by the supplier's van, the delivery note would be in duplicate—one copy to be retained by the customer, the other to be

DELIVERY NOTE

THE MERIDIAN PRESS, LTD.
THE CROSSWAYS, SOUTHWARK,
LONDON, S.E.1,
6 *March*, 19..

DELIVERED TO
MESSRS. KIRKBY & LANGTON,
221 Southern Highway, S.W.16.

10,500 Catalogues in 26 parcels
50,000 Order Sheets in 10 parcels

By motor van.

RECEIVED IN GOOD CONDITION BY

.....

signed by him and handed back as a receipt for the goods. Assuming such a delivery note to be used by The Meridian Press in the transaction we have been studying, we may take the note to be in a form such as is shown on page 133.

When a package or packages are to be delivered by goods rail, a *consignment note* on the railway company's form must be prepared in duplicate. The carman takes one form, and he signs the other for retention by the sender of the goods.

To the *customer* an invoice or the corresponding delivery note is intended (1) as a notice or "advice" that the goods specified have been dispatched, and (2) as a note of particulars by which the quantities and qualities received can be checked with what the supplier states he has sent. The invoice serves further to show, (3) the price of each article, so that the customer can mark the prices on the goods and pass them into stock; also (4) the total charge that the customer has to pay. To the *supplier* of the goods, the carbon copy he keeps of each outward invoice is the source from which are made the entries that must follow in the account books of his business.

What we call a *pro forma invoice* is a note in the form of an invoice, sent in the case of a proposed purchase, to show what the supplier's charges would be should the person proposing the purchase later order up the goods. It may be used when goods are sent out on approval, or for sale or return. Where a supplier is unwilling to part with the goods before he receives payment, he would probably send a *pro forma* invoice marked "awaiting your remittance." A *pro forma* invoice

should not be entered as a sale until the goods have been dispatched.

If goods are sent to an agent "on consignment," for the agent to sell them on behalf of the owner at the best price obtainable, a *pro forma* invoice is usually furnished to the agent as a guide to what the selling price should be. Where the agent is located abroad, a *pro forma* invoice is needed, also, for the Customs Authorities at the distant seaport.

## INVOICE AND PACKING NOTE

Instead of a delivery note, a *Packing Note* is sometimes enclosed with the goods.

PEERLESS HOSIERY MILLS, LTD.,
Hinckley, Leicestershire.

*Date* 17 *Feb.*, 19..

PACKING NOTE

| Account No. 5498/18T | Doz. | Style | Colours | Quantities by Sizes | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 8½ | 9 | 9½ | 10 | 10½ | 11 | |
| Filled by *O. B.* | 24 | 134 | Gunmetal | | 1 | 2 | 1 | | | |
| Checked by *E. L.* | | | Suedette | | 1 | 2 | 1 | | | |
| Packed by *A. S. S.* | | | Dago | | 1 | 2 | 1 | | | |
| No. of Packages 1 case | | | Java | | 1 | 2 | 1 | | | |
| | | | Otter | | 1 | 2 | 1 | | | |
| | | | Leaf Brown | | 1 | 2 | 1 | | | |

The packing note is merely a copy, made for the customer, of the packing slip that usually accompanies the goods from the warehouse to the dispatch room of the supplier. In the hands of the receiver of the goods it serves, like a delivery note,

as a means of checking off the quantities of the different articles received. In our example, the packing note is a carbon copy, typed at the same time as the invoice, and showing all the details

**PEERLESS HOSIERY MILLS, LTD.**

*Silk Hosiery Manufacturers*

HINCKLEY, LEICESTERSHIRE

MESSRS. C. & W. POPPLEWELL,
20 Central Avenue,
Kingston-on-Thames.

INVOICE
No. B421
*Date* 17 *Feb.*, 19..

| Doz. | Style | Colours | Quantities by Sizes 8½ | 9 | 9½ | 10 | 10½ | 11 | Price | Amount £ s. d. |
|---|---|---|---|---|---|---|---|---|---|---|
| 24 | 134 | Gunmetal | | 1 | 2 | 1 | | | | |
| | | Suedette | | 1 | 2 | 1 | | | | |
| | | Dago | | 1 | 2 | 1 | | | | |
| | | Java | | 1 | 2 | 1 | | | | |
| | | Otter | | 1 | 2 | 1 | | | | |
| | | Leaf Brown | | 1 | 2 | 1 | | | 35/11 | 43 2 - |

of the invoice except the money columns. The packing note going with the goods, the invoice priced and extended follows later by post.

## CHECKING INCOMING INVOICES

Every invoice for goods received should be checked carefully with the goods to see that they correspond (1) with the description or quality charged, and (2) with the quantity in number or weight invoiced. The invoice should be checked, also, with the order given, (3) for quantity, and (4) for quality or description and price. At each step, the person who makes the check should initial the invoice to show that the check has been carried

out and by whom. The invoice should then be passed and signed by the buyer responsible. Lastly, (5) the calculations must be checked to make sure

| Depmt. No. | Goods Received on.....<br>,, Checked by .....<br>Prices ,, ,, .....<br>Order Marked ,, .....<br>Invoice Passed ,, ..... |
|---|---|

no error has occurred there. When an error in calculation is discovered, the invoice should be corrected and the supplier notified. To provide spaces for the several checkers' initials, and to help towards the work being carried out methodically, each invoice as it is received should be "grid" stamped in a form similar to that shown above.

When an inward invoice is checked with the order given for the goods, the date of delivery should be *marked in the order book* to show that the goods have come in and that the invoice has been passed. If this practice of marking the order with the date of delivery is strictly adhered to, it will prevent the possibility of a second invoice ever being passed for the same goods. When a delivery is made in part execution of an order the quantity received should be recorded in the order book in addition to the date of delivery. The order will then show clearly what has still to come in. Orders that are to be executed a part at a time as required should be written in a special order book, where the copy retained provides sufficient space for the delivery records.

It is customary for a *Register of Invoices Received*

to be written up as the invoices come in from the suppliers of the goods. The register may be a carbon-duplicate book in which a list of each batch of invoices is entered. The carbon copy of the list is torn from the book and passed along with the invoices to the Goods Receiving Room. As invoices come back to the Counting-house passed by the buyers responsible they are checked off in the register, stragglers being traced and recovered. In retail drapery and hardware stores, the selling price is fixed, and marked on each article, at the time the invoice is passed. If the business is a large one, a separate Marking-off Room may be set apart for the purpose. The selling price is required every time an article is offered for sale, whilst cost prices are needed at stocktaking, and now and again at other times. In retail business, where it is practicable to do so, the best way to keep record of both cost and selling prices is to mark them on the articles themselves. Selling prices are usually marked in plain figures, cost prices in a secret cypher.

### RETURNS, SHORTAGES, AND OVERCHARGES

In the checking of a supplier's invoice, it may be discovered that some of the goods are not what were ordered or required. Such goods will probably be rejected and sent back. It may be discovered, again, that goods which have not been received are charged on the invoice, or that goods received are charged at too high a price. In all such cases, a *Debit Note* should be sent to the supplier, showing the amount and the particulars of the returns or of the overcharge. Below we give,

as an example, the form of a debit note for a supposed shortage of 100 copies of the catalogues charged in the invoice of The Meridian Press, as shown earlier in this chapter—

## DEBIT NOTE

221–245 Southern Highway,
London, S.W.16,
8 *March*, 19..

The Meridian Press, Ltd.,
The Crossways, Southwark, S.E.1.

DEBITED BY KIRKBY & LANGTON

| | | £ | s. | d. |
|---|---|---|---|---|
| 100 | Catalogues delivered short @ £10 14s. 6d. the thousand . . . . . | 1 | 1 | 5 |
| | Charged on March 6th 10,500 | | | |
| | Received only 10,400 | | | |

Should The Meridian Press agree to the claim for shortage, they would notify their agreement by sending Kirkby & Langton a *Credit Note* as shown in the form that follows. The debit note

## CREDIT NOTE

The Crossways,
Southwark, S.E.1,
10 *March*, 19..

Messrs. Kirkby & Langton,
221 Southern Highway, S.W.16.

CREDITED BY THE MERIDIAN PRESS, LTD.

| | | £ | s. | d. |
|---|---|---|---|---|
| 100 | Catalogues overcharged in our invoice of 6th March @ £10 14s. 6d. the thousand . . . . | 1 | 1 | 5 |

means that Kirkby & Langton have, in their books, debited or charged the account of The Meridian Press with £1 1s. 5d. for the shortage in delivery. The credit note means that this amount has been credited or allowed to Kirkby & Langton in the books of The Meridian Press.

## QUESTIONS

1. (*a*) Make out an invoice for the following sold by Messrs. Sharp & Sons to Mr. J. Clark: 5 prs. XL boots @ 12s. 6d. p. pr., 8 prs. leather gaiters @ 2s. 11½d. p. pr., 5 doz. prs. laces @ 25s. p. gross, 6 doz. tins black polish @ 3s. 11d. p. doz., ¾ doz. prs. boot trees @ 1s. 4d. p. pr., carr. 4s. 6d.

(*b*) Draw up the delivery note for the goods detailed in the preceding question as it would appear *after* the goods had been delivered by a messenger.

2 What is an invoice, and what uses are made of it by (*a*) the purchaser, (*b*) the seller of the goods? (*R.S.A.*)

3. Draw up a scheme for the entering out in a wholesale warehouse of goods to be dispatched to customers and for the forwarding of invoices for the goods. What checks would you provide for in order to disclose any mistakes that may be made? (*R.S.A.*)

4. Draw up invoices for the following, inserting proper headings—

(*a*) 14 yd. silk @ 2s. 11d. p. yd., 5 doz. reels cotton @ 30s. 6d. p. gross, 13 hats @ 3s. 11d. each, crate 1s. 6d.

(*b*) 16 quires No. 8 @ 2s. 5½d. p. qr., 13 quires No. 3 @ 30s. p. ream (20 qrs), 3 reams No. 10 @ 29s. 11d. p. ream, crate 1s. 9d., carr. 1s. 3d.

5. (*a*) What is the difference between an invoice and a *pro forma* invoice?

(*b*) Outline the routine you would impose for the efficient checking and passing of purchase invoices. (*R.S.A.*)

6. What would you do in the following circumstances?—

(*a*) You receive goods not up to the quality of the sample upon which your order was based.

(*b*) You receive an invoice for goods charged at 5s. 6d. per yard. when the order you gave for them states 4s. 9d. per yard. (*L.C.C.*)

# 19. CUSTOMERS' ACCOUNTS AND PAYMENTS

## SALES AND RETURNS INWARDS BOOKS

Outgoing invoices being typed in duplicate by carbon leaf, the carbon copies are entered in a *Sales Book* or *Sales Journal* like the following example—

SALES JOURNAL 143

| No. | Date | Customer's Name | Town | Led. Fo. | Amount £ | s. | d. |
|---|---|---|---|---|---|---|---|
| | 19.. | | Brought forward | | 2,327 | 5 | 6 |
| 1 | Mar. 6 | Kirkby & Langton . . | S.W.16 . . . | 228 | 126 | 7 | 3 |
| 2 | ,, | Brown & Son, W. . . | Leamington . . | 54 | 18 | 4 | 11 |
| 3 | ,, | Gem M'f'g. Co., Ltd. . | Norwich . . . | 115 | 30 | 10 | – |
| 4 | ,, | Hutchinson, L. H. . . | Ilford . . . | 97 | 74 | – | 9 |
| | | etc. | etc. | | | | |

After entry, the copies of the invoices are numbered, each with the page and line of entry. Then they are filed away in the order of their numbers on Sales Invoice Files as explained in Section 12. With present-day filing devices at hand, there is no need, as is sometimes done, to enter details of the goods in the Sales Book. These can always be found quite readily by turning up the copy of the invoice on the file. And the filing of the copies in the numbered order of entry is much more convenient than breaking that order up to file them alphabetically under the customers' names.

Credit notes sent to customers for goods returned, for overcharges or allowances, are also typed in duplicate, the carbon copies being entered in a *Returns Inwards Book*, and filed on a Returns Inwards File. Entering, numbering, and filing are done in the same way as for the sales invoice carbons.

## CUSTOMERS LEDGER ACCOUNTS

Each entry in the Sales Journal, and in the Returns Inwards Book is "posted" in a *Customers Ledger*, to an account headed with the customer's name, as in the example appearing on this page. Ledger accounts are kept with two sides which are ruled exactly alike. The left-hand side is called the *debit side*, and the right-hand one the *credit side*. In the Ledger, all charges are entered on

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KIRKBY & LANGTON, 221–245 Southern Highway, S.W.16

| 19.. | | | | £ | s. | d. | 19.. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mar. 6 | Balance bt.dn. Goods | net | 143/1 | 2 | 1 | 9 | Mar.10 | Overcharge | 64/21 | 1 | 1 | 5 |
| 13 | ,, | ,, | 150/10 | 126 | 7 | 3 | | | | | | |
| 19 | ,, | ,, | 158/21 | 160 | 17 | 6 | | | | | | |
| 24 | ,, | ,, | 162/7 | 108 | 6 | 5 | | | | | | |

the debit side of the customer's account, and all amounts to be allowed to the customer—for returns, overcharges, payments received from the customer, and any discounts thereon—are entered on the credit side. The balance or difference between the two sides in a Customers or Sales Ledger account is usually an excess on the debit side. In that case it is the amount that the customer owes his supplier to the point where the balance is struck.

## STATEMENT OF ACCOUNT

A statement of account is a note sent by a creditor to his debtor showing such portion of the debtor's account as is falling due for payment, and setting out the dates and amounts of the items that make up the sum claimed. For example, a statement rendered early in April, by the

Meridian Press, Ltd., to Kirkby & Langton, would be in a form like the following—

## STATEMENT OF ACCOUNT

THE CROSSWAYS,
SOUTHWARK, LONDON, S.E.1.

MESSRS. KIRKBY & LANGTON,
221 Southern Highway, S.W.16.

DEBTOR TO THE MERIDIAN PRESS, LTD.

| 19.. | | | £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|
| | | Balance of account rendered | | | | 2 | 1 | 9 |
| Mar. | 6 | Goods | 126 | 7 | 3 | | | |
| | 13 | ,, | 160 | 17 | 6 | | | |
| | 19 | ,, | 160 | 17 | 6 | | | |
| | 24 | ,, | 108 | 6 | 5 | | | |
| | | | 556 | 8 | 8 | | | |
| Mar. | 10 | Overcharge | 1 | 1 | 5 | | | |
| | | | | | | 555 | 7 | 3 |
| | | | | | | 557 | 9 | – |
| | | Due 1st May, net | | | | | | |

The purpose of an invoice is to show particulars and value of goods or services supplied on the date the invoice bears. The purpose of a statement, on the other hand, is to show the customer what has become due for a period. For that reason, dates and amounts only are given, and not particulars of the goods.

Statements received are checked with the supplier's account in the ledger of the debtor, each item being ticked if correct. Any claims or allowances not shown on the statement are then deducted, and, where the debtor is entitled to discount, that also is taken off. The statement is then ready for a cheque to be drawn in payment, and to be posted to the creditor when the due date arrives. Statements are most commonly rendered

for a month's transactions at a time, but if a customer wishes to pay more promptly to secure a better discount, a statement will usually be sent with each invoice, or for each week's transactions, or in whatever way the customer desires.

### TERMS OF PAYMENT

In wholesale and manufacturing businesses, a discount is usually allowed to customers for payment on or before a recognized date. A common rate of discount is $2\frac{1}{2}$ per cent for monthly payments. But the word "month" in this connection has not the same meaning in different trades. It may be a "short month" by which all goods supplied during April become due for payment, less $2\frac{1}{2}$ per cent, by the 10th or the 20th of May. Or, it may be a "long month," with payment of the April account due for the same discount on the 10th of June. By "prompt payment," we usually understand that payment is to be made in from seven to ten days from the date of the invoice, and a common rate of discount for that is $3\frac{3}{4}$ per cent. Weekly statements, for payment during the week next following, are often required now by houses whose practice it is always to take the best discount they can get.

The length of credit that the supplier is willing to give, and the discount he will allow, should be ascertained by the customer, and agreed to between supplier and customer when the account is opened. When longer credit is required than monthly terms provide for, either a smaller discount or none at all will be allowed. Here again, however, custom varies greatly in businesses of

different kinds. Sometimes the account will be due "net," that is, without any discount, one month later than the usual discount date; sometimes two months later, and sometimes three. It is convenient to note, at the head of each account in the Sales Ledger, the terms on which the customer desires to pay, so that his statements can be rendered accordingly. It is convenient, also, to note in the same place, for reference purposes, the serial number under which are filed the status reports that were obtained when the account was opened.

### ACCOUNTS THAT ARE OVERDUE

Accounts, payment of which is overdue, must be closely watched. One reason is to prevent the whole or any part of the money being lost to the creditor, for the debtor whose payments run long overdue is the one who may at any time call his creditors together, and offer them ten shillings or less in the pound. A second reason is that capital absorbed unnecessarily long in book debts is capital lying idle, and the sooner it can be released and used in new transactions, the more profit is the business likely to make. It is to induce payment at the proper time that suppliers offer discount, which will be lost in whole or in part if payment comes too late. Many business houses print on their statement forms a notice that interest at a rate named will be charged when accounts run beyond the date for payment net.

As statements of account are sent out to customers, it is usual to mark them with the discount immediately allowable, and with the date when

payment should be made to secure that discount, for example, "2½ per cent discount for payment not later than May 10th." Sometimes a debtor who takes long credit will agree to "accept" a bill of exchange drawn for the total of each month's purchases. The bill fixes the amount that the debtor undertakes to pay, and the date when the payment is to be made, the terms of a bill of exchange being legally binding on the debtor who has signed it as acceptor.

Statements of account which have run beyond the credit that the supplier is willing to allow should be thrown out for letters requesting payment to be written to the debtors. Some creditors follow the practice of attaching to statements printed slips worded in different terms according to the age or size of the account they want to get in. On the habitually slow payer, however, such a slip makes little impression, and a letter written specially to fit the case is more likely to have effect. If letters fail to bring the desired result, legal proceedings must be threatened, and, if necessary, instituted. There is little satisfaction, however, in labouring to recover money from a customer whose reputation did not justify credit being given, and the most effective point at which to control book debts is in the granting or refusing of credit at the start.

### WHEN A DEBTOR PAYS

When a debtor pays the account he owes a receipt or acknowledgment of the money should be given him. If on the 6th of May, Kirkby & Langton pay in full their account as shown on

the statement earlier in this section, a receipt in a form similar to that hereunder would be sent to them by The Meridian Press.

## FORM OF RECEIPT

No. 2397 THE CROSSWAYS, SOUTHWARK,
LONDON, S.E.1,
6 *May*, 19..

RECEIVED from Messrs. Kirkby & Langton, the sum of Five hundred and fifty-seven pounds, nine shillings

2d. Stamp

For The Meridian Press, Ltd.
*Henry James.*

£557 9s. 0d.

Should a debtor *pay less than the full amount* claimed, the money may be retained and a receipt given for it. But, in order not to prejudice the creditor's claim for the balance owing, the receipt should say "on account" or "in part payment," or should use other words to the same effect. Every receipt given for £2 or upwards must bear either an impressed or an adhesive stamp for 2d., the latter to be cancelled by the giver writing his name or the date over it.

Many houses still write receipts, with or without the aid of a rubber stamp, on the statements that customers return with their cheques. That practice is not one to be commended. It leaves too much room for the omission of a record of the receipt of the money, particularly when the customer calls and pays the amount in notes or coin. Receipts should be given on printed forms from a *Receipt Book* which retains a record of the payer's name, the amount received, and the discount allowed.

Omission of these may cause the cashier trouble in the balancing of his cash, and may lead to the undesirable result of a customer being asked to pay a second time. If the particulars are entered on a counterfoil, then, with the object of preventing omission, the habit should be formed of writing the counterfoil before the receipt. But a better plan is to use a duplicate receipt book in which, when the receipt proper is torn out, a carbon copy remains for entry in the Cash Book.

