

BOARD POLICY LETTER

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ISSUE IV

SAME TITLE

Remimeo
Finance Bureau
Hats
OES
AGF
Treasury Hats
FBOs

THE THEORY OF BOOK KEEPING AND ACCOUNTANCY

PART I

FUNDAMENTALS - SECTION I

INTRODUCTION

In the dim, distant past, before the advent of MONEY, a man's business transactions were relatively simple; he simply BOUGHT and SOLD on a barter system.

Joel, the farmer, went to market with six sacks of wheat. He SOLD them to Jethrod in exchange for 20 sacks of potatoes. His transactions were twofold. Firstly a SALE of six sacks of wheat and secondly a PURCHASE of 20 sacks of potatoes.

Or Joel might sell his SERVICES. Let us say that he ploughed Jethrod's field in exchange for two pigs. His transactions were again twofold. Firstly a SALE of his SERVICES and secondly a PURCHASE of two pigs.

Joel might also PURCHASE SERVICES. Let us say that he engaged a stonemason to repair his house in exchange for 10 sacks of wheat. His transactions were, again, twofold. Firstly a PURCHASE of the stonemason's SERVICES and secondly a SALE of 10 sacks of wheat.

A SALE is simply the transfer of the ownership of MEST particles by one person to another for an agreed price or else it is the delivery of SERVICES by one person to another for an agreed price.

A PURCHASE is simply the acquisition of MEST particles or SERVICES by one person from another for an agreed price.

These are the basic business transactions - SALES and PURCHASES. And you can view SALES and PURCHASES in terms of flows. A SALE is an OUTFLOW of MEST particles or SERVICES by one person to another for an agreed price. A PURCHASE is an INFLOW of MEST particles or SERVICES by one person from another for an agreed price.

The advent of MONEY provided a standard set of values against which the value of MEST particles and SERVICES could be judged. This greatly facilitated the exchange of MEST or SERVICES between persons.

Let us assume that the currency invented for a particular country was shillings. Now, a sack of wheat could be valued at five shillings, a sack of potatoes at two shillings the ploughing of a field at thirty shillings, the cost of a

pig at fifteen shillings and so on.

This greatly facilitated business transactions since a barter system was not always convenient. When Joel sold his six sacks of wheat to Jethrod, he may not have wanted to purchase potatoes in exchange but if that was all that Jethrod had, then he might have had to accept them. Now, with a MONEY system, he could sell his six sacks of wheat for thirty shillings and then go off and PURCHASE with this whatever MEST or SERVICES he required.

Similarly when the stonemason repaired Joel's house, he may not have wanted pigs in exchange for his SERVICES. Now, with a MONEY system, he could be paid in shillings and then use this to PURCHASE whatever particular MEST or SERVICE particles that he required.

We now see that the four main flows of a business are:

1. OUTFLOW - SALES of MEST particles or SERVICES.
2. INFLOW - Receipt of MONEY for SALES.
3. INFLOW - PURCHASES of MEST particles or SERVICES.
4. OUTFLOW - Disbursement of MONEY for PURCHASES.

If you look at any business, you will see that these are the four basic flows. A business OUTFLOWS actual MEST particles or else SERVICES and then INFLOWS MONEY in exchange. A business INFLOWS actual MEST particles or SERVICES and then OUTFLOWS MONEY in exchange.

There can be other flows too. For example, Jethrod might Loan MONEY to Joel. In this case there is an INFLOW of MONEY to Joel. Or it might be that Joel lends MONEY to Jethrod and in this case there would be an OUTFLOW of MONEY by Joel.

Thus further flows, numbered 5 and 6 would be:

5. INFLOW - MONEY received by way of a Loan (or else by way of investment).
6. OUTFLOW - MONEY paid out or disbursed by way of a Loan (or else by way of investment).

As the volume and complexity of a business's transactions grew so there arose a need to permanently record its transactions. Hence the creation of the subjects of BOOK KEEPING and ACCOUNTANCY which are the subject of this Policy Letter.