## CASH BOOK AND LEDGER ENTRIES

A usual form of business *Cash Book* is the two-sided one shown in Section 20, with three money columns on each side. Amounts received from customers are entered on the debit or left-hand side, the discount allowed going into the Discounts column, and the cash taken going into the Cash

CASH RECEIVED BOOK 129

| Receipt No. | Account | Led. Fo. | Discount £ | Discount s. | Discount d. | Cash £ | Cash s. | Cash d. |
|---|---|---|---|---|---|---|---|---|
| | — 6 May 19.. — | | | | | | | |
| 2397 | Kirkby & Langton | 228 | | | | 557 | 9 | – |
| 8 | Gem Manufacturing Co., Ltd. | 115 | | 15 | 3 | 29 | 14 | – |
| 9 | Hill Bros. & Co. | 161 | | – | 8 | 1 | 5 | 6 |
| | Etc. | | | | | | | |

LEDGER ACCOUNT

228 Kirkby & Langton, S.W.16

| 19.. | | | £ | s. | d. | 19.. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mar. 6 | Bal. bt. dn. | | 2 | 1 | 9 | Mar. 10 | Overcharge | 64/21 | 1 | 1 | 5 |
| 13 | Goods net | 143/1 | 126 | 7 | 3 | May 6 | Cash | 129 | 557 | 9 | – |
| 19 | ,, ,, | 150/10 | 160 | 17 | 6 | | | | | | |
| 24 | ,, ,, | 158/21 | 160 | 17 | 6 | | | | | | |
| | | 162/7 | 108 | 6 | 5 | | | | | | |
| | | | £558 | 10 | 5 | | | | £558 | 10 | 5 |

column. In a large business, however, with numerous receipts of cash, the amounts would not be entered singly in this book. They would go into a subsidiary *Cash Received Book*, from which only the daily total would be taken to the General Cash Book. Each item of cash entered in the Cash Received Book would, along with any discount allowed, be posted to the credit side of the customer's account in the Ledger. Kirkby & Langton's account as previously given would, of course, be settled by their payment of May 6th, and it would be ruled off as shown on page 148.

As an alternative to the foregoing procedure, we can use a shallow form of receipt, thus—

RECEIVED FROM
Messrs. Kirkby & Langton . .
FOR THE MERIDIAN PRESS, LTD.
6 *May*, 19..

*Henry James*

the sum of
£557 9s. 0d.

If receipts in this form were made about 1¼ in. deep, twelve of them could be printed on a single perforated sheet. The particulars could be typed in on this sheet, carbon duplicates being kept on a wider unperforated sheet printed with discount and posting columns. If these unperforated sheets were then placed in a loose-leaf binder, they would themselves serve as the Cash Received Book from which the ledger postings would be made, and they would save the entering up of a separate Cash Book. The shallow receipt forms would be gummed, so that each could be stuck on at the foot of the customer's statement of account.

### QUESTIONS

1. From the following items make out a statement of account to be rendered by R. Jones & Co. to Messrs. Richards, Ltd.—

19.. June 1 To Goods £34, June 4 To Goods £5 19s. 6d., June 5 By Returns £1 7s. 6d., June 7 To Goods £5 6s. 9d., By Allowance £0 13s. 9d., June 8 To Goods £8 4s. 0d., June 12 By Empties £0 14s. 6d., June 14 To Goods £3 17s. 4d. Deduct 5 per cent. (*L.C.C.*)

2. What is a statement? Show how (*a*) Incoming statements, (*b*) Outgoing statements, are dealt with in the office. (*L.C.C.*)

3. A firm in Manchester orders goods from a firm in London. Mention the documents which will be used in connection with the transaction up to and including the settlement of the account, and explain briefly the use of each document. (*U.L.C.I.*)

4. What steps are taken by manufacturers and wholesale traders to avoid contracting bad debts? How would you deal with a customer who has disregarded your applications for payment of an overdue account? (*U.L.C.I.*)

5. Your customers, Henry Green & Co., have just paid you an account of £53 16s. 5d., less 2½ per cent discount, to which they are entitled. Show the form of the receipt you will give, and state what entries you will make in your books to record the transaction.

## 20. ACCOUNTS OF CREDITORS

### PURCHASES AND RETURNS OUTWARDS BOOKS

When incoming invoices have been checked and passed as described in Section 18, they are entered in a *Purchase Book* or *Purchase Journal*, just as the carbon copies of outgoing invoices are entered in a Sales Journal. The Purchase Journal may be ruled exactly like the Sales Journal. The same ruling, again, can be used for a *Returns Outwards Book*, in which are entered the carbon copies kept of debit notes sent to suppliers for goods returned to them and for overcharges. As before, invoices and copy debit notes are numbered each with the page and line of entry. They are then filed away,

the former on a Purchase Invoice File, and the latter on a file for Returns Outwards.

Each entry in the Purchase Journal is allowed in the supplier's account in the Creditors Ledger, by being posted to the account on the credit side, as shown by the Peerless Hosiery account on page 153. Each entry from the Returns Outwards Book is charged to the supplier's account by a posting made to the debit side.

## DEPARTMENTAL RECORDS

Kirkby & Langton's business is one of a kind that usually consists of a number of selling departments. In such a business it is the custom to keep record of the purchases and returns outwards of *each* department. The same is done with each department's sales and returns inwards. That not only shows the separate extent of every department's trading, but, when the stocks on hand are also taken separately, it enables the proprietors to ascertain what *gross profit* each department makes. The gross profit on any single article is the excess of its selling price over its cost. On the sales of a period the gross profit is similarly the excess of the value obtained for the goods as sales over what they cost as purchases. Where departments are not too numerous, Purchases, Sales, and Returns Books can all be kept with department columns, as on page 152.

The two pages of an opening in an ordinary-sized account book can take a dozen or more departmental columns easily; but, if there are too many departments for their records to be kept in that way, separate dissection sheets must be written up.

| No. | Date | Name | Fo. | Total | Departments | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | A | B | C | D | E |
| | 19.. | Brought over | — | £ s. d.<br>5,647 3 5 | £ s. d.<br>1,742 — 10 | £ s. d.<br>1,439 11 — | £ s. d.<br>527 8 6 | £ s. d.<br>1,300 19 1 | £ s. d.<br>637 4 — |
| 1 | Apr. 30 | Peerless Hosiery, Ltd. | 25 | 6 16 1 | | | | 6 16 1 | |
| 2 | ,, | Burton & Bagshaw | 107 | 102 4 2 | 102 4 2 | | | | |
| 3 | ,, | Monk & Sons, W. | 321 | 59 11 10 | | | 59 11 10 | | |
| | | Purchases Account | NL 22 | £5,815 15 6 | £1,844 5 — | £1,439 11 — | £587 — 4 | £1,307 15 2 | £637 4 — |

Purchase and Sales Journals are added to give weekly or monthly totals from which the appropriate returns are then deducted. The net totals are afterwards carried to summaries which will show departmentally the volume of purchases and of sales for the whole of the trading year or half-year.

### CASH BOOK AND CASH PAYMENTS

Payments to suppliers are entered in the Cash Book (pages 154–5) on the credit or payments side. If made by cheque they go into the Bank column, discount taken being entered on the same line and side in the Discounts column. Cheque and discount are then posted to the debit or charge side of the supplier's account in the Creditors Ledger.

25

PEERLESS HOSIERY MILLS, LTD., HINCKLEY

| 19.. | | | £ | s. | d. | 19.. | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| May 7 | Cheque and dis. 5s. 1d. | 198 | 6 | 16 | 1 | Apr. 30 | Goods | 237/1 | 6 | 16 | 1 |

Any payments made out of the office cash, such as the £381 4s. 9d. for wages on May 8, are entered in the Cash column on the payments side. Before this wages payment was made, the office cash had to be replenished to the extent of £300, which is shown credited to Bank on May 8th, and debited to Cash on the same day. Money paid into the bank out of the office cash is, like the £800 on May 7th, credited in the Cash column and debited on the same day in the Bank column. The "con" marked in the Folio column against each of these entries means that the amount is carried to the "contra" or opposite side of the book.

198 CASH

| Date | Receipts | Fo. | Discount £ | Discount s. | Discount d. | Bank £ | Bank s. | Bank d. | Cash £ | Cash s. | Cash d. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 19.. | Brought over . . . . . | | 29 | 8 | 3 | 3,407 | 18 | 10 | 2,025 | 11 | – |
| May 7 | Cash Received Book . . . . . | — | 6 | 4 | 4 | | | | 818 | 2 | 7 |
| " | Cash . . . . . | con | | | | 800 | – | – | | | |
| 8 | Cash Received Book . . . . . | — | | 15 | 3 | | | | 29 | 14 | 4 |
| " | Bank . . . . . | con | | | | | | | 300 | – | – |
| | etc. | | | | | | | | | | |
| | etc. | | | | | | | | | | |
| | Discounts A/c . . . NL | 115 | £162 | 4 | 11 | | | | | | |
| | | | | | | £7,321 | 9 | 8 | £6,002 | 11 | 4 |

NOTE. As explained in Section 12, the receipts obtained for the pay-

At the close of each month, a balance is struck between the debit and credit Bank columns, and between the debit and credit Cash columns, both balances being carried forward in their respective columns to the beginning of the next month's entries. The Discount columns are added, but a balance is not struck between them. Their totals are posted to a Discounts Account in a Nominal Ledger, where accounts are kept for Purchases, Sales, Discounts, and various heads of expense. Discounts allowed to customers are debited or charged to Discounts account as an expense, those received from creditors being credited or allowed in Discounts Account as a gain.

## THE PETTY CASH BOOK

In all businesses there are numerous small cash

BOOK 198

| Date | Payments | | | | Fo. | Discount | | | Bank | | | Cash | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | £ | s. | d. | £ | s. | d. | £ | s. | d. |
| 19.. | Brought over | | | | — | 52 | 4 | 11 | 1,936 | 10 | 2 | 1,817 | 9 | 4 |
| May 7 | Bank | | | | con. | | | | | | | 800 | – | – |
| ,, | Peerless Hosiery Mills Ltd. | | | | 25 | | 5 | 1 | 6 | 11 | – | | | |
| ,, | Brown & Bagshaw | | | | 107 | 5 | 4 | 2 | 203 | 9 | – | | | |
| ,, | Green St. Manufacturing Co. | | | | 289 | 1 | 4 | 8 | 47 | 16 | – | | | |
| 8 | Cash | | | | con | | | | 300 | – | – | | | |
| ,, | Wages | | | | | | | | | | | 381 | 4 | 9 |
| ,, | Petty Cash— | | | | NL | | | | | | | | | |
| | Travelling | | £6 | 1 6 | 41 | | | | | | | | | |
| | Carriage | | 3 | 5 2 | 52 | | | | | | | | | |
| | Postage | | 2 | – – | 60 | | | | | | | | | |
| | General Expenses | | | 19 10 | 83 | | | | | | | | | |
| | Purchases | | 1 | 1 6 | 22 | | | | | | | 13 | 8 | – |
| | etc. | | | | | | | | | | | | | |
| | etc. | | | | | | | | | | | | | |
| May 31 | Balances carried over | | | | — | | | | 1,515 | 18 | 6 | 135 | 12 | 3 |
| | Discounts A/c | | | NL | 115 | £214 | 14 | 5 | | | | | | |
| | | | | | | | | | £7,321 | 9 | 8 | £6,002 | 11 | 4 |

ments are numbered and filed away in the order of the Cash Book entries.

payments for carriage, fares, and various odds and ends required from time to time. As it is not advisable to encumber the Cash Book proper with the details of so many trifling payments, they are usually entered in a Petty Cash Book, kept in a form like that on page 156. Each entry in the Paid column is extended into one of the last five columns of the book, and at the end of the week the totals of these columns are shown on the Payments side of the General Cash Book, as they are above. From there they are posted to debit of the appropriate expense accounts in the Nominal Ledger. No payment should ever be made out of petty cash except in exchange for a receipt or a pay-out slip signed by someone empowered to authorize the payment.

Petty cash is commonly dealt with on the

## PETTY CASH BOOK

| Received | Date | Particulars | Paid | Travelling | Carriage | Postage and Stationery | General Expenses | Purchases |
|---|---|---|---|---|---|---|---|---|
| £ s. d. | 19.. | | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. | £ s. d. |
| 10 11 6 | May 1 | Balance brought down | | | | | | |
| 14 8 6 | 3 | Cash | | | | | | |
| | ,, | Carriage | 1 – 10 | | 1 – 10 | | | |
| | ,, | Travelling | 4 11 7 | 4 11 7 | | | | |
| | ,, | Postage stamps | 1 10 – | | | 1 10 – | | |
| | 4 | Carriage | 8 – | | 8 – | | | |
| | ,, | General Expenses | 13 10 | | | | 13 10 | |
| | 5 | Carriage | 11 5 | | 11 5 | | | |
| | ,, | Purchases | 1 1 6 | | | | | 1 1 6 |
| | 6 | Travelling | 1 9 11 | 1 9 11 | | | | |
| | 7 | Carriage | 10 2 | | 10 2 | | | |
| | ,, | Postage stamps | 10 – | | | 10 – | | |
| | ,, | General Expenses | 6 – | | | | 6 – | |
| | 8 | Carriage | 14 9 | | 14 9 | | | |
| | | | 13 8 – | 6 1 6 | 3 5 2 | 2 – – | 19 10 | 1 1 6 |
| | ,, | Balance down | 11 12 – | | | | | |
| £25 – – | | | £25 – – | | | | | |
| 11 12 – | May 8 | Balance | | | | | | |
| 13 8 – | 10 | Cash | | | | | | |

"imprest" method. At the start, a round sum of suitable size, called the "imprest" or "float" is placed permanently at the disposal of the petty cashier. It is entered on the payments side of the General Cash Book and in the Received column of the Petty Cash Book. At the end of each week the petty cashier, having his Petty Cash Book written up to date and balanced, would present it to the chief cashier together with all the receipts and pay-out slips for his payments. If the chief cashier found all in order, he would refund the petty cashier the exact amount expended, and would enter it in his Cash Book as we have already seen. The petty cashier would record receipt of the sum in the Received column of the Petty Cash Book, thus making up his balance in hand to the amount of the original float.

### JOURNAL FOR EXPENSES

The Sales Journal is a record of goods sold, the weekly or monthly total of which is posted in the Nominal Ledger to Sales Account. Similarly, the Purchase Journal should be a record of only those goods that are bought to sell, the weekly or monthly total being posted to Purchases Account. Expense invoices for things not bought to sell, such as advertisements, stationery, packing materials, electricity, must not be mixed up with invoices for goods bought to be sold. In a small business, these expense invoices can be held over until payment is made, and then each payment will be entered in the Cash Book and be posted from there to the proper expense account. But in a large business, the greater number of expense invoices makes it

# EXPENSE JOURNAL

| Debits (to be analysed) | Invoice No. | Date | Name | Fo. | Credits | Carriage | Stationery and Packing | Light, Heat, and Power | Advertising | Others (to be analysed) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |

necessary that they should be recorded and disposed of as they come in and are passed. An effective method of dealing with them is to enter them in an Expense Journal like that illustrated on page 158. The invoices, after being entered, are filed away on an Expense Invoices File. Each entry in the Expense Journal is posted singly to the credit of the supplier of the goods or service, and the monthly totals of the several extension columns are debited to their respective expense accounts.

## QUESTIONS

1. Show what kind of Purchase Journal you would use in a business where it was desired to ascertain the gross profit made by each of the several selling departments.

2. Draw up a specimen page of a Petty Cash Book, and make entries for a week.

3. What books should be kept by a retail dealer in connection with his business, and what purposes would the various books serve?

4. In your business you receive invoices for expenses or expense purchases as well as invoices for goods to sell again. What difference of treatment should you make in your business books between the two kinds?

## EXERCISES ON CHAPTER V

1. You are about to open a retail establishment in your district. Describe the methods you would adopt to gain customers.

2. Explain how orders are obtained in (*a*) the wholesale trade, and (*b*) the retail trade. Explain carefully where and why the procedure differs in the two classes of trade. (*U.L.C.I.*)

3. Wholesale firms employ travellers. Describe the work of a traveller, and show how he renders useful services to the retailer.

4. Many manufacturers have agents in London and other cities. What do you understand by the term "agent"? What are an agent's usual duties? (*L.C.C.*)

5. Take the kind of business you know best, and write—

(*a*) an inquiry for certain goods such a business can supply.

(*b*) a quotation for the supply of the goods inquired for.

6. Draft (1) a Quotation, and (2) an Order Note, for the following—

On Feb. 12th J. King & Sons, Manchester, quoted to T. Richings, London, 100 pieces 40 in. Loom Damask Tabling, 6,000 yd., @ 1s. the yd., carriage forward, firm offer three days. Order No. 748. (*L.C.C.*)

7. What precautions would you take to ensure that all orders received were correctly executed, and how would you check the invoices relating to the orders? (*L.C.C.*)

8. Explain why it is desirable (*a*) that orders should be given in writing, or that orders given orally should be confirmed in writing; (*b*) that some adequate record should be kept of the receipt, execution, and dispatch of each order received.

9. (*a*) Why is it necessary to exercise care in giving credit to customers, and what usual precautions could you take before executing orders received?

(*b*) What different sources of information could you make use of to guide you in deciding whether or not to grant credit to new customers?

10. Outline briefly the routine in a warehouse for dispatching and delivering goods to customers, and describe the principal documents made use of in the process. (*R.S.A.*)

11. Explain fully the procedure to be followed for rectifying errors made in invoices dispatched or received.

12. (*a*) When is a credit note used and by whom? Give an example.

(*b*) Roberts & Co. are merchants importing timber and selling it to dealers in building materials. In what circumstances would they use (i) a quotation, (ii) an invoice, (iii) a delivery note? (*R.S.A.*)

13. Supply suitable names and addresses, and write an invoice for the following—

Six each No's. 384, 388, 393, 414, 416, 418, 420, and 422, Ladies' wool and art. silk knitted cardigans @ 10s.

Four each No's. 388, 393, 399, 414, 416, 417, and 420, Ladies' O.S. wool and A.S. knitted cardigans @ 11s.

Sent in one box No. B203 by L.M.S. paid.

(Goods not returnable after 14 days from delivery).

14. (*a*) What distinguishes a statement from an invoice?

(*b*) Draw up an invoice for the sale by James Jones & Co., Ltd., to Henry Davies, of 25 bags of granulated sugar, 1 cwt. each, @

29s. 2d.; and 12 bags of castor sugar, 2 cwt. each, @ 34s. Terms 14 days net, carriage forward. (*R.S.A.*)

15. (*a*) Suppose, in regard to Q. 14 (*b*) that Henry Davies, because of dissatisfaction with the quality, returns 10 bags of granulated sugar to James Jones & Co., Ltd., and that he orders 12 bags more of castor sugar, 2 cwt. each, @ 34s. Explain how the matter would be dealt with, and show the documents that would pass.

(*b*) Write out a statement of account for the three transactions detailed in this question and in question 14 (*b*). (*R.S.A.*)

16. An order for goods is received by a wholesale house. Describe exactly how it will be dealt with by (*a*) Order Department, (*b*) Warehouse and Packing Room, (*c*) Dispatch Room, (*d*) Accountant's Department. (*L.C.C.*)

17. Describe the methods you would adopt in dealing with—

(*a*) Receipts you give out, to make sure that they and the relative Cash Book entries always correspond.

(*b*) Receipts obtained for payments you make, so that any receipt can quickly be found, when it is required to substantiate the corresponding Cash Book entry of the payment.

(*c*) Invoices received and passed, so that reference can be easily made to any required invoice from either the Purchase Journal or the Creditors Ledger.

18. Write and set out in suitable form an invoice for the goods described below. Supply necessary names and addresses yourself—

3 pieces Georgette, Design 8545, 38 yd.; Design 8581, 39 yd.; Design 8606, 40 yd., @ 2s. 5½d.

3 pieces Crêpe de Chine, shade 490, 41¼ yds; shade 491, 40½ yd.; shade 492, 42¾ yd.; @ 2s. 3¾d.

# CHAPTER VI

## BANK SERVICES

## 21. THE BANK ACCOUNT

### WHY EVERY BUSINESS NEEDS ONE

In the conditions of to-day a banking account is a necessity to every business worth considering—whether it be a single-window retail shop or an extensive manufacturing concern. The kind of banking account that every business needs is one into which money may be paid, and out of which money may be drawn, at any time. That is called a *Current Account.*

There are three chief reasons why a business man must have such a banking account. The first is that the money he receives in his business is safer when paid into the bank than it would be kept in his office safe. As he can always claim back the full amount he has paid in, the risk of loss—through theft or fire, for example—is thrown upon the bank. The second reason is that money at the bank is in more convenient form, for paying the accounts a business man owes, than it would be lying in his office. When he pays an account, he does so, as a rule, merely by writing and signing a cheque, which in due time is presented at his bank and is paid out of the funds the bank holds for him. The third chief reason for the keeping of a bank account in business is that cheques received from customers can be paid into the account. Through his bank, the full facilities of

the banking system of the country become available to the business man for collecting payment of these cheques from the various other banks on which the cheques have been drawn.

## OPENING A CURRENT ACCOUNT

Even more so than traders, bankers must exercise care in opening accounts with new customers. The effect of a trader's carelessness in this respect will be felt by himself, but that of the banker's carelessness may be suffered by others, whom the banker could have helped to protect. The issuing of a cheque book to a stranger would make it possible for the stranger to draw cheques for more than the funds he has in his account to meet them. A trader who was induced to take such a worthless cheque in exchange for goods would have occasion to feel aggrieved had the banker issued the cheque book too readily.

Unless a new customer is known to the banker, or is introduced by someone the banker already knows, references will be required. The banker will take exact particulars of the new customer's name, address, and occupation, also a specimen of his signature, with which to compare the signatures on cheques and on other orders the customer will give. If the introduction or the references prove satisfactory a pass book will be handed to the customer, and in this book a copy of the customer's account will be written up by the bank from time to time. A cheque book will also be issued to him on his signing an order for the value of the stamps to be charged to his account.

In the case of a *Partnership*, signatures and

descriptions of all the partners will be taken. For a *Joint-stock Company*, a signed copy of the directors' resolution to open the account will be needed, and a specimen of the signature of every person authorized to sign cheques and other documents. The banker will want a copy of the company's Memorandum and Articles of Association, so that he can acquaint himself with any regulations these contain, affecting the conduct of the bank account.

### OPERATING THE ACCOUNT

When money is paid into a bank account, a *Paying-in Slip*, similar to the specimen on page 165, must be filled up. These slips can be obtained in books, the slip proper being torn out by the bank cashier when he takes the money, and a counterfoil left in the book being initialed by him as an acknowledgment of the money being received.

For *drawing money out*, a cheque signed by the customer must be used, whether the cheque is payable to the customer himself or to someone else, and whether the money is to be taken over the bank counter, or to be credited to another account at either the same or another bank.

The old-style *Pass Book* is a bound book showing on the one side each amount paid in, and on the other each amount paid out. The new-style pass book consists of loose sheets that are handed to the customer as they are written up. They are placed by him in a binder supplied by the bank. These loose sheets are typed up on an adding machine, the balance between the paid-in and the

# MIDLAND BANK LIMITED

20 BROAD STREET, SOUTHWARK, S.E.1

*Date*.....*6th May*, 19..

**Cr.** THE MERIDIAN PRESS, LTD.

| CHEQUES £ | s. | d. | £ | s. | d. |
|---|---|---|---|---|---|
| 557 | 9 | – | | | |
| 29 | 14 | 9 | | | |
| 1 | 5 | 6 | | | |
| 102 | 13 | – | | | |
| 45 | – | – | | | |
| 8 | 7 | 3 | | | |
| | Total | | 744 | 9 | 6 |
| Bank of England Notes (£5 and upwards) | | | 30 | – | – |
| Bank Notes £1 | | | 25 | – | – |
| ,, ,, 10s. | | | | | |
| Country Notes | | | | | |
| Silver and copper | | | | 10 | 6 |
| | Total | | £800 | – | – |

paid-out columns being shown after each day's entries.

The terms on which current accounts were conducted, prior to 1945, differed in different areas, and even differed in the same area. One practice was not to make any charge, provided the customer kept at the bank free of interest a balance of reasonable size. Another practice was to allow interest on the credit balances of current accounts and to make either a small percentage charge on the total of cheques paid, or a round sum charge per annum. But, since a notice given in October, 1945, by the English clearing banks for all their branches and by the Scottish banks for their London branches, allowance of interest on current accounts has ceased.

**A DEPOSIT ACCOUNT**

On what is known as a *Deposit Account* the banks pay interest, though by the notice just mentioned the rate allowed is now only one-half per cent per annum, with fourteen days' notice required before withdrawal. The bank issues a deposit receipt, which states the terms on which the deposit is accepted. The deposit receipt must be surrendered when the whole or a part of the deposit is withdrawn.

Money held by a banker on current account cannot be put by him freely into use, because he is liable to be called upon at any time to repay the money immediately. Where, however, money is held on deposit account, the banker can put the whole of it out to earn interest. The notice to be given him before withdrawal allows him

time to provide himself with funds for the day on which withdrawal is required. His profit on a deposit account is the excess of interest he receives for lending the money over what he allows to the depositor.

## LOANS AND OVERDRAFTS

Just as a trader's business consists of buying and selling goods, so the business of a banker consists of buying and selling the *use* of money. Selling the use of money is lending at interest. And the money a banker lends to some of his customers is not his own, but that which others of his customers have left with him on deposit and on current accounts.

Sometimes the banker merely allows a borrowing customer to draw cheques on current account in excess of what the customer has due to him. The customer's account is then said to be "overdrawn," and the balance owing by the customer to the bank is called an *overdraft*. The amount of an overdraft varies from day to day, as the customer pays more money in, and draws more cheques to be paid out. Interest charged by the banker is calculated on the varying amount of the overdraft, and is usually debited to the account at the close of each half-year.

At other times the banker advances to the borrower a fixed sum, which is debited to a *loan account* in the borrower's name. It is credited to his current account so that he can draw cheques thereon up to the amount thus made available. In this case, also, the interest is charged to the customer's current account, but it is calculated

on the full amount of the loan, until the whole or some part of it is repaid.

As a rule, the banker requires a *borrower to give security* for a loan or overdraft. Various forms of security are accepted by lending bankers, for example, (1) a mortgage or charge on the customer's freehold premises, (2) deposit with, or transfer to, the bank of stock or share certificates, (3) assignment to the bank of a life assurance policy, (4) guarantee of repayment of the loan or overdraft, if the guarantee is given in writing by some person the bank is willing to trust.

Frequently, a banker (5) *advances money on goods* that are being imported or exported, if the goods are placed under his control. Control over the goods is given by allowing the banker or his agent to hold the bill of lading or other title to the goods, together with an insurance policy against loss while the goods are on the sea or warehoused at a dock. By (6) *discounting bills of exchange*, a banker advances now, subject to the "discount" he charges, money that will not be due to be received until the dates at which the bills will mature. The banker takes the discounted bill in exchange for the advance and, when the date of maturity arrives, he presents it to, and claims payment from, the person who is liable to pay. Should a discounted bill be dishonoured by non-payment, the banker charges to the customer who discounted it, the amount of the bill and any expenses the banker has incurred.

## SOME OTHER SERVICES

In exchange for cash, or for a signed order to charge the amount to the applicant's account, a

banker will issue what is known as a "bank draft." The draft is an order drawn by him on the head office of his bank or on any of its branches, requiring the head office or the branch to pay a stated sum of money to a person named. The amount of the draft is collected, in the same way as a cheque, by the person to whom payment is to be made. When a customer wants to send money abroad, his bank will issue to him a draft in the currency of the foreign country, and payable at a bank in that country.

Money may be paid in at one branch of a bank for credit of an account at another branch of the same bank, or even at a branch of another bank. In multiple-shop business, the manager of each branch shop usually pays in his takings at a local bank, which has instructions to transfer the amount to the bank where the head office of the business keeps its account.

Services that banks render to their customers free of charge include: (1) The storing in their strong rooms of valuables belonging to their customers, (2) the making of inquiries at other banks about the standing and trustworthiness of customers of these banks.

### QUESTIONS

1. What are the advantages of a banking account to a business man? (*L.C.C.*)

2. State how you would proceed to open a current account at a bank, and mention the books with which you would be supplied. Of what advantage is a banking account to a trader?

3. What is a paying-in slip? Give a specimen with entries.

4. What is the difference between a current account and a deposit account at a bank? In what circumstances would a trader use each? (*R.S.A.*)

5. Banks give financial assistance to traders by—
(*a*) an advance by way of a loan;
(*b*) agreeing to honour a customer's cheques up to a fixed limit, notwithstanding his account being overdrawn.

Discuss both ways, making reference to the charging of interest and to the forms of security the banks may take. (*R.S.A.*)

6. What are the principal services rendered by banks to the business community, and how are the banks remunerated for these services? (*U.L.C.I.*)

## 22. BANK NOTES AND CHEQUES

### NOTES AND LEGAL TENDER

The Bank of England is now the only English bank that has power to issue bank notes. Its £1 and 10s. notes, which are familiar to all, have replaced in circulation the gold coins that were in use up to 1914. The gold that used to be held by the Bank as security against the notes it had in circulation is now nearly all held in the Exchange Equalisation Account for use in the control by the Bank of our payments to other countries. The other English banks obtain their supplies of notes from the Bank of England. Scottish and Irish banks have power to issue, up to certain limits, notes of their own for £1 and over. Though not legal tender, Scottish and Irish notes have circulated freely in their respective countries for many years.

*Legal tender* means offer of payment in a form to which the law does not permit the receiver of the money to take exception. It consists of—

Bronze coins up to 1s., 12-sided 3d. pieces up to 2s., and
Silver coins up to 40s., tendered at one time.
Gold coins and Bank of England notes up to any amount.

As the receiver of the money is not obliged to find change, the payer should tender the correct amount.

Cheques are not legal tender, so that a trader need not accept a cheque in payment of goods, nor need a creditor take a cheque in payment of an account. But business people seldom insist on their full legal rights in regard to the form of payment, except in cases where they think it would not be safe to waive them.

### MEANING OF NEGOTIABILITY

Bank notes, like coin of the realm, are *negotiable*. The term is a legal one, and means that a person honestly taking a bank note, and giving value for it, has the right to keep it, although he may afterwards learn that the person he took it from had no title to it. As regards articles of merchandise, the rule is different. If a ham, or a vacuum cleaner, or a suit of clothes, has been stolen, the owner has usually the right to follow his property and reclaim it. Cheques and bills of exchange are also negotiable instruments, which pass from person to person with the same effect as the passing of a bank note. A cheque, however, as we shall presently see, will be deprived of the quality of being negotiable if it is crossed and has the words "not negotiable" added to the crossing. For retail transactions and for wages in business houses, notes and coin are the kinds of money used. For trade payments other than these the cheque is now made to serve almost without exception.

### FORM AND CONTENT OF A CHEQUE

A cheque is a written order, signed by a customer of a bank, requiring the bank to pay on demand a stated sum of money to a person named in the

cheque, or to the bearer. Cheques are a particular kind of bill of exchange, and they come under the rules of the Bills of Exchange Acts. Every cheque drawn or received in this country must bear a twopenny revenue stamp.

Printed cheque-forms, like the one on page 173, are supplied by the banks in books, only the stamps being charged for, except when specially printed cheques are required. Each cheque in the book is provided with a counterfoil, on which a record of the payment may be made. Spaces are left on the printed forms for date, name of person to be paid, amount, and signature. The usual form of a partnership signature is simply the firm name written by one or other of the partners. As a rule, the cheques of a joint-stock company are signed, for the company, by one or two of the directors and by the secretary.

It will be noticed that the amount is to be stated twice on a cheque—first in words, then in figures—so that, if one is not plain, the other will show what amount is intended. A cheque that bears a future date is said to be *post dated*. Until the date placed on such a cheque arrives, the receiver cannot collect the cheque or pass it on.

The person who signs a cheque when it is drawn is the *drawer*; he to whom the drawer makes the money payable is the *payee*. The bank on which the cheque is drawn is the *drawee*. The specimen that we show is an *order cheque*, because it is drawn payable to "The Meridian Press, Ltd., or order." Had it been made payable to "The Meridian Press, or bearer," it would have been a *bearer cheque*. A bearer cheque may be passed from

No. G76387

London, *5th May*, 19..

**WESTMINSTER BANK LIMITED**

60–62 Southern Highway, S.W.16

2d. Stamp

Pay *The Meridian Press, Ltd.*, ..... or order

*Five hundred and fifty-seven pounds nine shillings*.....

**M** £557 9s. 0d.

*Kirkby & Langton.*

one person to another without the payee or any subsequent holder placing his signature upon it. It is safer, however, for a receiver who is not himself the payee to get the giver's signature on the back of the cheque, for that makes the giver responsible should the drawer's bank not pay. When an *order* cheque is passed on by the payee to someone else, the payee *must* endorse it. They are mostly order cheques that traders and manufacturers use.

## ENDORSEMENT OF CHEQUES

"Endorsement" means something written on the back of a document. In the case of an order cheque, the payee's endorsement would be his order, written on the back of the cheque, requiring the bank on which the cheque was drawn to pay the money to some person other than himself. Endorsements are of two kinds—special and blank endorsements.

*Special endorsement* is the order in full, naming the person or persons to be paid. On a cheque payable to Henry Hudson, special endorsement would read like this—

*Pay Green & Brown or order*

*Henry Hudson.*

By endorsing a cheque the payee becomes an *endorser*, and, if he names the person to whom payment is then to be made, that person is his *endorsee*. A first endorsee may endorse to a second, the second to a third, and so on.

*Blank endorsement* is the kind usually put on cheques, and is merely the signature of the payee

or of an endorsee. It leaves the remainder of the endorsement blank, so that any required name can, if desired, be filled in over the endorser's signature by a later holder of the cheque. When a cheque has been *drawn* payable to order, special endorsement keeps it payable to order, and makes further endorsement necessary if the cheque is passed on again. Blank endorsement of an order cheque causes it to become payable to bearer.

### ENDORSERS' SIGNATURES

The general rule is that, in a first endorsement of an order cheque, the signature must correspond with the payee's name as written on the face of the cheque. In a subsequent endorsement, the signature must correspond with the endorsee's name, if given, in the endorsement immediately preceding. The banks, however, pass "Henry Hudson" as the endorsement of a payee or endorsee described as "H. Hudson." They also pass "H. Hudson" as sufficient endorsement for "Henry Hudson" or "Horatio Hudson." But they would not pass "H. Hudson" as the endorsement of "H. B. Hudson," nor "Hudson & Co." as endorsement for "H. Hudson & Co."

When a payee's or endorsee's name has been given incorrectly, he should endorse in the way his name has been written. If he wishes he may add his correct signature, thus—

*Charles Beecham,*
*Charles Beauchamp ;*

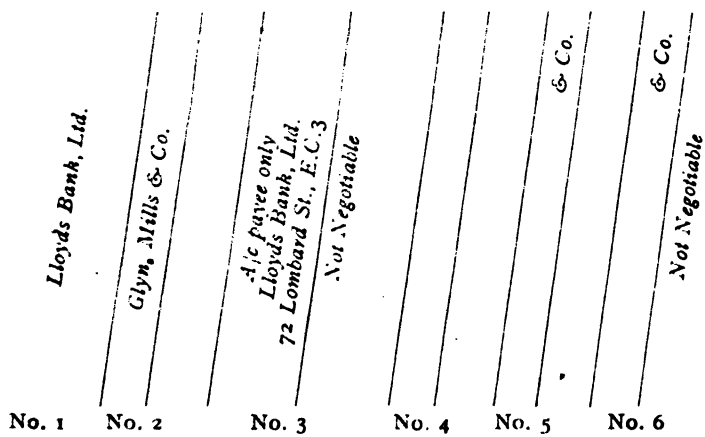
but he is not obliged to do so. The same rule applies to a partnership signature. In the case of

a limited company, however, the law requires the full and correct name to be added, even if the inaccuracy is only the omission of "limited" from the name. That is why we often find a company using an endorsement stamp that contains its correct name preceded by all the variations that customers are likely to make in its name when drawing cheques in the company's favour.

"Capt. Robert Hudson" is not accepted as a signature by banks in this country. The captain should sign either "Robert Hudson" only or, say, "Robert Hudson, Capt. R.N." In "Miss Helena Hudson" we have a description of the lady whose signature should be simply "Helena Hudson." A cheque made payable to "Mrs. Henry Hudson" should be endorsed either as "Margaret Hudson, wife of Henry Hudson," or in similar form with "widow of the late" substituted for "wife of."

## CROSSINGS AND THEIR EFFECTS

A crossing consists of the name of a bank written from bottom to top across the face of a cheque



or a bank draft on demand, or it consists of two parallel lines across the face, with or without the words "and Co." between them.

The bank on which a crossed cheque is drawn *must not pay the money over the counter* to anyone. If it happens that the person claiming payment is a customer of the paying bank, the bank must credit the amount to that person's account. If, as is much more usual, the claimant is a customer of another bank, he must pay the cheque in for credit of his account at his own bank, and that bank will collect it for him from the paying bank. Nos. 1, 2, and 3 of our examples are *special crossings*, which name the collecting bank. Nos. 4, 5, and 6 are *general crossings*; they are left blank for the name of the collecting bank to be inserted afterwards. Postal orders and money orders may be crossed, and then payment cannot be collected from the Post Office except by a bank.

A cheque that is not crossed is called an *open cheque*. Payment of an open cheque can be claimed by the holder over the counter of the drawee bank. In that way, a thief can obtain payment, forging an endorsement where endorsement is required, for the signature of the payee or an endorsee is not likely to be known by the bank of the drawer. The crossing of a cheque prevents payment being obtained, except by credit to the bank account of the person claiming the money. That makes it difficult for a person who has stolen a cheque to cash it.

If the words *not negotiable* are added to the crossing, they take away the negotiable quality of the cheque, and make payment to the right person safer still. There is nothing, however, to keep a

not-negotiable cheque from being passed by one person to another. A trader may, if he wishes, cash for a customer a cheque so crossed, and he may collect payment of the cheque through his bank. But he could not retain the money as against the true owner of the cheque, if it turned out that the person for whom the trader cashed the cheque had not a good title to it.

### FORGED AND ALTERED CHEQUES

Any alteration or correction made on the face of a cheque must be initialed by the drawer to show that the alteration is authorized. Many persons draw their cheques so carelessly that it is easy for the amount to be fraudulently raised—say from eight pounds to eighty, or from four pounds to sixty-four. A cheque so altered is not the order that the drawer made to his bank when he signed the cheque. For a similar reason, a cheque, the signature on which had been forged, is not the order of the person falsely represented to be the drawer. It follows that a banker who had paid a cheque altered to a higher amount, or who had paid a cheque with a forged signature, could not insist on charging the amount to his customer's account, unless (1) the alteration had been initialed by the customer, or (2) the banker could show that negligence on the customer's part had contributed to accomplishment of the fraud. To prevent their cheques being tampered with, some business houses use a *cheque-writing machine* which roughs the words of the amount into the texture of the paper in such a way that an alteration which would not be obvious cannot be made.

### QUESTIONS

1. (*a*) What is a bank note? Who is responsible for its issue, and how does it get its value?

(*b*) What do you understand by "legal tender"? (*R.S.A.*)

2. Explain the meaning of "negotiable instrument," and give three examples of documents that are negotiable instruments.

3. What useful purposes do cheques serve? Prepare a cheque for £10 the drawer of which is Frank Lord and the payee Thomas Brown. For the drawee take a name of your own selection.

What safeguards could you make use of to prevent the cheque being improperly dealt with? (*U.L.C.I.*)

4. Distinguish between (*a*) a "bearer" cheque and an "order" cheque; and between (*b*) an "open" cheque and a "crossed" cheque. Show why cheques have come into such extensive use in this country. (*R.S.A.*)

5. Draw a cheque for £47 14s. 6d. with Reginald Brown as payee, Messrs. Black & Co. as drawees, and James Green & Sons as drawers.

Show two kinds of crossing that might be used in this cheque, and state what the effect of each would be. (*L.C.C.*)

6. Give an example of a "not negotiable" crossing of a cheque, and explain what effect it would have. (*L.C.C.*)

## 23. HOW CHEQUES ARE COLLECTED

### ADAPTABILITY OF THE CHEQUE

We have seen that cheques are very convenient to a business man as a means of paying the accounts he owes, also that they are a suitable form in which to receive money owing to him. In the one case, they relieve him of the trouble of keeping cash by him for the purpose of making payments, and of the care that would be necessary in the transmitting of notes and coin from his own establishment to a more or less distant address. All that is required of him as a payer is to write and sign a cheque for the sum he owes, then post it to his creditor. The creditor and the banks do the

rest. In the other case, the business man merely endorses the cheque he receives and pays it into his bank account. His bank collects payment for him.

There are other reasons, however, why the cheque has become the instrument by which nearly all business payments are effected. Quite commonly business accounts run to odd amounts, of which £23 14s. 9d. will serve us as a fair example. Unless silver were used, that sum would require at least five bank notes for payment, probably many more. Even these would have to be supplemented by 4s. 9d. in metal money, which is not suitable for sending through the post, or by a postal order to be specially purchased at a post office. A cheque, on the other hand, can be drawn for the exact amount, not only of this account, but of any other the business man wants to pay.

Again, when bank notes are sent by post, the letter has to be registered, as notes stolen in transmission can be paid away by the thief with comparative ease, and even if traced are probably not recoverable from the holders. But, when the payer of an account uses a cheque, he can cross it in such a way as to prevent payment being received by anyone other than the payee he names.[1] Where the bank note does possess superiority over the cheque is in the fact that its value is never doubted, because it has the name and security of the bank behind it, whilst a cheque drawn by or received from an unknown person remains of questionable value until payment has actually been obtained.

[1] See Crossing No. 3, p. 176.