Just as a note, the earliest record of modern BOOK KEEPING was from Fra Luca Paciolo, who, in 1494 in Italy, included some chapters about BOOK KEEPING in a book that he wrote.

BOOK KEEPING means a system of recording the transactions of a business. Specifically it means the recording, in monetary terms of the basic flows of a business as numbered above from 1 to 6. That is to say that it records the business's SALES and its PURCHASES and it records the receipt of MONEY in respect of SALES and the disbursement of MONEY in respect of PURCHASES. And it would record any other flows such as the INFLOW of MONEY by way of Loans (or investments) received and the OUTFLOW of MONEY by way of Loans (or investments) made.

ACCOUNTANCY means the practice of using the BOOK KEEPING records to analyse and report upon the financial transactions of a business for a particular period of time. In short, it means the preparation of Financial Reports.

LEGAL STATUS OF A BUSINESS

The legal status of a business can vary depending upon its ownership and legal structure.

The simplest form would be a business owned and run by one person in his own name - like Joel the Farmer.

Or two or more persons may own and carry on a business jointly in their own names and this would be called a partnership.

Or the business could be formed into a Legal Corporation which is owned by Share or Stock Holders. If the business was non-profit-making, then it could be formed into a Non-Profit Legal Corporation and this is the status of most of the Churches of Scientology (R). In this case there are not usually any Stock or Shareholders and the control of the Corporation is vested into the hands of Trustees.

Now throughout this Policy Letter, many examples are given of the recording of transactions by a business and these examples could, virtually, all apply to any business whatever its legal status. And merely to indicate the identity of the business which is keeping the particular records detailed below the term "The Organization" is used. This term is used simply to denote the business which is keeping the particular records listed below.

TYPES OF TRANSACTION

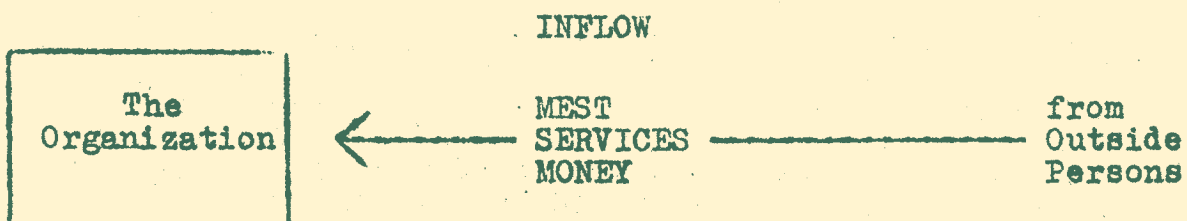
The Organization engages in transactions with other Corporations, Companies or Individuals and, for abbreviation, these are referred to hereafter as "Outside Persons".

The broad analysis of the Organization's transactions with Outside Persons are easily stated in terms of the different types of particle involved and have already be mentioned above.

In terms of INFLOW, the Organization receives an INFLOW of MEST and SERVICE particles that it PURCHASES. It also receives an INFLOW of actual MONEY in respect of SALES made. Or else it could receive an INFLOW of MONEY by way of a Loan or investment.

This INFLOW of the Organization may be drawn thus:

EXAMPLE 1:



By INFLOW of MEST is meant any material object that is purchased by the Organization. It would include Books, Meters, Stationery, Staples, Equipment, Furniture, Buildings, etc.

BY INFLOW of SERVICES is meant any SERVICE that is purchased by the Organization. It would include SERVICES provided by Public Utility Companies for supplies of electricity, gas, water, etc. It would include local Rates and Taxes, Telephone SERVICE and the like. It would include professional SERVICES as supplied by lawyers, Accountants, etc.

BY INFLOW of MONEY is meant actual coins, banknotes and checks received.

In terms of OUTFLOW, the Organization OUTFLOWS MEST and SERVICE particles SOLD. It also OUTFLOWS MONEY in respect of PURCHASES made and it might also OUTFLOW MONEY by way of a Loan or investment.