## OBTAINING PAYMENT OF CHEQUES

The receiver of a cheque may cash it over the counter of the bank on which it is drawn, but that would be possible only when the cheque was an open one, and convenient only when drawer and payee were in the same locality. Again, the receiver of a cheque may obtain value for it by paying it away to someone else. But that method, also, would only occasionally be convenient, because a cheque received would seldom correspond in amount with what the receiver wanted to pay away. As every business has its bank account, the usual method of obtaining the value of a cheque received is for the payee to pay it in to credit of his bank account. The amount is then collected from the drawer's bank at once. Should the financial position of the drawer not be very sound, the longer one of his cheques is floating about before collection the greater chance is there that his funds at the bank will be too low to meet the cheque when it is eventually presented.

If drawer and payee belong to the same town, it may happen that both have their bank accounts at the same bank. In that case, the process of payment is simple. When the payee hands the cheque to the bank, the bank credits the amount to his account, and debits the amount to the account of the drawer. In that way, payment is made merely by transfer between the two accounts in the bank's books, and without the giving or receiving of any note or coin.

For cheques drawn on one bank and payable to another in the same town, the local banks arrange among themselves about payment or

transfer of the amounts. Out of such arrangements, there has grown up in the larger cities a system under which a common clearing-house has been set up for the exchange of cheques drawn on and payable to all the banks within a city and the surrounding district. The London Bankers' Clearing-house is far and away the most important of these institutions, because it is used to clear, not only London cheques, but all English cheques, except those that are both payable and receivable within the area of the same provincial clearing-house.

### PROCESS OF CLEARING A CHEQUE

Let us take, for illustration, the cheque for £557 9s. that was drawn by Kirkby & Langton in payment of their account due to The Meridian Press, Ltd. We saw, from our specimen paying-in slip, that The Meridian Press, having received the cheque, paid it in with others to their account at the Midland Bank, 20 Broad Street, Southwark. That branch receives on the same day from other customers many more cheques drawn on banks other than its own. These cheques are listed and sent to the Clearing-house. There the Midland Bank staff hands Kirkby and Langton's cheque over to the staff of the Westminster Bank, together with batches of cheques that have been received from other Midland branches and have been drawn on branches of the Westminster.

The cheque we are trying to follow is then sent by the head or clearing office of the Westminster Bank to the Westminster branch at 60 Southern Highway, the bank on which the cheque is drawn.

That branch, when it receives the cheque, debits the amount to the account of its customers, Kirkby & Langton, and credits its head office for Clearing Account. In the meantime, Midland Bank head office has credited its Southwark branch, and that branch has credited the account of The Meridian Press.

### THE CLEARING-HOUSE SETTLEMENT

Just as the Midland Bank had cheques to collect from the Westminster Bank at the Clearing-house, so the Westminster had cheques to collect from the Midland. If the cheques that the Midland claims from the Westminster exceed in value those that the Westminster claims from the Midland, the Westminster has to pay the difference and the Midland to receive it. But the Westminster and the Midland are not the only members of the Clearing-house. Lloyds, Barclays, National Provincial, and other banks have staffs there, and each member exchanges cheques with all the others.

When, on the *whole* of a day's clearings with all other members, one bank has a balance to pay, the amount of the balance is transferred at the Bank of England from that bank's account to the Clearing-house Account. When another member has a balance to receive on the day, the amount is transferred at the Bank of England from the Clearing-house Account to the account of the member to receive it. The total of the balances to be paid by some of the members must, of course, be the same as the total of the balances to be received by the remaining members. The several transfers into Clearing-house Account should, therefore,

agree in total each day with the several transfers out. From the customers of the collecting banks, through the Clearing-house, to the customers of the paying banks, the process of settlement of the day's cheques is carried out entirely by entries in bank books, and without bringing into use a single note or coin.

### THE DIFFERENT CLEARINGS[1]

The cheque forms supplied by the banks have one of the letters T, M, and C printed close to where the amount is written in figures. These letters indicate to which of three distinct clearings in London the cheques should be sent for collection. The T or Town Clearing is for cheques drawn on banks situated within a short radius of the Clearing-house. The M or Metropolitan Clearing takes cheques drawn on London banks outside the restricted Town area. The C or Country Clearing is for cheques that are drawn on English banks outside London, and that cannot be dealt with in the clearing-houses of provincial cities.

Some of these country cheques are paid by the receivers into London banks for collection. Others are paid into country banks, and are sent up to London by post to the head offices or the clearing agents of the banks collecting them. Through the Clearing-house in London, all are passed on to the head offices or agents of the banks on which they are drawn. They are then posted to the various country branches where the accounts of

[1] The clearing system was changed (probably a temporary measure) soon after the outbreak of war, and the following description is therefore of the pre-war arrangements.

the drawers are kept. Provincial banks that have not head offices in London to clear cheques for them employ London banks as clearing agents. Scottish and Irish banks do not use the London Bankers' Clearing-house. They have local clearing houses of their own.

## CHEQUES RETURNED UNPAID

Payment has to be refused sometimes by the drawee banks, the reasons for refusal being various. Clearing-house regulations require that a cheque, payment of which has been refused, shall be returned to the collecting bank marked with an indication of the cause of non-payment. Examples are —

1. Endorsement irregular.
2. Words and figures differ.
3. Alteration requires initials.
4. Cheque post-dated.
5. Account closed.
6. No account.

Such markings are placed at the top left-hand corners of the returned cheques. The examples given above explain themselves; others that need some little elucidation are —

7. *R/D* (refer to drawer), used when the drawer has insufficient funds at the bank to meet the cheque.

8. *Payment stopped*, used when the drawer, after issuing the cheque, has instructed his bank not to pay.

9. *Effects not cleared*, used when cheques and the like, paid in by the drawer of the returned cheque, have not yet been collected, and there is not enough in the drawer's account to meet his cheque without them.

10. *Out of date*. A cheque more than six months old, or a dividend warrant more than three months old, should be returned by the holder to the drawers to be dated anew and initialed.

11. *Drawer dead*. A banker is prevented by law from honouring any cheque drawn by a customer who dies before the cheque is presented for payment.

### QUESTIONS

1. What reasons can you give for the bank cheque having become the means by which nearly all business payments in this country are now made?

2. You receive a cheque from a customer. In what different ways can you deal with it in order to get value for it? Which do you consider the best way of dealing with it, and why? (*U.L.C.I.*)

3. Describe the methods of "clearing" cheques, and show how the Bank of England is connected with the clearing system. (*R.S.A.*)

4. Briefly explain four of the following terms as used in connection with cheques—

Not negotiable, Refer to drawer, Drawer deceased, Endorsement irregular, Out of date, Post-dated. (*L.C.C.*)

5. What would you do if a cheque you had received from a customer were returned to you by your bank marked "no funds"? (*L.C.C.*)

## 24. BILLS OF EXCHANGE

### BILLS THAT ARE NOT CHEQUES

A cheque is a bill of exchange that is drawn on a bank and is payable on demand. But there are bills of exchange that are not cheques, namely, (*a*) those payable on demand that are not drawn on banks, and (*b*) all those not payable on demand whether drawn on banks or not.[1]

Like cheques and bank notes these bills are negotiable instruments, carrying a good title with them when they are taken in good faith and for value. The rules stated in Section 22 about bearer and order, and about endorsement, apply to all these bills as well as to cheques. Unlike cheques, however, these other bills of exchange may not be crossed, and their quality of negotiability cannot

[1] *Legal definition of a bill of exchange.* "An unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money, to or to the order of a specified person, or to bearer."

be taken away, except when they are drafts on demand made by a bank on itself or on any of its branches. Bills of exchange are called "inland bills" when they are both drawn and payable within the United Kingdom, and "foreign bills" when they are drawn or payable abroad.

**FORM OF AN INLAND BILL**

Let us suppose that our friends, The Meridian Press, buy printing papers from The Aberesk Paper Mills, Ltd., and that the account for April purchases by The Meridian Press, amounting to £602 10s., will be due for payment *net* at the beginning of August. The paper mills company may draw on their customers, the printing company, for that amount, making the bill payable at three months from May 1st.

INLAND BILL OF EXCHANGE

Exchange for £602 10s. 0d. Aberesk, 1*st May*, 19..

7/-

*Three months* after date pay to *our* order the sum of *Six hundred and two pounds ten shillings* for value received.

*The Meridian Press, Ltd.,*
*The Crossways, Southwark,*
*London, S.E.1*

*For* the Aberesk Paper Mills, Ltd.,
*Robert Simpson,*
Secretary.

After drawing the bill they would post it to The Meridian Press for *acceptance.* If the drawees agreed to the terms of the bill they would "accept" it, and return it to the drawers. As shown on page 188, the acceptance is written across the face of the bill. It is the drawees' written assent to the order contained in the bill, and it amounts to

## ACCEPTED BILL OF EXCHANGE

Exchange for £602 10s. 0d. *Aberesk, 1st May, 19..*

*Three* months after date pay to *our order*
the sum of *Six hundred and two pounds*
*ten shillings* for value received.

*Accepted payable at the Midland Bank, 20 Broad Street, S.E.1.*
*For* The Meridian Press, Ltd.,
W. B. Butters, Director.
*Edwin Ball*, Secretary.

*The Meridian Press, Ltd.,*
*The Crossways, Southwark,*
*London, S.E.1.*

*For* The Aberesk Paper Mills, Ltd.,
*Robert Simpson.*
Secretary.

an undertaking given by the drawees to pay the bill on the date it will become due. Before acceptance, a bill is commonly called a "draft." After acceptance, the drawees are known as the "acceptors," and the bill itself as an "acceptance." The signature of the drawees across the bill is sufficient to indicate their acceptance, but the signature is usually preceded by the word "accepted," and usually, also, by the *domicile* or address where payment is to be collected. If the bill were drawn payable at so many days *after sight*, the date of acceptance must be added by the acceptor, in order to fix the date when payment will be due. Collection of payment would be made by the holders of the bill through their bank.

### DATE OF MATURITY

If the bill were to be payable on demand, the words "on demand," "on presentation," or "at sight" would be substituted for "three months after date." But that is more usual with bank drafts—bills drawn by a branch bank on its head office or on another bank—than it is with traders' bills. Drafts payable on demand are not "accepted," because like cheques they are payable as soon as they are presented to the drawees.

Were it desired to give the drawees some little notice before payment, the bills could be drawn, for example, "at three days after sight," or "at ten days after date." Long-dated inland bills are commonly drawn at one, two, three or more months after date. On all bills, except those payable on demand, three "days of grace" are allowed in this country before the bill "matures" and payment

becomes due. Our specimen, therefore, will be due three days after 1st August, namely, on 4th August, unless that day is a Sunday or a Bank Holiday.

If the last day of grace falls on a Sunday, Christmas Day, or Good Friday, payment is due on the preceding business day. When the last day of grace falls on a Bank Holiday or on a Sunday preceded by a Bank Holiday, payment becomes due on the business day next following. "Month" in a bill of exchange means a calendar month.

### STAMP DUTY

Every bill of exchange drawn in the United Kingdom must be stamped before it is drawn. On bills payable on demand, on presentation, or at three days after date or sight, a twopenny stamp, impressed or adhesive, is required. On all other bills, and on all promissory notes (see page 195) drawn in the United Kingdom, the stamp must be impressed at the following *ad valorem* (varying with value) rates—

| | | | | | | |
|---|---|---|---|---|---|---|
| Where the amount does not exceed | | | | £10, | stamp | 2d. |
| ,, | it exceeds £10 but not | . | . | £25, | ,, | 3d. |
| ,, | ,, £25 | ,, | . . | £50, | ,, | 6d. |
| ,, | ,, £50 | ,, | . . | £75, | ,, | 9d. |
| ,, | ,, £75 | ,, | . . | £100, | ,, | 1s. |
| For every additional £100 or part of £100, | | | | | ,, | 1s. |

Foreign bills payable in this country require, in addition to the foreign stamp (if any), a British adhesive stamp at the appropriate rate, as shown above. But, for any bill, both drawn and payable abroad, if it is negotiated in the United Kingdom, the rate is as follows—

Where payable on demand, or where the amount does not exceed £50, stamp as above.

Where the amount exceeds £50, but not £100, stamp 6d.

For every additional £100 or part of £100, stamp 6d.

## WHY BILLS ARE DRAWN FOR FUTURE PAYMENT

(1) One purpose of drawing a bill payable at a future date is to fix beforehand a day when the debtor undertakes definitely to pay. Another purpose is to fix beyond dispute the amount that the debtor must pay. In attempting to enforce payment, a creditor who produced an acceptance, "dishonoured" by non-payment at the due date, would not be required by the court to answer any dispute on the debtor's part about quantity, quality, or price of the goods supplied.

(2) To the *drawer*, again, an accepted bill may be useful as a means of paying what he himself owes. Provided his own reputation or that of the acceptor is good, the holder of the acceptance may be able to pass it on by endorsement, in payment or part payment of an account he has to meet. More probably he will ask his bankers to discount the accepted bill. If they agree, they will credit his current account with the amount of the bill, and will debit the account with the discount they take as interest for advancing the money now and having to wait for payment until the bill falls due. Against the funds thus put at his disposal, the former holder of the acceptance can then draw his own cheques.

(3) To the *acceptor* a bill may be useful as a means of obtaining credit that his supplier would not grant except in return for the benefit or security the acceptance gives. The acceptor would then have the chance of selling all or part of the goods before he needed to pay. He would lose the cash discount on his purchase, but he would gain

by obtaining immediate supplies of goods for his business.

### DISHONOUR AND AFTER

When payment of a cheque cannot be obtained at the bank on which it is drawn, or when, at the due date, payment of any other bill of exchange cannot be obtained from the drawee or acceptor, the cheque or the bill is said to be "dishonoured." That case is *dishonour by non-payment.* But an inland bill may be, and a foreign bill frequently is, negotiated by the drawer to some other person before acceptance is obtained. When, in such a case, a holder eventually tries to get the bill accepted and fails to obtain acceptance, the bill is *dishonoured by non-acceptance.*

It should be understood that the drawee is not obliged to accept or to pay a bill merely because a drawer has thought fit to draw the bill upon him. But, if the drawee does accept the bill and then dishonours it, he remains liable to pay the amount. Were he able to pay, however, he would not have dishonoured his acceptance. On dishonour, therefore, whether by non-acceptance or non-payment, the then holder has a legal right to demand immediate payment from the *drawer.*

But the drawer's ability to pay may also be doubtful; and, before the bill came to the present holder, it may have passed through the hands of other parties whose names appear on the bill in endorsements. In that case, instead of claiming payment from the drawer, or continuing to look to the acceptor, the holder in whose hands the bill has been dishonoured may claim redress from

the endorser from whom he took the bill, or from any previous endorser. To preserve that right of recourse the holder of the bill must, without delay, give notice of the dishonour to the party against whom he chooses to claim.

When an inland bill has been dishonoured, it may be *noted*. If a foreign bill is dishonoured, it should be *protested*, or noted at once with the view of its being protested later. Noting and protest are done by a notary public, who is usually a solicitor, and who has been officially appointed to perform such acts. Noting consists of the notary's preserving evidence of dishonour by recording the fact in a register he keeps for the purpose. Protest is a formal document handed to the holder of a dishonoured bill. It is accepted by a court of law in one country as evidence of dishonour having taken place in another country.

### PAYMENT OF A BILL

On payment of a bill of exchange the payer takes the bill in return for the payment. To give a receipt for the money is not necessary at this point, but a stamped receipt should be given at the time when an acceptance is received. If an acceptor withdraws his acceptance by paying before the bill falls due, he is said to *retire the bill*.

### RENEWAL OF A BILL

On the other hand, should an acceptor find that he cannot pay his acceptance at the due date, and should he arrange with the holder to give him a new acceptance in place of the original, he is said to *renew the bill*. The new bill is usually given

for the whole, or for such portion as remains unpaid, of the original amount, increased by interest for the time by which the date of payment has been extended.

### ACCOMMODATION BILL

Sometimes we find a person accepting a bill drawn upon him without his receiving any value in exchange for his acceptance, and merely to enable the drawer to raise money for some immediate purpose, by discounting the acceptance. A bill of that type is called an *accommodation bill*, and is held in disfavour. Before the date for payment arrives, the drawer should provide his acceptor with funds to pay the bill on presentation.

### PROMISSORY NOTES

A promissory note is a negotiable instrument, the Bank of England note being our commonest example. Like a bill of exchange, a promissory note serves as an acknowledgment of the amount of a debt. It may be payable on demand; if not, it either fixes the date when payment will become due, or (as shown on page 195) states how that date shall be fixed. The note may be given in acknowledgment of a debt for goods or services, but more often it is given by a borrower to a lender in acknowledgment of the loan. The note may or may not name what rate of interest (if any) is to be paid.

An I O U (I owe you), such as "I O U two pounds, Henry Green," is an informal acknowledgment of a debt. It is not a promissory note or a bill of exchange, as it neither contains an order

PROMISSORY NOTE

£500.-- . .--

221-245 Southern Highway,
London, S.W.16, *1st May*, 19...

One month after notice we promise to pay *Mr. Bernard Ford Mallinson* of *The Silver Birches, Sevenoaks, Kent*, the sum of *Five hundred pounds* for value received, interest at the rate of *Five* per cent per annum, to be payable on *January 1st* and *July 1st* until repayment of the principal.

*Kenneth J. Kirkby*
*Lawrence Langton*

or undertaking to pay, nor names a fixed or ascertainable date when payment is to be made. It is not negotiable, and it does not require a revenue stamp.

### QUESTIONS

1. What are the differences between a bill of exchange and a cheque?

2. On the 5th of November, 1930, Jones & Son of London drew on R. Smith & Co., Ltd., of Leicester at three months for £260 19s. The bill was duly accepted by the drawees, the acceptance being signed by a director and the secretary of the company. On the return of the accepted bill to the drawers, their general manager, E. Robertson, who had authority to do so, endorsed it to T. Cooper & Bros. Show the form of the accepted draft, and the endorsement. (*L.C.C.*)

3. Walter Mortimer of Manchester owes Roberts, Morgan & Co. of London £145. He authorizes them to draw on him at 3 m/d for that amount, plus three months' interest at 5 per cent per annum. Draw the bill; date it 2nd July, 1930, and state on what date it will be payable. (*L.C.C.*)

4. Why are inland bills of exchange found useful for settling debts, although most traders have banking accounts on which they can draw cheques? What are the advantages to a creditor of receiving a three months bill now rather than a cheque on the date when the bill will be due? (*U.L.C.I.*)

5. What is a dishonoured bill of exchange? How are dishonoured bills dealt with?

6. Write a promissory note for fifty pounds, the note being given on 1st August, 19.., by George Dimsdale to Christopher Harrington Smythe, and being payable in six weeks' time.

## 25. FOREIGN BILLS AND FOREIGN EXCHANGE

### FORM OF A FOREIGN BILL

If the reader will refer to Section 26, he will find there a specimen export invoice for goods assumed to be sent by Appleton & Curtis of London, to Forbes and Robertson in Durban, South Africa.

FOREIGN BILL OF EXCHANGE

Exchange for £63 18. 0d.

2 Bunhill Avenue,
London, E.C.1., 10*th June*, 19...

1/-

At *thirty days* after *sight* of this first of exchange (second of same tenor and date being unpaid) pay to *The Standard Bank of South Africa, Limited*, the sum of *Sixty-three pounds one shilling* for *one case of Cotton Sheets shipped by S.S. "Kenilworth Castle" to Port Natal.*

*Appleton & Curtis.*

*Messrs. Forbes & Robertson,*
*10 Union Parade,*
*Durban, Natal*

The procedure of procuring payment from a customer in a distant land is not as simple as from a customer at home. After preparing the invoice for the exported goods, the senders, as a first step towards obtaining the money, would probably draw on the buyers a bill of exchange for the value of the goods, the bill being in a form like that shown on p. 197.

A bill of exchange payable abroad is usually drawn in a set of two or three. The second of exchange, corresponding to the first in our illustration, would read, "At thirty days after sight of this second of exchange (first of same tenor and date being unpaid), etc." If the bill were drawn in triplicate, the third of exchange would read: "At thirty days after sight of this third of exchange (first and second of same tenor and date being unpaid) . . ." In foreign *bank drafts* the words "original" and "duplicate" are commonly found in place of first and second of exchange.

The first of a set of foreign bills will be sent to the drawee's country by one mail, the second following by a later mail in case the first should be lost. Only one of the set will be accepted and only one will be paid, the other or others then becoming void. Because of uncertainty about the time it will take for the bill to reach the drawee for acceptance, the custom is for a bill of exchange payable abroad to be drawn at so many days *after sight*, instead of so many days or months after date.

### HOW PAYMENT IS COLLECTED

Appleton & Curtis, in this example, could hand the bill in duplicate to an office in London of

the Standard Bank of South Africa. They could ask the bank in London to get the amount collected from the drawees in Durban when the bill fell due. The bank would send out the first of exchange by the next mail to its office in Durban, and the second by the mail following.