This OUTFLOW by the Organization may be drawn thus:

EXAMPLE 2:



The OUTFLOW of MEST would, in the case of a Scientology Organization, consist of the SALES of BOOKS, E-Meters, Insignia, Tapes, etc. And the OUTFLOW of SERVICES made by a Scientology Organization would consist of the SALE of Training Courses and Processing, etc.

The OUTFLOW of MONEY would consist of actual checks or banknotes and coins disbursed.

The purpose of BOOK KEEPING therefore can be said to record, in monetary terms, this INFLOW and OUTFLOW of MEST, SERVICES and MONEY.

It records the INFLOW (or PURCHASE) of MEST and SERVICES and it records the INFLOW of actual MONEY. It records the OUTFLOW (or SALES) of MEST and SERVICES and it records the OUTFLOW of MONEY.

THE ORGANIZATION OF BOOK KEEPING

Any system of BOOK KEEPING should allow the Organization to differentiate between the various types of INFLOW it received and the various types of OUTFLOW it made.

INFLOW (OF MEST, SERVICES, MONEY)

Now the Organization INFLOWS MEST particles purchased and it will need to organize its BOOK KEEPING so that the various types of MEST particles purchased are broken down over adequate categories. Thus it should be able to see how many

Books and Meters it purchased; how much Stationery it purchased; how many Buildings; and how much Furniture, etc, it purchased.

Similarly, the BOOK KEEPING needs to show the INFLOW of different categories of SERVICES purchased. In this manner, the amounts of Electricity SERVICES or Telephone SERVICES or Lawyers SERVICES purchased etc, are each clearly shown.

THE BOOK KEEPING also needs to record the INFLOW of MONEY received.

As stated above, the basic INFLOWS of the Organization are of MEST, SERVICES and MONEY. And it is obvious that these INFLOWS came from Outside Persons. And, from the viewpoint of the Outside Persons concerned, they OUTFLOWED this MEST, SERVICES or MONEY to the Organization. And BOOK KEEPING also needs to record this action of the Outside Persons OUTFLOWING this MEST, SERVICES and MONEY to the Organization.

OUTFLOW (OF MEST, SERVICES, MONEY)

The Organization OUTFLOWS MEST particles SOLD and it will need to organize its BOOK KEEPING to differentiate between the various types of MEST particle sold. Thus, in the case of a Scientology Organization, it will be able to see how many Books and Meters were sold; how many Insignia were sold, etc.

Similarly, it will need to record the different types of SERVICES sold and in the case of a Scientology Organization, this would call for a differentiation as between Training and Processing sold, Memberships sold, and any other categories of SALES.

The BOOK KEEPING will also need to record the OUTFLOW of MONEY disbursed by the Organization.

Now, as stated above, the basic OUTFLOWS of the Organization are of MEST, SERVICES or MONEY. And it is obvious that this OUTFLOW was made to Outside Persons. And from the viewpoint of the Outside Person concerned, they INFLOWED this MEST, SERVICES or MONEY from the Organization. And the BOOK KEEPING also needs to record this action of the Outside Person receiving or INFLOWING this MEST, SERVICES or MONEY.

Incidentally, it is of interest here to note that the Organization, in maintaining its BOOK KEEPING, treats itself as a separate entity from its owners and employees and thus in BOOK KEEPING these too are treated as Outside Persons.

THE ACCOUNT

The Organization of BOOK KEEPING to achieve the above effect is done basically by the keeping of "Accounts". And separate "Accounts" are kept of each different category of INFLOW received by the Organization and to record each different category of OUTFLOW made by the Organization. And separate "Accounts" are also kept for each different Outside Person with whom the Organization deals.

An "Account" is simply a sheet of paper (or page of a book) headed at the top as to the category of INFLOW or

OUTFLOW of the Organization or else the name of the Outside Person with whom the Organization deals.

It is divided by a line down the middle to give a left hand side and right hand side. An arbitrary has been established in BOOK KEEPING which says that an INFLOW to an "Account" is entered on the left hand side of the "Account" and that an OUTFLOW by an "Account" is entered on the right hand side of the "Account". This arbitrary goes right through the whole of BOOK KEEPING and ACCOUNTANCY. The left hand side of an "Account" is the receiving or INFLOW side and the right hand side is the OUTFLOW side.

EXAMPLE 3:

The Organization keeps an Account to record the INFLOW or purchase of Stationery. In the month of August, it received bills for supplies of Stationery as follows:

| | | |
|--------|----------------------------------|-------|
| 1 Aug | From W.H. Smith & Co. | 20.00 |
| 22 Aug | From East Sussex Office Supplies | 40.00 |

The Stationery Account is recorded thus:

STATIONERY ACCOUNT

| | | |
|--------|-----------------------------|--------------|
| 1 Aug | W.H. Smith & Co. | 20.00 |
| 22 Aug | East Sussex Office Supplies | <u>40.00</u> |
| | | 60.00 |

The above Account records the fact that the Organization received an INFLOW of Stationery in the month of August to the value of \$60.00. This is simply recording the value of MEST in the shape of Stationery received.

EXAMPLE 4:

The Organization keeps an Account to record its OUTFLOW (or Sale) of E-Meters. In the month of August it invoiced out the following E-Meters:

| | | | |
|--------|------------------|---------|-------|
| 11 Aug | To Student Biggs | 1 Meter | 80.00 |
| 29 Aug | To Student Jones | 1 Meter | 80.00 |

The Account kept would be as follows:

E-METER SALES ACCOUNT

| | | |
|--------|-------|--------------|
| 11 Aug | Biggs | 80.00 |
| 29 Aug | Jones | <u>80.00</u> |
| | | 160.00 |

This Account records the fact that the Organization OUTFLOWED or sold E-Meters to the value of \$160.00 in the month of August. This is recording the value of MEST, in the shape of E-Meters OUTFLOWED.

EXAMPLE 5:

The Organization keeps an Account to record its INFLOW and OUTFLOW of MONEY. In the month of August it had the following transactions:

| | | |
|--------|-----------------------------|--------|
| 9 Aug | Received from Student Giles | 100.00 |
| 22 Aug | Received from Student Hall | 60.00 |
| 18 Aug | Paid to Roneo | 55.00 |

The MONEY Account would be recorded thus:

BANK ACCOUNT

| | | | | | |
|--------|---------------------|--------------|----------|---------------|--------------|
| 9 Aug | Received from Giles | 100.00 | 18th Aug | Paid to Roneo | 55.00 |
| 22 Aug | Received from Hall | <u>60.00</u> | | | <u>55.00</u> |
| | | 160.00 | | | |

The above Account records the fact that the Organization INFLOWED or received MONEY of \$160.00 in the month of August and OUTFLOWED or paid out MONEY of \$55.00. Note that the "MONEY" Account is generally termed "Bank Account" since all receipts are generally banked and all Disbursements are by check and since both of these involve the Bank the term "Bank Account" is used.

If the Organization did not bank its money but simply kept the bank notes and coins in a box and disbursed from this in banknotes and coins, then such an Account is generally termed a "Cash" Account - "Cash" being more specifically used to mean loose bank notes and coins. This should not apply to Scientology Organizations since all Receipts are banked and all Disbursements are made by check except that the term could be used if a small Petty Cash Float was maintained for minor items and in this case, the term "Cash" or "Petty Cash" Account could be properly used.