Appleton & Curtis would notify Forbes & Robertson that a draft at 30 days' sight for the amount of the invoice had been handed to the Standard Bank for collection. At the same time, Appleton & Curtis could themselves send to their customers the invoice and the bills of lading for the goods. More probably, however, they would attach copies of these documents to each of the set of bills handed to the bank, together with a policy or certificate of marine insurance. They might also instruct the bank that the bills of lading were not to be surrendered to the drawees until they accepted the draft. If so, the draft would be marked "D/A," or "Documents against acceptance."

If the drawees could not be trusted, or were not well enough known to be trusted, to meet their acceptance when it matured, control of the disposal of the merchandise could be retained by asking the bank not to give up the bills of lading until payment of the draft was received. The drawees would then have the option of paying before the due date, subject to rebate or discount for the time unexpired on the bill. In this case, the bill would be marked "D/P," or "Documents against payment." A bill of exchange with documents attached as described is called a "documentary bill."

As soon as either copy of the bill of exchange reached the Durban bank, that bank would send it out to Forbes & Robertson for acceptance, surrendering the bills of lading (if so instructed) in return for the accepted bill. The Durban bank would retain the acceptance and would collect payment at the due date. Then it would advise its London office by letter that payment had been collected. On receipt of the advice the London office would either pay over the amount to Appleton & Curtis by cheque, or would place the amount to credit of their account.

### WHEN THE BANK ADVANCES ON THE BILL

But our friends, Appleton & Curtis, may not want to wait three months for payment to reach them. If not, they could ask the bank to buy the bill, and to pay them at once its present value. Or they could ask the bank to advance at once the larger part of the amount, leaving the remainder to be paid over after collection had been advised from abroad. Whether the bank would be willing to advance the money solely on their good opinion of the trustworthiness of the shipper, or would require to hold the bills of lading and insurance policy as security until the drawees paid, would depend on the particular circumstances. But it is a usual practice of shippers to seek from the bank, at the time of export, payment of the whole or part of the value of the goods. The advance from the bank helps them to pay the persons here who supplied them with the goods they have exported, and leaves them free to negotiate for supplies for another shipment.

Should it happen that the drawee of a bill fails to accept or to pay, the bank will claim back from the drawer the amount of the advance. In such case, if the branch or agent of the bank abroad still has control of the goods, the shipper may ask for the goods to be sold by auction in the foreign port for what they will realize. That course is often preferable to incurring further expense in bringing the goods back to this country, as the exporter would not have a new purchaser for them.

### BILLS IN FOREIGN CURRENCY

We have taken for our example a bill drawn on a British Possession where the currency is of the same denomination as our own. Had our bill (like that on page 202) been drawn on Canada or the United States of America, it would most likely have been in dollars; on India in rupees, on France in francs, and on Germany in marks.

This bill is not one sent for collection through a bank for the proceeds to be remitted back to the drawers. Presumably the money is owing to the payees, who are to collect the amount for their own use from the drawees. It is evident that between drawers and drawees there exists a current or running account to which bills of the drawers, payable in the United States, are by agreement to be charged, and a settlement between drawers and drawees will be arranged from time to time. Whether a bill for goods is drawn in foreign currency or in sterling will usually depend on how the invoice for the goods is made out, and that will depend, again, on whether the price at which the

## BILL OF EXCHANGE IN FOREIGN CURRENCY

Exchange for $1,000 — — —

101 LOTHBURY,
LONDON, E.C.2, 20th *June*, 19..

3/-

At *ten days* after *sight* pay this *first* of exchange (*second* being unpaid) to *The Henry P. Brook Co. Inc.* or order the sum of *One thousand dollars*, and charge the amount to our account.

*Messrs. Morgan & Clewer,*
*Manhattan Building,*
*93rd Street, New York.*

*For* TAYLOR HICKS & DEAN, LTD.,
*Harold Hicks,*
Director.

goods were sold was a price in English or in foreign money.

## RATES OF FOREIGN EXCHANGE

If in each of two countries the standard unit of currency were a gold coin, money of the one country would usually be exchanged for money of the other country at a rate based on the relative quantities of pure gold the two standard coins contained. Between this country and another that rate of exchange was called "mint par." But, when Bank of England notes ceased to be convertible into gold, the mint par ceased to influence exchange rates; and the inconvertibility of some other countries' notes has carried their exchange rates very far from this gold basis.

Just as supply and demand cause prices of commodities to fluctuate, so supply of and demand for foreign currency cause fluctuations in the rate of exchange between any two countries. So long, however, as the paper moneys of the two countries can be changed into gold at the face value of the paper—that is, so long as the two countries remain on the gold standard—the rate of exchange between them cannot move far from par. If it did, banks in the country that the rate was against would ship gold to pay off their indebtedness, instead of buying at the unfavourable rate currency of the other country from someone in their own who had it to sell.

A table of current rates of foreign exchange can be found in the financial Press. Examples of quotations at the time of writing, with pre-war comparisons, are shown on the following page.

| | *Present rate* | *Rate Aug., 1939* |
|---|---|---|
| New York, dollars to £1 | 4·02½ – 4·03½ | 4·68 |
| Paris, francs to £1 | 479·7 – 480·3 | 176 |
| Zurich, francs to £1 | 17·34 – 17·36 | 20·75 |
| Brussels, francs to £1 | 176½ – 176¾ | 137·78 |
| Amsterdam, florins to £1 | 10·68 – 10·70 | 8·80 |
| Copenhagen, kroner to £1 | 19·32 – 19·30 | 22·4 |
| Calcutta, pence to rupee | 17 15/16 – 18 1/16 | 18 |

Of the two rates named in each quotation, the smaller amount of foreign currency is what a buyer here would get for £1, the larger what a seller here would have to give for £1. But with Calcutta it is the reverse, as that rate is given in shillings and pence to the rupee, instead of in rupees to the £1.

### THE BANKS AND FOREIGN DRAFTS

Notwithstanding what we have said earlier in this section, it should not be assumed that payment for goods imported or exported is always collected by means of a bill of exchange drawn by the seller on his purchaser. Goods may be sold in this country by the London agent of a Continental manufacturer. The goods will probably be sold and invoiced in English money, and the ordinary period of credit given to the buyer. When the date for payment approaches, a statement of account will arrive from the manufacturer. In payment of this, the debtor here will probably draw a cheque and post it to his foreign creditor, just as if he were settling an account due to a creditor in this country. The Continental creditor will get his own bank to collect the cheque from the drawer's bank here.

Should the goods be sold and invoiced in foreign money, the debtor in this country will not be able,

in payment, to draw a cheque in that money on his bank account. He will obtain from his bank a draft in foreign currency payable to the creditor at a bank in the creditor's own couutry, and the debtor here will remit the bank draft instead of a cheque of his own. The bank here will sell the draft to its customer at the current rate of exchange for the country it is drawn upon, and the cost in English money will be charged by the bank to the customer's account.

A merchant in this country who *receives a remittance* in foreign money usually sells the remittance to his bank for its English equivalent. The bank has the draft collected in the foreign country and placed to its credit by its agents there. When a merchant here has *to send a remittance* in foreign money he usually buys a draft from his bank, paying for it the equivalent in sterling. The bank makes the draft payable by its agents in the foreign country out of funds they hold for the bank here.

Before war broke out in 1939 each bank here replenished a declining balance abroad, or disposed of a surplus, through one of the foreign exchange brokers in London, who put buyer into touch with seller. From 1939 to 1947 a British bank, except for payments within what was known as the "sterling area," had to deal with each exchange transaction singly as agent of the Bank of England. Under the Exchange Control Act each banking company now sets its total of daily purchases of each non-sterling-area currency against its total daily sales, and sells to or buys from the Exchange Equalisation Account at the Bank of England the difference only.

## QUESTIONS

1. A B of London received from C D of Singapore an order for four cases 150 pcs. 42 in. White Shirtings @ 22s. per pce., f.o.b. Liverpool. The account was to be paid on presentation of A B's draft at sight, with documents attached, freight and charges to be included. A B executed the order. Make a copy of the bill drawn by A B on C D, giving imaginary names and addresses in full, and state what documents would be attached to thebill. (*L.C.C.*)

2. What is the usual method by which a London bank would finance the shipment of an exporter of cotton goods to consignees in Colombo? State the uses of the various documents that would be handed to the bank in connection with a shipment. (*L.C.C.*)

3. Explain with examples how bills of exchange are used in foreign trade for the remitting of money.

4. On 1st Dec. Messrs. Jones & Co. of Bradford dispatched goods valued at £3,000 to Messrs. Bolitho of Cape Town, and drew on them at 90 d/s with documents attached. Show the draft and name the accompanying documents. Messrs. Jones sold the bill to the London office of a South African bank, the bill being marked D/A. State how the bill would reach Cape Town, and how the consignees would obtain the goods. (*R.S.A.*)

## EXERCISES ON CHAPTER VI

1. Which is better for a business man, to place his money in a commercial bank or in a savings bank? Give reasons for your answer.

2. What is the difference between a Current Account and a Deposit Account in a bank? What considerations would influence you in opening one rather than the other? (*L.C.C.*)

3. What is the usual procedure in opening a current account with a bank by (*a*) a partnership, (*b*) a joint-stock company? (*L.C.C.*)

4. Explain exactly the difference between a loan account and an overdraft granted by a bank. (*R.S.A.*)

5. Banks have been described as repositories for cash and as sources of loans. Explain these two functions and the connection between them. (*U.L.C.I.*)

6. Name three classes of securities accepted by banks against advances to clients. Briefly describe the usual formalities in each case between the parties when a loan is effected. (*L.C.C.*)

7. Explain carefully the advantages that accrue to a trader from the use of cheques, both in making and receiving payments. (*R.S.A.*)

8. Show the cheque that would be drawn in payment of the statement of account required by Q. 1, page 150. Draw it in such form as to prevent its being paid in any way other than by its being placed to credit of the payee's banking account.

9. Explain what is meant by "special" and "general" crossings on cheques. How could you ensure that a cheque for £50 drawn in favour of William Jones, who has an account at Lloyds Bank, will be paid into his account?

10. Prepare a cheque for £250 10s. and cross it generally. Assume the drawers to be John Smith & Co., Ltd., the payees Frank & Lee, and the drawees the Midland Bank, Ltd. Explain as precisely as you can the effect of the crossing. (*U.L.C.I.*)

11. Explain how you would make payments of the following amounts from a Manchester office: (*a*) 6s. 8d. to a firm in Blackpool, (*b*) £52 to a firm in London, (*c*) £5 to an employee who is working away and who has no banking account. Explain in each case any advantages of the method you suggest. (*U.L.C.I.*)

12. With what different classes of cheques does the Bankers' Clearing-house in London deal? With what cheques do the provincial clearing-houses deal?

13. (*a*) A customer of the Midland Bank pays by cheque a debt of £1,000 owing to a customer of the Westminster Bank. Explain how the transaction affects the balance of each bank with the Bank of England. (*R.S.A.*)

(*b*) Explain how the cheque-clearing system economizes in the work of making business payments.

14. In what various circumstances will a banker refuse to honour his customers' cheques?

15. What are the uses of bills of exchange to (*a*) debtors, (*b*) creditors? Make out a bill of exchange for £350 drawn at three months from 1st June by John Sellars on Thomas Brown, and accepted by the latter payable at the National Provincial Bank in Leeds.

16. State clearly what is meant by a bill of exchange, and describe how a bill is discounted.

17. On 1st Jan., Thomas & Co. of Liverpool draw on Smith & Brown of Manchester a B/E for £180 15s. 6d. at 3 m/d in favour of T. Edgley & Sons of London. Thomas & Co. obtain the acceptance of Smith & Brown, and in due course post the bill to T. Edgley & Sons. Draw up the bill of exchange and show the acceptance. (*L.C.C.*)

18. Prepare a specimen bill of exchange with Harold Jones as drawer, Theodore Bond as drawee, and Walter Burn as payee. What is meant by dishonouring a bill of exchange, and what happens when a bill is dishonoured? (*U.L.C.I.*)

19. On 4th March, John Falkner, of Birmingham, drew a bill at three months' date on Thomas Masefield of Leicester, for £600, the value of goods sold. Masefield accepted the bill and Falkner discounted it with his bank. Just before the bill fell due Masefield asked Falkner to withdraw it. He sent Falkner a cheque for £100, saying he would accept two new bills each for half the balance still due, one at two months and one at three months with interest at 8 per cent per annum added. Falkner agreed.

Write out the two new bills which Masefield accepted, and explain what arrangements Falkner would have to make with his bank. (*R.S.A.*)

20. "Bills of exchange with shipping documents attached." What are these shipping documents? Describe the functions of each, and explain why the documents should accompany a bill of exchange. (*L.C.C.*)

21. Explain—

(*a*) Why foreign bills are commonly drawn at so many days after sight;

(*b*) What is meant by D/A and D/P;

(*c*) How the par of exchange between two gold-standard countries is ascertained.

# CHAPTER VII

## FOREIGN TRADE

## 26. THE EXPORT OF GOODS

### INVOICES AND CUSTOMS OFFICES ABROAD

MANY countries abroad to which we export goods require invoices to be made on special forms with double money columns, as in the South African specimen on the following page. They also require the exporter here to make on the back of the invoice form a *declaration of value and origin*—a certificate about the prices charged in the invoice, and about the country in which the goods were manufactured or produced. One object of that is to satisfy the customs office at the port of destination that it is not asked to collect duty on an amount short of the true value of the goods. Another object is to assist the Dominions Customs in deciding what rate of duty to apply, because they probably have different rates in force for merchandise of British and of non-British origin.

Some foreign countries require *consular invoices*, or invoices made on a prescribed form and certified in the country of export by a consul of the country of destination. Quite a number of copies of each export invoice may be needed—two, perhaps, for the customs office abroad, one at least for the consignee or the buyer of the goods, and probably two to be attached to copies of a bill of exchange drawn on the foreign buyer for the value of the shipment. The methods of obtaining payment of

an export invoice were dealt with in Section 25, and telegrams between different countries were treated of in Section 7. Examples of conversion from sterling to foreign currency, and of foreign currency into sterling, will be found in Section 28.

## SOUTH AFRICAN CUSTOMS INVOICE

LONDON, 10 *June*, 19...

Invoice of one case Cotton Sheets purchased by Forbes & Robertson of 10 Union Parade, Durban, from Appleton & Curtis of 2 Bunhill Avenue, E.C.1.

To be shipped per S.S. *Kenilworth Castle*

| Country o Origin | Quantity and Descript on of Goods | Current Domestic Value in Currency of Exporting Country | | Selling Price to Purchaser | |
|---|---|---|---|---|---|
| Great Britain | | @ | Amount | @ | Amount |
| | | | £ s. d. | | £ s. d. |
| Marks and Numbers of Packages | 100 pairs Bleached Cotton Sheets 70 × 108, H.S. | 7/- | 35 - - | 7/- | 35 - - |
| | 50 pairs Bleached Cotton Sheets 70 × 108, H.S. and Scalloped | 7/9 | 19 7 6 | 7/9 | 19 7 6 |
| F & R. | F.O.B. Southampton | | 54 7 6 | | 54 7 6 |
| Natal 3036 | 1 case, Gross 6 0 5<br>Net 5 2 21<br>Measurements 33 47 69 | | | | |

### PACKAGES AND MARKS

A few kinds of goods, for example, rough timber or bar iron, are so little liable to damage that they can be shipped without any protective covering. But most manufactured articles need to be packed and protected more securely for transport by sea than by land. They are packed tightly to keep them from being shaken about and damaged; also, so that they shall occupy the smallest possible

space, as the freight or charge for sea carriage is commonly made in proportion to the bulk of the goods. The finest merchandise usually goes in strong wooden cases, which have a tin lining soldered all round to keep out damp. Others may be sent in wooden cases without metal lining, and others, again, in bales, with an inner wrapper of waterproof material and an outer covering of canvas, the whole bound together with iron hoops.

Each package is given a number of its own, and all the packages in the same consignment may be stencilled with the same mark—some geometric or other simple design containing the consignees' initials. Each package, also, must bear the name of the port to which it is being sent. For the purpose of facilitating clearance through the foreign customs, the invoice should show under each case or bale number what goods exactly that package contains. The packages will probably be consigned to *clearing and forwarding agents* at the port of destination. The agents will see to the invoices and packages being passed by the customs officers there. They will pay the duty to which the goods are subject, and the dock dues, and they will then arrange for dispatch or delivery to the purchaser.

## PRICE DISTINCTIONS

1. *F.O.B.* or "free on board," as used in the specimen invoice on page 210, means that the prices charged by the exporter include the cost of the goods and all charges, together with dock dues, incurred up to putting the packages on board at the port of shipment.

2. *F.A.S.* or "free alongside ship." Such a price includes with the cost of the goods all charges up to carrying the packages by barge to the ship's side. When the goods are hoisted on board a

*Mate's Receipt* is obtained for them, and that is exchanged at the shipping company's office for the bills of lading.

3. *F.O.R.* = "free on rail," and is used when the supplier of goods has them conveyed to and loaded into the railway trucks at his charge, the rest of the cost of conveyance and delivery being borne by the purchaser.

4. *A loco price* is the charge for the goods as they lie at the place where they were bought. The purchaser has to pay the cost of packing and removing them.

5. *C. & F.* signifies "cost and freight." It is the F.O.B. price increased by the cost of carrying the goods to the port of destination; but dock dues and customs duty payable there are not included in the price.

6. *C.I.F.* (pronounced "siff") is the C. & F. price increased to include the cost of marine insurance of the goods.

7. *Franco domicile* is the C.I.F. price further increased to cover dock dues and customs duty at the port of arrival; also cost of delivery from the dock to the purchaser's address.

A C.I.F. or franco price is just the loco price per article or unit increased by an amount sufficient to cover, on the whole purchase, all the

EXPORTERS' INVOICE FOR GOODS AND CHARGES

2 Bunhill Avenue,
London, E.C.1,
*10th June*, 19...

Messrs. Forbes & Robertson,
10 Union Parade, Durban.

*Bought of* APPLETON & CURTIS

| | | | | | £ | s. | d. |
|---|---|---|---|---|---|---|---|
| 1 | Case F & R. | 3036 Cotton Sheets per S.S. *Kenilworth Castle* | | | 54 | 7 | 6 |
| | Charges— | | | | | | |
| | Freight 62 cub. ft. @ 88s. 6d. | | £6 | 17 2 | | | |
| | Surcharge 20% | | 1 | 7 5 | | | |
| | | | 8 | 4 7 | | | |
| | Bills of Lading | | | 2 6 | | | |
| | Insurance £70 @ 8s. 9d. % and stamp | | | 6 5 | 8 | 13 | 6 |
| | | | | | £63 | 1 | – |
| | *E. & O.E.* | | | | | | |

charges that a seller exporting at such a price will have to bear. To the buyer abroad it is a benefit to be given a C.I.F. or franco price, because it tells him, without inquiry or calculation, exactly what he has to pay for an article, either as it enters the port in his own country, or as it is delivered at his own door.

When freight and insurance have been paid by the exporter here, and are to be borne as separate charges by the purchaser abroad, the F.O.B. invoice on page 210 would be modified as shown by the specimen on page 212. The latter gives, in addition to the total of the former, the freight and insurance charges, and it shows the full amount, corresponding to the bill of exchange in Section 25, that the purchaser in Durban is required to pay. *E. & O.E.* on this invoice means "errors and omissions excepted." It is intended to reserve to the exporter the right to correct any mistake that he may afterwards discover in the invoice.

### DISPATCH AND FREIGHT

When the exporters or their packers have the goods ready for dispatch, a *Shipping Note* should be sent with them to the Superintendent of the dock where the vessel is loading. The shipping note is a simple form notifying the dock authority of the arrival of the goods, and stating, (1) who are the senders, (2) which ship the goods are for, (3) the destination of the packages, (4) their number and marks, (5) their gross weight. The packages may be dispatched to the ship by road wagon or by rail. A *Specification of Goods Exported* must

be completed on the official form, and must be delivered to the customs authorities by the exporter or his agent within six days after departure of the ship.

The *Bill of Lading* should be prepared and sent to the office of the shipping company or its agents. Two or three copies, as required, will be returned signed, along with a charge note for the freight, which is usually paid here and not at the port abroad. Each copy issued of a bill of lading must be impressed with a sixpenny revenue stamp. A further copy retained for the ship's use is unstamped.

As the carrying capacity of a ship is limited, the freight is very often charged by the space the packages will occupy, instead of by their weight. The freight rate of 88s. 6d. in our model invoice is the charge for a "ton measurement" of 40 cub. ft. As the case measures 2 ft. 9 in. × 3 ft. 11 in. × 5 ft. 9 in., and therefore occupies approximately 62 cub. ft., the charge at that rate works out to £6 17s. 2d. But that rate is shown as subject to an increase of 20 per cent, which brings the charge up to £8 4s. 7d.