EXAMPLE 6:

The Organization keeps an Account with Gestetner Co. In the month of August Gestetner Co. billed the Organization for stationery supplied as follows:

| | | |
|--------|------------|-------|
| 12 Aug | Stationery | 91.00 |
| 26 Aug | Stationery | 42.00 |

The Organization paid Gestetner Co. \$91.00 on 31 August to clear the first bill. The Gestetner Co. Account would be recorded thus:

GESTETNER CO. ACCOUNT

| | | | | | |
|--------|----------------|--------------|----------|---------------------|--------------|
| 31 Aug | Check Received | 91.00 | 12th Aug | Stationery supplied | 91.00 |
| | | <u>91.00</u> | 26th Aug | Stationery supplied | <u>42.00</u> |
| | | | | | 133.00 |

The above Account records the fact that Gestetner Co. OUTFLOWED MEST to the Organization to the value of \$133.00 and that it received an INFLOW of MONEY from the Organization to the amount of \$91.00. Note that the Account is kept from Gestetner's viewpoint. It was Gestetner who OUTFLOWED MEST of \$133.00 and so a Right Hand entry is made. It was Gestetner which INFLOWED MONEY of \$91.00 and so a Left Hand entry is made. It can also be noted that the Organization has not yet paid for the stationery bill of \$42.00 and owes this amount to Gestetner.

EXAMPLE 7:

The Organization keeps an Account with Student Giles. The Organization delivered or sold Review Auditing to Giles on 20 August to value \$60.00. Giles made two payments to the Organization of \$7.00 each on the 20th and the 27th of August. The Account is recorded thus:

GILES ACCOUNT

| | | | | | |
|--------|-----------------------------|-------|--------|-------------------------------|-------------|
| 20 Aug | Review Auditing Received | 60.00 | 20 Aug | Money paid to Organization | 7.00 |
| | | | 27 Aug | Money paid to Organization | <u>7.00</u> |
| | | | | | 14.00 |

The above Account shows that Giles received an INFLOW of SERVICES from the Organization of value \$60.00 and that he OUTFLOWED MONEY to the Organization of \$14.00. Note again that the Account is kept from Giles' viewpoint. HE INFLOWED the Review Service of \$60.00 and HE OUTFLOWED MONEY to the value of \$14.00. It can be noted too that Giles still owes the Organization \$46.00.

EXAMPLE 8:

The Organization Loans \$200.00 to Staff Member Biggs on 11 August. The Account with Biggs is recorded thus:

BIGGS ACCOUNT

| | | |
|--------|--------------------------------------------|--------|
| 11 Aug | MONEY received from the Organization | 200.00 |
|--------|--------------------------------------------|--------|

The above Account reveals that Biggs received an INFLOW of MONEY from the Organization of \$200.00 and that he owes the Organization this amount. This illustrates the point made earlier that in BOOK KEEPING, the Organization treats itself as a separate entity from its employees.

EXAMPLE 9:

Student Crispin pays \$250.00 to the Organization for the HSDC on 12 August. This is an Advance Payment since he will not start the Course until after Christmas. Crispin's Account is recorded thus:

CRISPIN'S ACCOUNT

| | | |
|--------|-------------------------------|--------|
| 12 Aug | Money paid to Organization | 250.00 |
|--------|-------------------------------|--------|

The above Account reveals that Crispin OUTFLOWED money to the Organization to the amount of \$250.00; it also can be noted that the Organization owes this amount of money to Crispin. When Crispin actually comes in to start the Course, he will be billed for the price of the Course, \$250.00, and this will be made a Left Hand entry to record the INFLOW of service he received.

EXAMPLE 10:

John Smith is going to start a Franchise and he pays in \$1,500.00 on 12 August to the Organization to provide it with some Capital. "The Organization" in this case is John Smith's own Franchise.

JOHN SMITH - CAPITAL ACCOUNT

| | | |
|--------|---------------|----------|
| 12 Aug | Money paid to | |
| | Organization | 1,500.00 |

The above Account shows that John Smith OUTFLOWED MONEY to the Organization to the amount of \$1,500.00 and that the Organization owes this amount to him. It can also be noted that although John Smith is the owner of the Organization, for the purpose of this example, that his Account is maintained in the same way as any other Outside Person. This illustrates the point made earlier that in BOOK KEEPING the Organization treats itself as a separate entity from its owners.