**BILLS OF LADING**

A bill of lading serves three purposes. It is—

1. An acknowledgment by a shipowner of the receipt of certain goods or packages for shipment.
2. The written contract setting out the conditions under which the goods are to be carried.
3. The document of title to the goods, for transfer of the bill of lading transfers the right to claim the goods.

The shipowner's agent delivers up the goods at the port of destination to the person who surrenders

the bill of lading for them. A bill of lading is usually drawn so as to make the goods deliverable to the consignee or his assigns, or else to the order of the consignor. That makes the bill of lading and the right to claim the goods transferable by the consignee or the consignor (as the case requires) endorsing the bill of lading, and handing it over to the transferee.

The main part of the bill of lading for our example would read thus—

SHIPPED in good order and condition by *Appleton & Curtis* on board the steamship *Kenilworth Castle* whereof . . . *Atkinson* . . . is Master, now lying at *Southampton*.

*One package Merchandise*

being marked and numbered as per margin, to be delivered subject to the exceptions and conditions enumerated below in like good order and condition at or off *Port Natal* unto . . . *Forbes & Robertson of* 10 *Union Parade, Durban* . . . or to his or their assigns. Freight, Primage, and Charges payable on shipment, ship lost or not lost, the ship retaining a lien on the Goods for all Freight, Primage, or Charges until paid, whenever and wherever payable; average as per York-Antwerp rules, 1924, and charges as accustomed.

IN WITNESS whereof the Master or Agent of the said Vessel hath affirmed to . . . *two* . . . Bills of Lading, all of this tenor and date, one of which being accomplished, the other to stand void.

Dated at *London*, this 10*th day of June*, 19...

Here would follow a long printed list of the conditions subject to which the shipowner agrees to carry the goods, most of these conditions imposing a limit or exemption to his liability for loss or damage. In the left-hand margin of the document would be set the number and the mark of the package. The bill of lading would be signed at the end.

## MARINE INSURANCE

The shipowner's liability for loss or damage to goods is limited by law and by the conditions he attaches to his bill of lading. An exporter would, therefore, have to bear himself any loss for which he could not make a claim on the shipowner. The exporter, however, covers his risks in this respect by taking out a policy of marine insurance for the shipment. The policy is taken for an amount that includes the value of the goods plus all the charges. But a marine insurance policy is usually made to cover, in addition, a margin of profit to the purchaser, because, if the goods were lost at sea, his profit on the sale of the goods would be lost too. In our example, the value declared is £70, and the *premium*, or charge made for undertaking the insurance, is at the rate of 8s. 9d. per cent of that sum.

When a loss does occur, claim is made against the insurers. The policy may be a *Lloyd's Policy*, issued by a group of members of the long-established association of underwriters known by the name of "Lloyd's." On the other hand, it may be a *company policy*, issued by one of the companies that conduct marine insurance business. A Lloyd's policy is obtained through a broker who arranges for it with the underwriters. A company policy is usually procured direct from the company's office. Every policy must bear a revenue stamp, the value of which varies with the amount and nature of the policy.

## GENERAL AND PARTICULAR AVERAGE

If a ship is in difficulties, certain losses and expenses may be incurred by the captain for the

benefit as a whole of the various parties who have value at stake in the ship and the cargo. For example, the goods of one or more of the parties may be jettisoned or thrown overboard in order to lighten the ship. Such losses are known as *General Average*, and by maritime law they must be shared by all the parties interested in the ship's safety, by each in proportion to the value of his interest. An exporter from whom contribution was required in respect of general average would, of course, have the amount of his contribution paid by the insurance office with which he had insured against the risk.

Any damage at sea, short of total loss and not such as is recognized by law to be general average, is known as *Particular Average*. That falls on the party whose goods suffer. But here, again, claim is made on his insurers for the amount of the loss, unless his policy was taken out F.P.A., or free of particular average. When goods are such that they are unlikely to sustain damage, they may be insured T.L.O., against total loss only, claim being made for that when it occurs. Insurances effected against all risks are described as A.A.R. W.A. or W.P.A. signifies "with particular average," and G.A. stands for "general average."

### QUESTIONS

1. (*a*) What is a consular invoice, and what purpose does it serve?

(*b*) What do you understand by "declaration of value and origin?"

2. You are prepared to sell 60 pieces Grey Cotton Rollering—1,860 yd.—at 7½d. per yard *ex* warehouse. What price per yard would you quote a Colombo buyer, C.I.F. Colombo, if the packing of three cases cost 12s. 6d. each, carriage to docks 10s. 6d., dock

charges 9s. 4d., B/L 2s. 6d., freight £9 6s.; and if insurance, A.A.R. from warehouse to warehouse, could be effected at 15s. per cent? (*L.C.C.*)

3. Explain what a bill of lading is, and what purposes it serves in foreign trade.

4. What is the difference between general average and particular average? State in what circumstances each arises. (*R.S.A.*)

5. Explain the methods by which a manufacturing concern, exporting directly to foreign markets, can obtain payment for the goods it sends aboard. (*R.S.A.*)

## 27. GOODS IMPORTED

### OUR IMPORTS

Great Britain is a manufacturing country which produces only part of the food its people consume, and only part of the raw materials its works and factories use. For that reason, much of our imports is produce as distinct from manufactured articles. Food and drink come in the forms of grain, rice, tea, coffee, wines, fruit—green, dried, and tinned—meat—chilled, tinned, and extract. Raw materials arrive as ores, timber, hides, rubber, oils, cotton, wool, and a very considerable portion of these goes out again as exports, in the shape of machinery, boots, tyres, yarn, hosiery, cloth, and so on.

### WHEN FOREIGN GOODS ARRIVE

The landing of a ship's cargo is subject to supervision by a customs officer, for the purpose of seeing that goods liable to duty are not taken away before the duty is paid.

The dock authority makes a *Landing Account* on a form similar to that on page 219. The Landing Account shows the number of packages, the marks and weights, the nature of the contents,

PORT OF LONDON LANDING ACCOUNT.

*(Details of the weights appear on the back of this form.)*

# PORT OF LONDON AUTHORITY.

_____*Dock*

_____*Department*

_____*19*____

## LANDING ACCOUNT—

of _____

entered by _____

_____on the _____*19*____

*Per* the ship _____

Master _____ Rotn. No. _____

From _____

Rent commences on _____*19*____

| Dock Nos. | Quantity | Total Landing Weight cwt. | qr. | lb. |
|---|---|---|---|---|
| | | | | |

Gross
Tare
Net

*Clerk*

*Examiner*

the party claiming the goods, the name of the ship, and the port from which it has come. Any package that arrives damaged is inspected by the Survey Officer at the port, and his Certificate of Survey is required to substantiate the claim made under the insurance policy for the damage done.

The shipping company has a lien on the goods, or a right to retain them until the freight has been paid, so that one of the first acts of the importer is to pay the freight account. He presents the bill of lading at the time of payment, and the shipping company stamps and signs upon it an authority to release the goods. It is then delivered to the dock office, but the dock company has also a lien for dock dues, so these have to be paid as well.

The formalities of clearing merchandise through the Customs and of paying the charges due to the dock authority are commonly attended to by *Clearing Agents*, and they run accounts with the shipowners and the dock company. These agents usually receive the bills of lading, and the invoices for the goods, by post from other agents who have dealt with the shipment at the port of departure. They make delivery in their own or hired vehicles within the usual delivery limits from the dock, and they collect at the same time all the charges due. When the goods are destined for distant addresses they pass the packages and the collection of the charges on to railway or motor carriers.

If delivery of imported merchandise is not to be taken at once, the packages are warehoused at the docks, and rent becomes payable upon them at so much per ton per week. Insurance against

PORT OF LONDON DOCK WARRANT.

# PORT OF LONDON AUTHORITY.

*Dock lot No.*_____ *Rotn. No.*_____

*Dated this*_____

**WARRANT** for_____

imported in the_____ Master_____

from_____ entered by_____

on the_____ deliverable to_____

or Assigns by endorsement hereon.

_____and all other charges from the date of this Warrant.

3d STAMP

| Marks | Numbers | | Weight Gross | | | Weight Tare | | | Marks | Numbers | | Weight Gross | | | Weight Tare | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original | Dock | Cwt. | qr. | lb. | Cwt. | qr. | lb. | | Original | Dock | Cwt. | qr. | lb. | Cwt. | qr. | lb. |
| | | | | | | | | | | | | | | | | | |

*Ledger*_____ *Fo.*_____

_____*Clerk.*

_____*Warrant Clerk.*

the risk of fire should be effected. A *Dock Warrant* or Warehouse Warrant is issued to the consignee, and that has to be surrendered when the goods are required. If delivery is taken from the warehouse a part at a time, the holder of the warehouse warrant gives a *Delivery Order* for each lot as it is wanted.

## CUSTOMS FORMALITIES

In Section 26 we learned that a specification of goods exported had to be lodged by the exporter or his agent with the Custom Office at the port of sailing. For every lot of goods imported, a *Customs Entry* form must be completed and lodged at the port of arrival. From these forms the Customs authorities compile records of the quantities and values of all goods imported and exported by this country. The specimen Customs Entry form on page 223 is for duty-free goods. Other similar forms are required for goods subject to duty, (*a*) to be taken away at once, (*b*) to be stored in bonded warehouse until required, also for goods to be transferred to another ship for export. *Bonded Warehouses* are used for the storage of dutiable goods, the proprietors of the warehouses being required to give a bond to the Customs as security for the duty on the goods in their care. When any part of such goods is required, the duty on that part is paid by the person taking the merchandise, and the Custom House issues to him a warrant or delivery order addressed to the warehouse keeper.

Until recent years, Customs duties were collected by this country on comparatively few articles, and

No. 23 (Sale). [Revised Edition].

Collector's No. and Date.

## ENTRY FOR FREE GOODS.

This space is for the use of the Officers of Customs and Excise

Port

Dock or Station

Importer's Name and Address

| Examination | Ship's Name | Master's Name | Rotation No. | Date of Report | Port or Place of Shipment of Goods |
|---|---|---|---|---|---|
| | | | | | |

| Marks and Nos. | Number and Description of Packages, and Description of Goods, in accordance with the Official Import List | This Column for Official use only | Net Quantity | [1]Value £ | [2]Name of Place whence goods consigned |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

I enter the above Goods as free of Duty, and declare the above particulars to be true.

Dated this day of 19

(Signed).....

*Importer or his Agent.*

Customs Code, Vol. II., Part II., Pars. 1–13, Sec. 38659/1925.

(1) In the case of goods which are invoiced at a quoted price, the value to be stated in this Entry should be the prime cost with the freight and insurance added ("c.i.f" value).

(2) When the goods are consigned for sale, the value to be given should be the latest sale value of such goods.

[2] NOTE.—The place whence the Goods were consigned is not necessarily the place of origin, but it is the place from which the Goods were procured by the Importer, i.e. the place of last ownership

The Importer is the person by whom the goods were procured from the consignor.

the duties were levied for the sole purpose of raising revenue. Now free entry, when given, is for Dominion products only. Most of the goods coming from other countries are subject to duties, which have been imposed with the object of protecting British industries from foreign competition.

## PRODUCE EXCHANGES

Some classes of imported goods are already under the control of distributing companies here before they reach these shores. Meat may be imported by cold-storage warehouses which sell to wholesale dealers, or to retail multiple shops allied to the importing establishment. With petroleum and its refined products, producer and wholesale distributor are also closely associated. Large quantities of other goods arrive here in execution of orders previously placed and at prices arranged at the time of ordering. But large quantities, again, come in without their having been sold to anyone in this country. They are disposed of by auction or otherwise in our Produce Exchanges, at whatever prices they can fetch on the day of sale.

### (1) Selling by Sample

Much of the raw wool that arrives in Britain has been bought at auction sales in the seaports of Australia and New Zealand for manufacturers here. The rest of the Australasian clip, together with imports from other countries, is sold by auction after arrival. Our chief raw-wool market is The Wool Exchange, in Coleman Street, London, where auctions take place periodically, the buyers being British and Continental spinners of yarn for

hosiery and cloth. A printed catalogue is circulated to likely buyers some days before the date fixed for each sale, and samples taken from the bales are prepared for inspection before the sales begin.

Tea, coffee, sugar, dried fruits, and pepper are disposed of at The Commercial Sales Rooms in Mincing Lane, London, where auctions of such commodities are continually being held. The merchandise is offered by description, and samples are on view for bidders to inspect.

The brokers on these exchanges collect payment from the buyers within a few days of the sale having been made. They account for their sales and the proceeds to the banks or merchants under whose control the commodities reach our ports. These, in turn, render account to their consignors abroad. A *Bought Note* or contract note of purchase is sent immediately by the broker to each buyer, and an invoice in full soon follows. To the seller the broker sends a *Sold Note*. Later he furnishes an *Account Sales* showing in detail what produce was sold, what value it realized, and what expenses incurred and commission due have to be be deducted from the sum collected. A cheque for the balance is handed by the broker to the bank or merchant here.

Part of the value of the consignment may have been advanced by a bank in the country of export, and for that part the merchant here may have accepted a bill of exchange drawn on him by the consignor abroad. From the remainder of the proceeds he will deduct his expenses and commission, and the balance then left he will remit

BROKERS' ACCOUNT SALES

Account sales of 100 bales Greasy Wool *ex* SS. *Orient* from Sydney, sold by auction 20th July, 19.., for account of MESSRS. G. W. MORRISON & Co.

M & G.
1/100.

| Lot No. | No. of bales | Gross | | | Tare and draft | | | Net | | | lb. | Price | £ | s. | d. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cwt. | qr. | lb. | Cwt. | qr. | lb. | Cwt. | qr. | lb. | | | | | |
| 232 | 47 | 167 | – | 3 | 6 | 2 | 3 | 160 | 2 | – | 17,976 | 1/0½ | 936 | 5 | – |
| 233 | 53 | 188 | 2 | 7 | 7 | 1 | 13 | 181 | – | 22 | 20,294 | 1/– | 1,014 | 14 | – |
| | | 355 | 2 | 10 | 13 | 3 | 16 | 341 | 2 | 22 | 38,270 | | | | |

Tare, 12 lb. the bale.
Draft, 1 lb. the cwt.

| | | | | | | |
|---|---|---|---|---|---|---|
| Samples—47 @ 1/0½ | = | 2 | 8 | 11 | | |
| 53 @ 1/– | = | 2 | 13 | – | | |
| | | 5 | 1 | 11 | | |
| *Less* ⅓rd | | 1 | 14 | – | | |
| | | | | | 3 | 7 11 |
| | | | | | 1,954 | 6 11 |
| Sale Expenses, 100 bales @ 4d. | = | 1 | 13 | 4 | | |
| Brokerage @ ½% | = | 9 | 15 | 4 | | |
| | | | | | 11 | 8 8 |
| | | | | | 1,942 | 18 3 |

*E. & O.E.*
Prompt. *6th Aug.*, 19...

25 COLEMAN ST., E.C.2, *27th July*, 19...
HUGGINS & WHITE.

to his consignor, probably by bank draft. A *del credere commission* is an extra commission that an agent, selling foreign commodities, receives in consideration of his guaranteeing, to his foreign principal, the debts that result from the commodities being sold by the agent on credit.

### (2) Selling by Grade or Type

For raw cotton, the most important market in Britain has been The Cotton Exchange in Liverpool.

Imported grain is sold in London at The Baltic Exchange, St. Mary Axe, at The Atlantic Exchange in Liverpool, and in other ports. Both cotton and wheat are subjected to a system of grading according to quality. Sales are not made by auction, but by private bargaining with a member of the particular produce exchange, and by grade description. American cotton may be described by grade, as G.O. = good ordinary, Mid. = middling, or M.F., = mid-fair; Canadian wheat by type, as No. 2 Northern Manitoba, or No. 3 Canadian Western, the price varying in each case with the quality required or offered. Examples of grades and prices can be found in the Produce Markets Reports of the daily Press.

Such was the pre-war position. During the war a Ministry of Food bought all the nation's food and controlled its distribution. Similarly a Ministry of Supply dealt with raw materials generally. Now a Cotton Purchasing Commission is empowered to buy raw cotton in bulk and the activities of the Liverpool Cotton Exchange are not to be resumed. On the other hand the Wool Exchange in London is functioning again, but food supply still remains the Government's concern.

### QUESTIONS

1. State briefly what you know about (*a*) landing account, (*b*) certificate of survey, (*c*) dock warrant, (*d*) delivery order.

2. Make out an invoice embodying the following particulars—

*Sellers.* Lendon & Wildup, 10 Eastcheap, London, E.C.3.

*Buyers.* The Imperial Stores, Market Street, Leicester.

*Date.* 31st December, 19..

*Terms.* 1 per cent one month. Interest chargeable at 5 per cent per annum from expiration of prompt.

10 Bags Demerara B.P.

| | cwt. | qr. | lb. | |
|---|---|---|---|---|
| 615 | 2 | – | 23 | |
| 6 | 2 | 1 | 4 | |
| 7 | 2 | – | 24 | |
| 8 | 2 | 1 | – | Allow 3 lb. tare and 1 lb. draft for each bag, and charge out the net selling weight at 39s. 2½d. per cwt. |
| 9 | 2 | 1 | 2 | |
| 620 | 2 | 1 | 8 | |
| 1 | 2 | – | 22 | |
| 2 | 2 | 1 | 7 | |
| 3 | 2 | 1 | 1 | |
| 4 | 2 | 1 | 5 | |

Make out a receipt in proper form for the amount paid by The Imperial Stores to Lendon & Wildup, assuming that, by arrangement, the former paid for the goods on 15th March, 19.., six weeks after the expiration of prompt. (*R.S.A.*)

3. Describe, noticing the relevant commercial documents, the importation of a dutiable commodity which passes through a bonded warehouse in the process. (*R.S.A.*)

4. Enumerate different kinds of imported commodities sold at the London produce exchanges. Choose one such commodity, and trace the course it takes from its entry into an English port to its receipt by a consumer.

5. Make out an account sales for 90 crates of wine by S.S. *Rover* from Melbourne to London, sold by Smithson & Sons, London, for Dishway & Co., Melbourne, 12th April, 19... Proceeds of sale of 50 crates at 96s. per crate and of the rest at 60s. per crate. Freight paid in London £16 10s., sale expenses £2 7s. 6d., dock dues £2 9s. 6d., insurance £3 8s., commission 2½ per cent, *del credere* 1 per cent. Explain briefly the *del credere* item of the account sales.

## EXERCISES ON CHAPTER VII

1. (*a*) Make out an invoice for the following, supplying names and addresses yourself—

15 doz. White Cotton Turkish Towels @ 6s. 6d. per doz.
36 ,, Cairo ,, ,, ,, ,, 25s. 3d. ,,
28 ,, Grey Sultan Cotton ,, ,, 17s. 9d. ,,
2 pieces Grey Cotton Rollering, 43 yd. each, @ 7¼d. per yard.
Packed in 5 cases, total weight 20 cwt. 1 qr.
Carriage to docks @ 35s. per ton; dock charges 14s. 9d.
Freight £25 18s., B/L 2s. 6d.

Insurance @ 15s. per cent on the value declared. (*R.S.A.*)

(*b*) Calculate what price should be charged per dozen and per yard, if the goods were sold (1) F.O.B., (2) C. & F., (3) C.I.F.

2. Taking a "loco" price as a basis, what other charges must you add to make that price into (*a*) an F.O.B. price, (*b*) a C.I.F. price? (*L.C.C.*)

3. (*a*) What is a marine insurance policy, and why are goods always insured when sent abroad?

(*b*) Explain (i) Lloyd's policy, (ii) underwriter.

4. A Manchester trader exporting goods to Hamburg desires payment before his customer receives the goods, and the customer will not pay before the goods have been dispatched. How can the matter be arranged? (*U.L.C.I.*)

5. Explain (*a*) mate's receipt, (*b*) clearing agent, (*c*) shipping note, (*d*) jettison.

6. For what purposes are Customs duties imposed on goods entering the United Kingdom? What precautions does the Government take to ensure that all dutiable goods are brought into account? (*L.C.C.*)

7. Make out an Account Sales for 150 crates of fruit *ex* S.S. *Pinto* from Jamaica, sold on 1st April, 19.., by Pairie & Levitt, London, for and on account of Adam Black & Co., of Kingston. Sold at 27s. 8d. per crate. Charges: Entry and dock dues £3 1s. 9d., marine insurance £2 3s. 6d., freight £37 2s. 9d., and auction expenses £1 6s. 2d. Commission 2½ per cent. and *del credere* at 1½ per cent. (*R.S.A.*)

8. Draft out an A/S for 50 bales wool, *ex* S.S. *John Sampson*, consigned by Horlick & Co., of Geelong, and sold on 15th December 19.., by Farrant & Co. of London, @ 1s. 6½d. per lb. Gross weight 169 cwt. 3 qr. 2 lb.; tare and draft 6 cwt. 3 qr. 0 lb. The charges were, Freight, £68, consolidated rate 50 @ 6s., auction expenses 50 @ 7d., fire insurance £1,550 @ 2s. 9d. per cent, brokerage ½ per cent on gross proceeds. Net proceeds due cash 31st December. (*R.S.A.*)

9. What foodstuffs and raw materials are usually sold by auction on importation to this country? Why are they sold by auction? Where do such sales take place, and who are the purchasers thereat? (*R.S.A.*)

10. What is (*a*) a broker's sold note, (*b*) bonded warehouse, (*c*) customs entry, (*d*) dock authority's lien on imported goods?