EXAMPLE 11:

Tony Jones and Bill Prentice form a Legal Stock or Share Corporation. The Corporation has a 1000 Stock or Share units of \$1.00 each. Jones and Prentice each pay in \$500.00 to purchase 500 stock or shares each on 13 August. The Stock or Share Account is maintained thus:

STOCK OR SHARE CAPITAL ACCOUNT

| | | |
|--------|-------------------|---------------|
| 13 Aug | Money paid in to | |
| | the Organization | |
| | by Tony Jones for | |
| | 500 units | 500.00 |
| | Money paid in to | |
| | the Organization | |
| | by Bill Prentice | |
| | for 500 units | <u>500.00</u> |
| | | 1,000.00 |

The above Account shows that the owners of the Organization OUTFLOWED MONEY to the Organization to the amount of \$500.00 each.

It shows that the Organization owes \$500.00 each to Jones and Prentice and again illustrates the point that the Organization records transactions with its owners in the same way that it deals with other Outside Persons.

The only difference between the Organization owing its Stock or Shareholders MONEY and one, for example, of owing MONEY to a Supplier like Gestetner Co. in Example 6, is the question of when the Organization repays the MONEY. In Example 6 the balance of \$42.00 owed to Gestetner will

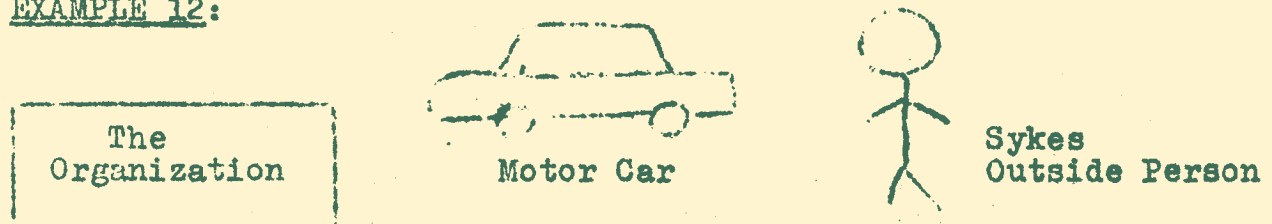
probably be due for payment within the next month whereas money owed to Stock or Shareholders is not repaid by the Organization until the Corporation is wound up or liquidated. And even then they will only be paid after all other debts of the Organization have been paid.

However this does not detract from the fact that the money owed to Stock or Shareholders is recorded like any other debt of the Organization.

DOUBLE ENTRY BOOK KEEPING

The system of BOOK KEEPING almost universally used today in the Commonwealth and the United States is called "Double Entry" Book Keeping. It is called this because every transaction is recorded twice. Take the following example:

EXAMPLE 12:



In the above example Sykes, an Outside Person, has OUTFLOWED or sold one Motor Car to the Organization; let us say the value was \$700.00 and delivered 15 August.

In recording this, the Organization records the transaction twice as follows:

- a. The action of Sykes OUTFLOWING one Motor Car.
- b. The action of the Organization receiving one Motor Car.

Another way of describing this is to say the Organization records both the CAUSE point of the transaction (Sykes) and the EFFECT point of the transaction i.e. the Organization is receiving the NET particle.

The recording of the transaction would be as follows:

SYKES ACCOUNT

| | | |
|--------|--------------|--------|
| 15 Aug | Motor Car | |
| | Delivered to | |
| | Org | 700.00 |

MOTOR CAR ACCOUNT

| | | |
|--------|------------|--------|
| 15 Aug | Motor Car | |
| | from Sykes | 700.00 |

If you examined the state of the Organization's affairs at this point you would see that the above BOOK KEEPING was quite logical. On one hand, the Organization has in its garage the physical fact of one motor car, and on the other hand, it has a debt owing to Sykes. The above entries do record these facts. The Account which INFLOWED one Motor

Car was Motor Cars Account and so a Left Hand Entry is made and the OUTFLOWING ACCOUNT is Sykes and so a right hand entry is made on his Account.