11. What do you understand by selling by type or grade in connection with imported commodities? To what kinds of commodities is this method of sale suitable?

# CHAPTER VIII

## SUBJECTS AND METHODS OF CALCULATION

## 28. FOREIGN MONEY, DISCOUNT, AND INTEREST

### FIGURES MUST BE PLAIN

FIGURES are a very important element in business documents, and errors made in reading them or in calculating with them may lead to serious consequences. For that reason, every person should write his figures so plainly that none need ever be misread. If any reader has not acquired the habit of making figures perfectly clear, he should drill himself into doing so.

When amounts are placed in columns, units must go under units, tens under tens, hundreds under hundreds, thus—

| yd. |
|---|
| 49 |
| 238½ |
| 82¾ |
| 105 |
| 61¼ |
| 537 |

| £ | s. | d. |
|---|---|---|
| 12 | 2 | 6 |
| 164 | 18 | 11 |
| 3 | 17 | 4 |
| 81 | – | 10 |
| £261 | 19 | 7 |

Whether in typing or in writing, the placing of figures in correct position assists the eye in picking the items up, so easing the work of addition, and tending to prevent mistakes.

### EXTENSION CALCULATIONS

By "extensions" we mean in the office the making and carrying into an outer column (as in

invoicing) of calculations such as 1,149¼ yd. at 2s. 1½d., 14½ doz. at 13s. 9d., or 1 ton 14 cwt. 3 qr. 11 lb. at 46s. the ton.

(1) An entry of $4\frac{3}{12}$ at 26s. 11d. means there are four dozen and three articles at 26s. 11d. the dozen. Such a calculation may be done mentally, thus—

4 @ 20s., plus 4 @ 6s. 11d., is £5 8s. less 4d., or £5 7s. 8d.
3 @ 26s. 11d. is 3 @ 2s. 3d., which added to £5 7s. 8d. gives £5 14s. 5d.

(2) Taking 1,149¼ yd. at 2s. 1½d.. we have—

| | £ | s. | d. |
|---|---|---|---|
| 1149 @ 2s. (2s. being $\frac{1}{10}$ of £1) = | 114 | 18 | – |
| 1149 @ 1½d. = ⅛ of 1,149 shillings = | 7 | 3 | 7½ |
| ¼ @ 2s. 1½d. = | | | 6½ |
| 1,149¼ @ 2s. 1½d. = | £122 | 2 | 2 |

(3) For 1 ton 14 cwt. 3 qr. 11 lb. at 46s. the ton, we might proceed in this way—

| | £ | s. | d. |
|---|---|---|---|
| 1 ton = | 2 | 6 | – |
| 15 cwt. = 23s. + 11s. 6d. = | 1 | 14 | 6 |
| Giving | £4 | – | 6 |
| Deduct 14 lb. = ⅛ of 1 cwt. = ⅛ of 2s. 3½d. = 3½d. | | | |
| ,, 3 lb. = 1½ times ¼ of 3½d. = ⅞d. | | | 4 |
| Amount required | £4 | – | 2 |

The foregoing are submitted as hints to the novice at this kind of work. In practice, he will soon feel his way to what he will find the quickest and simplest methods. With a ready reckoner, as mentioned in Section 15, one can make the calculations a little more quickly, and with a calculating machine the operator who is used to the machine can make them more quickly still.

## DECIMALIZATION OF MONEY

The following table explains itself —

| s. | d. | | | | |
|---|---|---|---|---|---|
| 2 | – | = | $\frac{1}{10}$ of £1 | = | £0·1 |
| 1 | – | = | $\frac{1}{2}$ of 2s. | = | ·05 |
| | 6 | = | $\frac{1}{2}$ of 1s. | = | ·025 |
| | 3 | = | $\frac{1}{2}$ of 6d. | = | ·0125 or ·012½ |
| | ¼ | = | $\frac{1}{12}$ of 3d. | = | ·001 + $\frac{1}{12}$ of itself. |

It follows that £14 3s. 6d. = £14·175, and that £101 17s. 3d. = £101·8625. Except where we want to multiply a decimalized amount, anything beyond the third decimal place is negligible. So we call ¼d. ·001 of £1, ½d. ·002, ¾d. ·003, 1d. ·004, 1¼d. ·005, and so on until we reach 3d. Then we add one to the third decimal place, calling 3d. ·013, 3¼d. ·014, which will bring us up to 6d. as ·025.

Reversing the process we convert the fraction in £246·371 as £0·35 = 7s., and £0·021 = 21 farthings or 5d., making the amount £246 7s. 5d. to the nearest penny. When a sum in pounds, shillings and pence is to be multiplied or divided by any number other than a simple one, the operation is much facilitated by converting the sum to pounds and decimals of a pound. Examples will be found in this Section, under Foreign Exchange, Discount and Interest.

## FOREIGN EXCHANGE

Nearly all rates of foreign exchange are quoted at so many units of the foreign currency to the British £1. Where rates are so quoted—

(1) To find the foreign equivalent of a sum in sterling, multiply sterling by the given rate of exchange.

(2) To find the sterling equivalent of the foreign currency, divide the foreign amount by the rate.

EXAMPLES

(i) *How many Dutch florins will £250 buy when the rate of exchange is 9 1/16 to the £1?*

£250 will buy (250 × 145 ÷ 16) florins
= 36,250 ÷ 16 = 2265·62 florins.

(ii) *A bill of exchange for 15,000 French francs is sold in London at 93¼ to the £1. What does the bill realize in sterling?*

It realizes £15,000 ÷ 93·25 = £600 ÷ 3·73
= £160·858

```
      160·858
  373) 60000
       2270
       3200
        2160
         295
```

= £160 17*s.* 2*d.*

(iii) *A bank draft on New York for 750 dollars is bought in London at 3·67 to the £1. How much in English money does the draft cost?*

The draft will cost £750 ÷ 3·67 = £204·36
= £204 7*s.* 2*d.*

```
      204·36
  367)75000
      1000
       1320
        2190
```

South American and Eastern exchanges are quoted at so many pence or so many shillings and pence for the foreign unit. In India the unit of currency is the rupee. When the Indian exchange is given in London as $17\frac{28}{32}$ pence, the sterling equivalent of 5,000 rupees will be—

$$£\frac{5000}{240} \times \frac{143}{8} = \frac{125 \times 143}{48} = \frac{17875}{48}$$

= £2,234 7*s.* 6*d.* ÷ 6
= £372 7*s.* 11*d.*

## AVERAGE DUE DATE

Sometimes a bill of exchange is to be drawn for the sum of several invoices of different dates. If each of the invoices were due net in three months

after its date, we would proceed to find an "average" date for their total, taking into account the differences in the sizes of the several amounts. We would then draw the bill for the total at three months from the date we had found. Suppose the items are—

| | | £ | s. | d. | |
|---|---|---|---|---|---|
| May | 6 | 82 | 4 | 7 | |
| | 21 | 183 | 18 | 9 | |
| June | 10 | 36 | 10 | 8 | . . . Total £302 14s. 0d. |

we should find the average of the dates in this way—

| | | | |
|---|---|---|---|
| May 6 is 35 days earlier than June 10, and | 82 | × 35 = | 2,870 |
| „ 21 is 20 „ „ „ „ „ | 184 | × 20 = | 3,680 |
| June 10 is 0 „ „ „ „ „ | 36½ | × 0 = | 0 |
| | 302½ | | 6,550 |

6550 ÷ 302·5 = 262 ÷ 12·1 = 21⅝ approximately.

Twenty-two is the nearest whole number to our answer, and 22 days earlier than June 10th gives May 19th. We should draw the bill at three months from May 19th for £302 14s.

## DISCOUNTS AND COMMISSION

(1) **Cash Discount**, as explained in Section 19, is an allowance off the amount of an account for payment of the account by a stipulated date. The discount is calculated at a specified rate per cent of the sum owing. It depends on when the account is actually paid whether the full rate or only part is allowed. For that reason, it is not wise to deduct the discount until payment is being made.

FIRST METHOD

5% discount is $\frac{1}{20}$ of the amount, i.e.,
1s. in every £1, 1d. in every 20 pence.
2½% „ is 6d. „ „ 1d. „ 40 „
1¼% „ is the half of 2½%.
3¾% „ is 1½ times 2½%.

*Examples*

5% of £149 13s. 6d. = 149 shillings + 8d. = £7 9s. 8d.
2½% ,, £63 11s. 1d. = 31½ ,, + 3d. = £1 11s. 9d.
1¼% ,, £84 8s. 0d. = ½ of 42s. 2d. = £1 1s. 1d.
3¾% ,, £213 15s. 0d. = 106s. 10½d. + 53s. 5¼d. = £8 0s. 4d.

SECOND METHOD

For rates such as 1%, 1½%, 2%, 3%, 3½% (which give a whole number when doubled) the simplest method is to apply the following rule—

Multiply one-tenth of the nearest number of pounds by double the rate of discount, and call the product shillings.

*Examples*

1½% of £245 16s. 0d. = (24·6 × 3) or 73·8 shillings = £3 13s. 9d.
2% ,, £121 3s. 5d. = (12·1 × 4) or 48·4 ,, = £2 8s. 5d.
3½% ,, £376 10s. 0d. = (37·6½ × 7) or 263·5½ ,, = £13 3s. 6d.

To convert the decimal fraction of ·8 shillings to pence, multiply by $\frac{10}{8}$, that is, increase the figure by one-fifth; so that ·8 shillings = about 9½ pence, ·4 shillings = about 5 pence, and ·5½ shillings = about 6¼ pence.

*Proof of the second rule.*

3½% of £100 = £3·5
,, ,, £1 = £0·035 = (·035 × 20) or ·7 shillings.
,, ,, £376·5 = 376·5 × ·7 shillings.
= 263·55 shillings = £13 3s. 6d.

The discount is, of course, to be deducted from the amount of the account. £376 10s. discounted at 3½ per cent is £376 10s. less £13 3s. 6d., leaving the account at £363 6s. 6d. net. A little practice in these methods will enable the student to write down the discount in most instances at once.

(2) **Trade Discount** is an allowance in reduction of the price of goods sold. It is given without regard to the time when payment will be received, and for that reason, it should be deducted from the invoice for the goods. Where a manufacturer of such articles as gramophones, cameras, or books, advertises his products to the public at prices fixed by himself, trade discount will be allowed off these prices to a dealer in the goods, the discount representing the dealer's profit. In other instances,

changing the trade discount is used merely as a means of raising or lowering catalogue prices, without the supplier having to incur the expense of printing new catalogues, and issuing them to his customers.

Trade discount is allowed at such rates as 10 per cent, 15 per cent, 20 per cent, and 25 per cent.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 10% | is one-tenth | of the | amount, | or | 2s. | in the | £1. |
| 12½% | ,, one-eighth | ,, | ,, | ,, | 2s. 6d. | ,, | ,, |
| 15% | ,, three-twentieths | ,, | ,, | ,, | 3s. | ,, | ,, |
| 17½% | ,, seven-fortieths | ,, | ,, | ,, | 3s. 6d. | ,, | ,, |
| 20% | ,, one-fifth | ,, | ,, | ,, | 4s. | ,, | ,, |
| 25% | ,, one-fourth | ,, | ,, | ,, | 5s. | ,, | ,, |
| 30% | ,, three-tenths | ,, | ,, | ,, | 6s. | ,, | ,, |
| 33⅓% | ,, one-third | ,, | ,, | ,, | 6s. 8d. | ,, | ,, |

*Example*—

22½% of £64 5s. 6d. can be ascertained thus—

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 20% | of £64 5s. 6d. | = | ⅕th of £64 5s. 6d. | = | £12 | 17 | 1 |
| 2½% | ,, | = | ⅛th of 20% | = | 1 | 12 | 2 |
| 22½% | | | | | £14 | 9 | 3 |

An alternative method would be to work out the calculation as follows—

$$\frac{22{\cdot}5}{100} \text{ of } £64{\cdot}275 = £6{\cdot}4275 \times 2\tfrac{1}{4}$$
$$= £14{\cdot}462 = £14\ 9s.\ 3d.$$

(3) **Commission** is a recompense to a traveller, agent, or manager, usually made at a specified rate per cent of the value of orders executed. It is calculated in the same way as discount.

## INTEREST AND BANKER'S DISCOUNT

(1) **Simple Interest.** Interest payable half-yearly is commonly calculated for each period at half the rate for the whole year, although the half-year to June 30 contains only 181 or 182 days, whilst the other half contains 184 days. But, where interest is required for a broken period, it is calculated for the exact number of days. In banks and offices

where such calculations are numerous, they are made from a book of interest tables. The two following examples show how to calculate simple interest without the aid of tables.

(i) *Find the interest on £1,224 from 1st Jan. to 22nd April at 5½% p.a.* Taking the rate p.c. p.a., viz. £5·5, we multiply it by 12·24, the number of hundreds in the principal, or sum on which the interest is payable, and the product we multiply by $\frac{111}{365}$, the time for which the interest is payable stated as a fraction of a year.

£5·5 × 12·24 × 111 ÷ 365 = £1·1 × 12·24 × 111 ÷ 73
= £122·1 × 12·24 ÷ 73
= £20 9s. 5d.

```
  1465·2
    29·304
73)1494·504(20·4726
    345
     530
      194
       480
```

(ii) *Interest on £874 15s. 6d. from 10th May to 24th Aug. at 4½% p.a.*

```
   ·023966      = 4·75 × 8·74775 × 106 ÷ 365
73)1·74955      = 4·75 × 1·74955 × 106 ÷ 73
    289         = 503·5 × 1·74955 ÷ 73
     705        = 503·5 × ·023966
      485       = £12 1s. 4d.          2·3966
       47                              5·035
                                      -------
                                      11·9830
                                          719
                                          120
                                      -------
                                      12·067
```

(2) **Banker's Discount**, as already explained, is the charge that a banker makes as interest for advancing the present value of a bill of exchange payable at a future date. It differs from true interest in this—that it is calculated on the amount of the bill, and not on the sum advanced.

EXAMPLE (1). *A trader discounts at 5½% p.a. an acceptance for £330, due in three months from the date of discounting. What does the banker charge?*

He charges £5·25 × 3·3 × ¼ = ¼ of £17·325
= £4·331 = £4 6s. 8d.

The discount of £4 6s. 8d. deducted from the amount of the bill leaves £325 13s. 4d. as the net advance.

EXAMPLE (ii) *Find the discount on a bill of exchange for £464 15s., discounted on 12th June at 5½% p.a., the bill being payable at 3 months from 1st June.*

Allowing for the three days' grace we find the bill will mature on 4th Sept., that is, 84 days after the date on which it was discounted.

$$£5{\cdot}5 \times 4{\cdot}6475 \times 84 \div 365 = £1{\cdot}1 \times 4{\cdot}6475 \times 84 \div 73$$
$$= £92{\cdot}4 \times 4{\cdot}6475 \div 73$$
$$= £92{\cdot}4 \times {\cdot}06366$$
$$= £5{\cdot}882 = £5\ 17s.\ 8d.$$

```
  ·06366
73)4·6475    5·7294
     267      ·1273
     485      ·0255
      47
```

(3) **Compound Interest** does not often appear in ordinary business transactions, one reason being that settlements are seldom delayed between parties long enough to allow compound interest to operate, even if it were agreed upon. In compound interest, where it does operate, the interest is added to the principal at the end of each year or half-year. That increases, by the amount of the interest added, the sum on which interest must be paid for the period next following.

EXAMPLE. *Find to what sum £239 4s. will amount in 5 years with interest at 5% compounded annually.*

| | |
|---|---|
| £239·2 | amount for 1st year. |
| 11·96 | interest ,, ,, ,, (2·392 × 5) |
| 251·16 | amount ,, 2nd year |
| 12·558 | interest ,, ,, ,, (2·5116 × 5) |
| 263·718 | amount ,, 3rd ,, |
| 13·1859 | interest ,, ,, ,, |
| 276·9039 | amount ,, 4th ,, |
| 13·8452 | interest ,, ,, ,, |
| 290·7491 | amount ,, 5th ,, |
| 14·5375 | interest ,, ,, ,, |
| 305·286 | amount at end of period = £305 5s. 9d. |

## QUESTIONS

1. How would the rate of exchange between England and France be determined, if both countries were on the gold standard? What principal factors cause the rate to vary?

2. When the exchange is £1 = 122·30 francs, find *to the nearest penny* the value in English money of 750 francs. (*R.S.A.*)

3. When the exchange of English money into French is at the rate of £1 = 123·95 francs, calculate in French money *to the nearest centime* the exchange value of £23 3s. 4d. (*R.S.A.*)

4. When the rate of exchange of American money into English is $4.88⅛ = £1, calculate in English money *to the nearest penny* the exchange value of $183.65. (*R.S.A.*)

5. Assuming that the exchange of English money into American is at the rate of £1 = $4.85⅛, calculate in American money *to the nearest cent* the exchange value of £142 8s. 7d. (*R.S.A.*)

6. Calculate the following—

Belgas 18,375 (Brussels) at 25·70 = £. . .
Florins 5,230 (Amsterdam) at 8·85½ = £. . .
R. marks 12,500 (Berlin) at 15·09 = £. . .

7. A debtor agrees to accept a three months' bill of exchange to be drawn on him for the total of the following invoices, which are each subject to three months' credit—Jan. 1 £150 9s. 6d., Jan. 12 £25 10s. 9d., Feb. 3 £61 5s. As from what date must the bill be drawn? (*R.S.A.*)

8. Distinguish between "cash discount" and "trade discount." Explain the purpose each is supposed to serve. (*R.S.A.*)

9. (*a*) Find the cost of 2,514 articles at 3s. 2¾d. each, and of 271½ dozen at 47s. 11d. the dozen. From the total deduct a cash discount of 3½ per cent.

(*b*) Discount £393 16s. 5d. at each of the following rates—1½%, 2%, 2½%, 3%, 3½%, and 3¾%.

10. Deduct from—

£48 8s. 11d. trade discount at 12½% and cash discount at 3¾%
£81 17s. 0d. „ „ „ 17½% „ „ 3½%
£164 5s. 1d. „ „ „ 22½% „ „ 2¾%

11. Find the simple interest on—

(*a*) £142 15s. 0d. for 7 months @ 4¾% p.a.
(*b*) £183 12s. 6d. „ 10 „ „ 5¼% p.a. (*R.S.A.*)

12. On 3rd March a business man borrowed £380 @ 5½% p.a On 27th May he paid back £200. What further sum should he pay on 31st July to clear the debt? (*R.S.A.*)

13. Find the banker's discount on the following bills of exchange—

(*a*) for £430 drawn 17th March at 60 days' date and discounted 13th April at 4½% p.a.;

(*b*) for £326 10s. drawn on 1st April at 3 months' date and discounted on 10th April at 4¾% p.a.

14. Calculate the discounted value of the following bills—

(*a*) for £385 drawn 3rd May at 3 months' date, and discounted 18th May at 4½% p.a.;

(*b*) for £427 drawn 25th May at 4 months' date, and discounted 6th June at 5½% p.a.

## 29. PROFITS, EXPENSES, AND DIVIDENDS

### PERCENTAGES AND THEIR USES

Suppose a business has made a gross profit last year of £11,328 on sales amounting to £45,897, as against a gross profit the previous year of £10,419 on sales £41,506. It is obvious that last year has given the greater amount of profit, but it is not obvious which year's profit is greater *proportionately to the year's sales*. By working out how much gross profit was made last year on each £100 of sales, and how much on each £100 the previous year, we see immediately which year yielded the higher *rate*.

| | | |
|---|---|---|
| Gross profit last year on sales | £45,897 = | £11,328 |
| ,, ,, ,, ,, ,, | £1 = | £11,328 ÷ 45,897 |
| ,, ,, ,, ,, ,, | £100 = | 1,132,800 ÷ 45,897 |
| | = | 24·68% |
| Gross profit in previous year on sales | £41,506 = | £10,419 |
| ,, ,, ,, ,, ,, | £100 = | 1,041,900 ÷ 41,506 |
| | = | 25·10% |

The comparison of percentages shows, what is interesting and instructive information for the proprietors of the business, that the *lower rate*, by producing a greater volume of profit, actually yields the *better result*.

The above percentages give us an exact comparison of rates, because they reduce the profits of both years to the common basis of so much on every £100 of sales. The same kind of comparison is applied to many figures in business accounts — to wages paid, advertising costs incurred, and to

expenses generally, as explained under Net Profit and Expenses.

## GROSS PROFIT

(1) **On a Single Article.** Gross profit is the excess of selling price over cost. As cost in a trading business is merely what the trader pays for the goods he buys, his gross profit is ascertained simply by deducting the price at which he buys from the price at which he sells. With a manufacturer, the process is less simple, because his cost includes, not only the purchase price of the materials he uses, but also wages of workers and other charges incurred in producing or preparing his goods for sale.

To return to the trader, we find that he usually sets out to obtain a certain *rate* on each class of goods he deals in. We find, too, that he usually states his rate of gross profit as a percentage, not of the cost, but of the selling price. Now, if he wants a gross profit of 25 per cent or one-quarter of selling price, he must add to his cost, not one-quarter, but one-third. When an article costs him 7s. 6d., he adds 2s. 6d. for gross profit, and fixes his selling price at 10s., the gross profit added being one-third of cost and one-fourth of selling price. In the absence of ready-calculated tables, the following shows what to add to cost in order to obtain given rates on selling price—

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 10% | or | $\frac{1}{10}$th | of selling price | = | $\frac{1}{9}$th | of cost. |
| 12½% | ,, | $\frac{1}{8}$th | ,, ,, | = | $\frac{1}{7}$th | ,, |
| 15% | ,, | $\frac{3}{20}$ths | ,, ,, | = | $\frac{3}{17}$ths | ,, |
| 16⅔% | ,, | $\frac{1}{6}$th | ,, ,, | = | $\frac{1}{5}$th | ,, |
| 20% | ,, | $\frac{1}{5}$th | ,, ,, | = | $\frac{1}{4}$th | ,, |
| 25% | ,, | $\frac{1}{4}$th | ,, ,, | = | $\frac{1}{3}$rd | ,, |
| 30% | ,, | $\frac{3}{10}$ths | ,, ,, | = | $\frac{3}{7}$ths | ,, |
| 33⅓% | ,, | $\frac{1}{3}$rd | ,, ,, | = | $\frac{1}{2}$ | ,, |

Where a gross profit of 22 per cent is to be provided for, the selling price of an article that cost 19s. 6d. will be found thus—

$$\frac{100}{78}\text{ths of } 19{\cdot}5 \text{ shillings} = \frac{1950}{78} = 25 \text{ shillings.}$$

(2) **On the Sales of a Period.** Just as the gross profit on a single article is the excess of its selling price over what it cost, so the gross profit on a year's sales is the excess of the total value that the goods have realized as sales over the total that the same goods cost as purchases. The business man, at the end of his trading year, is always curious to learn how closely the gross profit realized on his year's trading corresponds in each selling department to the rate he set out to get. His total gross profit for a trading period is arrived at in this way—

| | | |
|---|---|---|
| Sales for the period at selling price | | £24,980 |
| Opening stock . . . at cost | £4,127 | |
| Purchases for the period ,, | 19,251 | |
| Total goods available for sale (cost) | 23,378 | |
| *Less* closing stock. . . at cost | 4,602 | |
| Cost price of goods sold during the period | | 18,776 |
| Gross profit for the period | | £6,210 |

Percentage of gross profit to sales = 6210 × 100 ÷ 24,986 = 24·85

```
                24·85
2498 ) 621000
       121280
        21336
         1347
           99
```

The amounts of stock, purchases, and sales, used for ascertaining gross profit, are in account-keeping set down in debit and credit form as in the first section of the Trading and Profit and Loss Account on page 243.

TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DEC., 19..

| | £ | | £ |
|---|---|---|---|
| Stock Jan. 1 | 4,127 | Sales (*less* returns) | 24,986 |
| Purchases | 19,251 | Stock Dec. 31 | 4,602 |
| Gross Profit (24·85% of Sales) carried down | 6,210 | | |
| | £29,588 | | £29,588 |
| | £ | | £ |
| Wages | 2,419 | Gross Profit brought down | 6,210 |
| Advertising | 508 | Discount received | 598 |
| Rates and Taxes | 286 | | |
| Light and Heat | 275 | | |
| Stationery and Wrappings | 264 | | |
| Carriage | 257 | | |
| Sundry Expenses | 696 | | |
| Bad Debts | 94 | | |
| Depreciation | 122 | | |
| Net Profit (7·55% of Sales) | 1,887 | | |
| | £6,808 | | £6,808 |

## NET PROFIT AND EXPENSES

By recasting our Trading and Profit and Loss Account in tabular form, as on page 244, we are able to present compactly comparisons between this year and last for each amount of profit or expense, and for each percentage. Some expenses, such as wages, advertising, stationery, and carriage, vary with turnover or total sales, and in these cases the percentage comparisons are informative. In other cases, as with rent, rates, and lighting, the charges do not increase or decrease automatically with sales. In these the percentage comparisons mean little. As regards net profit, the best test is the percentage it shows, not as here on sales or turnover, but on the capital that the business uses.

COMPARATIVE TRADING AND PROFIT AND LOSS ACCOUNT

| Year ended 31st Dec., 19.. | This year | | Last year | |
|---|---|---|---|---|
| | £ | % | % | £ |
| Opening stock | 4,127 | | | 4,336 |
| Purchases | 19,251 | | | 17,375 |
| Cost of goods available for sale | 23,378 | | | 21,711 |
| *Less* closing stock | 4,602 | | | 4,127 |
| Cost of goods sold | 18,776 | | | 17,584 |
| Gross profit on sales | 6,210 | | | 5,894 |
| Sales for the year | £24,986 | 100·00 | 100·00 | £23,478 |
| Wages | 2,419 | 9·68 | 10·06 | 2,361 |
| Advertising | 508 | 2·03 | 1·98 | 465 |
| Rates and Taxes | 286 | 1·14 | 1·18 | 278 |
| Light and Heat | 275 | 1·10 | 1·21 | 284 |
| Stationery and Wrappings | 264 | 1·06 | 1·06 | 248 |
| Carriage | 257 | 1·03 | 1·01 | 237 |
| Sundry Expenses | 696 | 2·79 | 2·89 | 679 |
| Bad Debts | 94 | 0·38 | 0·43 | 101 |
| Depreciation | 122 | 0·48 | 0·52 | 122 |
| Gross expenses | 4,921 | 19·69 | 20·34 | 4,775 |
| *Less* Discount received | 598 | 2·39 | 2·26 | 530 |
| Net expenses | 4,323 | 17·30 | 18·08 | 4,245 |
| Net profit for the year | 1,887 | 7·55 | 7·02 | 1,649 |
| Gross profit as above | £6,210 | 24·85 | 25·10 | £5,894 |

## PROPRIETORS' CAPITAL

We have just said that the truest test of the earning capacity of a business is the return it yields on the capital invested in it. The return is measured by the percentage that a year's net profit bears to the amount due to the proprietors throughout the year for the money they have put into the business for carrying it on. On page 245 we give an imaginary Balance Sheet, corresponding

BALANCE SHEET AT 31ST DECEMBER, 19..

| *Liabilities* | | | *Assets* | | |
|---|---|---|---|---|---|
| | £ | £ | | £ | £ |
| Trade Creditors | | 2,038 | Cash in hand | 84 | |
| Partners' capital— | | | ,, at bank | 1,046 | |
| Thomas Holt, Balance Jan. 1 | £10,990 | | | | 1,130 |
| *Add* ⅔rds Net Profit | 1,258 | | Trade Debtors | 5,537 | |
| | 12,248 | | *Less* Reserve for Bad Debts | 250 | |
| *Deduct* Drawings | 960 | | | | 5,287 |
| | | 11,288 | Stock of goods | | 4,602 |
| Richard Glover, Balance Jan. 1 | 5,495 | | Fixtures and Fittings | 973 | |
| *Add* ⅓rd Net Profit | 629 | | *Less* year's depreciation | 122 | |
| | 6,124 | | | | 851 |
| *Deduct* Drawings | 480 | | Freehold Premises | | 8,000 |
| | | 5,644 | | | |
| | | 16,932 | | | |
| | | £19,870 | | | £19,870 |

to the Profit and Loss Account we have just examined. The Balance Sheet tells us that the business has on the date named *assets or possessions* valued at £19,870. From this total there is to be deducted for *liabilities or sums owing* to outside creditors £2,938, which leaves £16,932 due to the proprietors themselves, divided between them as shown. The capital that they started the year with, and used throughout the year, was £10,990 + 5,495 = £16,485. The net profit of the year was £1,887, giving a return on capital in use of nearly 11½ per cent for the year.

This Balance Sheet indicates how the capital of a *partnership* is treated in the business accounts. A business run under the *joint-stock company* form of proprietorship would, in all probability, have its capital divided into shares. The capital would then be set down in the company's Balance Sheet in some such manner as this—

| | |
|---|---|
| Capital Authorized and Paid-up— | |
| 25,000 Six per cent Preference Shares of £1 each | £25,000 |
| 25,000 Ordinary Shares of £1 each | 25,000 |
| | £50,000 |
| Profit and Loss Appropriation Account— | |
| Balance of profits undistributed | £4,049 |

A Register of Members would be kept to record how many shares of each kind every shareholder held.

## KINDS OF SHARES

The capital of a company is divided into shares in order to facilitate the raising of funds of sufficient amount by subscription from a larger body of persons than would be possible under a partnership constitution. This arrangement of capital also

facilitates the transfer of holdings or parts of holdings by sale and purchase of the shares on the Stock Exchange. There may be shares of different classes with different rights for each class, but every share in any one class is of the same fixed and indivisible amount. Though shares of £1 each are the most common, we find at times shares as small as 1s. each or as large as £100.

*Preference shares* give the holders a right to a fixed rate of dividend, which must be paid before any dividend goes to the holders of *Ordinary Shares*. The right is subject to there being profits available for the payment of dividend. A *dividend* is a division of profit; if there is no profit to divide, there can be no dividend. *Interest*, on the other hand, is a charge for the loan of money, on *Debentures*, for example, as distinct from shares; and the interest is payable whether the borrowing business is making profit or not. With *cumulative* preference shares, arrears of the fixed rate of dividend accumulate, and the whole of the arrears must be paid off before any ordinary dividend can be declared. If the preference shares are not cumulative, there is no carrying forward, as arrears, of dividends the company has been unable to declare.

### DIVISION OF PROFITS

In a partnership, the net profit of the year or half-year is divided amongst the partners in an agreed ratio, such as $\frac{1}{2}$ and $\frac{1}{2}$, or $\frac{3}{5}$ and $\frac{2}{5}$, for two partners, $\frac{3}{6}$, $\frac{2}{6}$ and $\frac{1}{6}$, or $\frac{3}{7}$, $\frac{2}{7}$, and $\frac{2}{7}$, for three partners. The calculation of such a division is simple.

In joint-stock companies dividends are sometimes paid at so much money per share. For example, we may find a company that declares an ordinary dividend every three months of, say, 6d. on each £1 share. But the more usual course is to declare dividends at certain rates per cent of capital—an *interim dividend* at the close of the first half of the trading year, and a *final dividend* when the accounts for the whole year have been made up. Preference shares get their dividend every half-year at the fixed rate per annum, so long as there are profits from which the dividend may be paid. In our example of a company's share capital, the preference shares would take every six months a 3 per cent dividend, which is half the fixed rate of 6 per cent per annum. The ordinary shares might get an interim dividend of 5 per cent actual, and a final of $7\frac{1}{2}$ per cent actual, making $12\frac{1}{2}$ per cent for the year.

Each shareholder is presumed to be liable for *income tax* at the standard rate on the dividends he receives. The tax is collected by the income-tax authorities from the company, the company having the right to get it back by deducting it from the dividends paid. Any shareholder who is not liable to pay the tax deducted is left to claim refund through his local inspector of taxes.

With tax at 4s. or 5s. in the £, the calculation of the deduction presents no difficulty, at 4s. 6d. it would be $\frac{9}{40}$ths, or 1d. in every $4\frac{4}{9}$d., of the gross dividend. At 3s. 6d. it would be $\frac{7}{40}$ths, or 1d. in every $5\frac{5}{7}$d. In our example, holdings of 450 preference shares and 625 ordinary shares would, when

the standard rate of tax is 4s. 6d., receive final dividends as follow—

| | £ | s. | d. |
|---|---|---|---|
| 450 Preference shares @ 3% | 13 | 10 | – |
| *Less* tax at 4s. 6d. in the £ (4s. 6d. × 13½) | 3 | – | 9 |
| Net dividend payable | £10 | 9 | 3 |

| | £ | s. | d. |
|---|---|---|---|
| 625 Ordinary shares @ 7½% | 46 | 17 | 6 |
| *Less* tax at 4s. 6d. in the £ (4s. 6d. × 47) – (⅛ of 4s. 6d.) | 10 | 10 | 11 |
| Net dividend payable | £36 | 6 | 7 |

For a long list of shareholdings, the easiest way to calculate the tax, or the gross dividend for that matter, is first to prepare a ready-calculated table, and then work from that.

## QUESTIONS

1. Explain why and how percentages are used in comparing sales, expenses, and profits one year with another.

2. (*a*) A wholesaler buys two qualities of stockings at 23s. and 40s. the dozen. At what prices will he sell them to make a gross profit of approximately 15 per cent on his selling prices?

(*b*) A retailer who buys these stockings aims at getting a gross profit of 25 per cent on his selling prices. At what figures, approximately, will he fix his selling prices of the goods?

3. (*a*) What is gross profit in (i) a trading business, (ii) a manufacturing business?

(*b*) Why at the close of his trading year does a business man draw up an account to show the gross profit he has earned on the year's sales?

4. (*a*) What are the relations to each other of (i) gross profit, (ii) expenses, (iii) net profit, (iv) turnover, in a business?

(*b*) The following information for the year to 31st December last was extracted from the books of a trader: Stock Jan. 1, £1,956, Dec. 31 £1,810; purchases £10,350; purchases returned £310; sales £14,480, and sales returned £550. How would you ascertain the trader's gross profit for the year, and what percentage does his gross profit bear to his turnover? (*R.S.A.*)

5. A retailer has invested £2,000 in his business. The sales for his last year of trading were £20,000, his net purchases £17,000, and his expenses £2,600. What was the percentage of (*a*) gross profit on sales, (*b*) net profit on capital invested? (*U.L.C.I.*)

6. What do you understand by "capital?" Show how you would ascertain the amount of capital employed by A. Trader from the following list of balances extracted from his ledger—

Cash at bank £400, Cash in office £50, Furniture and Fixtures £100, W. Jones owed him £150 and T. Evans owed him £200. His stock on hand was valued at £300. He owed £75 for rent; W. Thomas was his creditor for £80, and O. Williams for £60 for goods supplied. He had also borrowed from J. James £200 which was still outstanding.

7. Explain what you understand by "shares in the capital of a company." Contrast preference shares with ordinary shares and explain what are cumulative preference shares.

8. Explain what is meant by a company paying a dividend. Distinguish dividend from interest. What is (*a*) interim dividend, (*b*) final dividend?

9. A B and C D are partners. A B's capital is £5,000 and C D's £3,000. After interest at 5% p.a. has been allowed to each partner on his capital, the remainder of the year's net profit is to be divided ⅝ths to A B and ⅜ths to C D. For the year ended 31st December last the net profit of their business was £1,050. Show how it should be divided between them.

10. The share capital of a company is £50,000, and it has issued 6 per cent Debentures for £30,000. If the year's net profit is £6,650 before charging the Debenture interest, what rate of dividend, to the nearest half per cent, can the company declare on its shares? (*R.S.A.*)

11. Calculate a half-year's net dividends on the following holdings in a company's shares. Deduct income tax at 4s. 6d. in the £—

(*a*) on 130 6 per cent Preference shares,
(*b*) on 225 7 „ „ „
(*c*) on 635 Ordinary shares, at 8 per cent actual.

# ABBREVIATIONS

**A1**, entered as 1st class in Lloyd's register of ships.
**A.A.R.**, insured against all risks.
**Acct., a/c**, account.
**Ad val.**, *ad valorem*, according to value.
**Advt.**, advertisement.
**Agt.**, agent.
**Amt.**, amount.
**a.m.**, *ante meridiem*, before noon.
**A/S**, account sales.
**@**, at.

**Bal., balce.**, balance.
**B/E**, bill of exchange.
**B/L**, bill of lading.
**B/S**, balance sheet.
**B't f'w'd, b/f**, brought forward.

**C'd f'w'd, c/f**, carried forward.
**C.I.F.**, cost, insurance, and freight included in the price.
**cm., centimetre**, $\frac{1}{100}$th of a metre.
**c/o**, care of.
**Co.**, company.
**C.O.D.**, cash on delivery.
**Com.**, commission.
**Cr.**, credit, creditor.
**C.R.**, carried at railway company's risk.
**Cum div., c.d.**, including in the price the dividend accrued but not paid.
**C.W.O.**, cash with order.
**cwt.**, hundredweight.

**D/A**, documents to be surrendered against acceptance of the bill.
**d/d**, days after date.
**Dept.**, department.
**Dft.**, draft.
**Dis.**, discount.
**Dld., dly.**, delivered, delivery.
**do., ditto**, the same as above.
**D/O**, delivery order.
**D/P**, documents to be surrendered against payment of the bill.
**Dr.**, debtor.
**d/s**, days after sight.
**D/W**, dock warrant.

**e.g.**, *exempli gratia*, for example.
**Enclo.**, enclosure.
**E. & O.E.**, errors and omissions excepted.
**etc.**, *et cetera*, and the rest.
**ex**, from or out of, as in "*ex* warehouse."
**Exd.**, examined.
**ex div., x.d.**, not including in the price the dividend accrued.

**F.a.q.**, fair average quality.
**F.a.s.**, free alongside ship.
**F. C. & S.**, free of (not insured against) capture and seizure.
**Fo.**, folio.
**F.O.B.**, free on board.
**F.O.R.**, free on rail.
**ft.**, foot, feet.

**G.A.**, general average in marine insurance.
**G.M.Q.**, good merchantable quality.
**G.P.O.**, General Post Office.
**i.e.**, *id est*, that is.
**in., ins.**, inch, inches.
**Insce.**, insurance.
**Inst.**, instant, current month.
**Int.**, interest.
**Inv.**, invoice.
**I O U**, I owe you.

**Jun., Jr.**, junior.

**Kilo, kgm.**, kilogram.

**£**, *libra*, pound sterling.
**lb.**, *libra*, pound weight.
**Ltd., Ld.**, limited (company).

**M, M.M.**, Monsieur, Messieurs.
**m.**, metre.
**m/d**, months after date.
**Memo.**, memorandum.
**Mlle.**, mademoiselle.

**Mme.**, madame.
**mo., mo's.**, month, months.
**M.O.**, money order.
**MS, MSS**, manuscript, manuscripts.
**M.S.**, motor ship.

**N.B.**, *nota bene*, take note.
**No.**, number.

**O.H.M.S.**, on His Majesty's Service.
**O.R.**, carried by railway company at owner's risk.
**Ord.**, ordinary (shares).
**oz.**, ounce.

**p.a.**, *per annum*, for the year.
**P.A.**, particular average in marine insurance.
**p.c.**, %, *per centum*, on the hundred.
**Pcl., pcls.**, parcel, parcels.
**Pd.**, paid.
**per pro., p.p.**, per procuration.
**P & L. A/c.**, profit and loss account.
**p.m.**, *post meridiem*, afternoon.
**P.O.**, post office, postal order.
**Pref.**, preference (shares).
**pro tem.**, *pro tempore*, for the time being.
**prox.**, **proximo**, next following month.
**P.S.**, post script.
**P.T O.**, please turn over.

**qr., qrs.**, quarter(s), 28 lb.
**q.v.**, *quod vide*, which see.

**re**, in the matter.
**Rec'd.**, received.
**Ref.**, reference.
**Regd.**, registered.
**Retd.**, returned.
**R.S.V.P.**, *répondez s'il vous plaît*, reply please.

**$, dol.**, dollar.
**Secy.**, secretary.
**Sen., senr.**, senior.
**Sq.**, square.
**S.S.**, steamship.

**T.L.O.**, insured against total loss only.
**T.S.**, turbine steamer.
**T.T.**, telegraphic transfer.

**U.K.**, United Kingdom.
**ult., ultimo.**, last preceding month.
**U.S.A.**, United States of America.

**vice versa, v.v.**, in reversed order.
**viz.**, *videlicet*, namely.

**W.P.A.**, with (insurance to include) particular average.
**wk., wks.**, week, weeks.

**yd., yds.**, yard, yards.
**yr., yrs.**, year, years.

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