Now let us take another transaction. The Organization, on 30 August, disburses a check to Sykes of \$700.00 to pay for the Motor Car. This is drawn up as follows:

EXAMPLE 13:



In this case, the Double Entry is recorded as follows:

- a. The action of the Organization OUTFLOWING one check for \$700.00.
- b. The action of Sykes receiving or INFLOWING one check for \$700.00.

The Organization MONEY or Bank Account is CAUSE point since it OUTFLOWS the check; Sykes is receipt or EFFECT point since he received the check.

The BOOK KEEPING is as follows:

BANK ACCOUNT

30 Aug Paid to Sykes 700.00

SYKES ACCOUNT

| | |
|----------------------------------------------------------|---------------------------------------------------------|
| 30 Aug Money Received from the Organization 700.00 | 15 Aug Motor Car Delivered to Organization 700.00 |
|----------------------------------------------------------|---------------------------------------------------------|

above entries record the OUTFLOW by Bank Account of MONEY to the amount of \$700.00 and the INFLOW by Sykes of this MONEY. Bank Account has a Right Hand Entry and Sykes Account a Left Hand Entry. Sykes Account retained the Rights Hand Entry made in Example 12 and the Left Hand Entry now clears the debt due to him.

From this it can be seen that the rules of Double Entry BOOK KEEPING are:

1. Every transaction whether in MEST or SERVICES or MONEY is recorded both as to its OUTFLOW and its RECEIPT. This is the meaning of "Double Entry" BOOK KEEPING.
2. The Account which OUTFLOWS the particle of MEST, SERVICES or MONEY is entered with an entry on its right hand side and the Account which INFLOWS or receives the particle is entered with a Left Hand Entry.

Now let us look again at Examples 3 to 11, in these it is evident that only one side of the transaction was completed since at that time only the function of an "Account" was being demonstrated. Let us now complete the "Double Entry" to show how the transactions are fully recorded.

EXAMPLE 14: (Being completion of Example 3)

The full BOOK KEEPING is as follows:

STATIONERY ACCOUNT

| | | |
|--------|--------------------------------|--------------|
| 1 Aug | W.H. Smith & Co. | 20.00 |
| 22 Aug | East Sussex Office Supplies | <u>40.00</u> |
| | | 60.00 |

W.H. SMITH ACCOUNT

| | | |
|-------|--------------------------------------------|-------|
| 1 Aug | Stationery supplied to the Organization | 20.00 |
|-------|--------------------------------------------|-------|

EAST SUSSEX OFFICE SUPPLIES

| | | |
|--------|--------------------------------------------|-------|
| 22 Aug | Stationery supplied to the Organization | 40.00 |
|--------|--------------------------------------------|-------|

The above entries record, as before, the INFLOW of Stationery to the Organization of value 60.00 and it, now, further record the OUTFLOW of this MEST by W.H. Smith & Co. and East Sussex Office Supplies to the value of \$20.00 and \$40.00 respectively. W.H. Smith & Co. and East Sussex Office Supplies are CAUSE point and the Organization is EFFECT or receipt point in its Stationery Account.

EXAMPLE 15: (Being completion of Example 4)

The full BOOK KEEPING is as follows:

E-METER SALES ACCOUNT

| | | |
|--------|-------|--------------|
| 11 Aug | Biggs | 80.00 |
| 29 Aug | Jones | <u>80.00</u> |
| | | 160.00 |

BIGGS ACCOUNT

| | | |
|--------|-------------------------------------------|-------|
| 11 Aug | Received E-Meter from the Organization | 80.00 |
|--------|-------------------------------------------|-------|

JONES ACCOUNT

| | | |
|--------|-------------------------------------------|-------|
| 29 Aug | Received E-Meter from the Organization | 80.00 |
|--------|-------------------------------------------|-------|

The above entries record, as before, the OUTFLOW or Sale by the Organization of E-Meters to the value of \$160.00 and they now also record the INFLOW or receipt of these E-Meters by Biggs and Jones respectively to the value of \$80.00 each. It can also be observed that Biggs and Jones

owe the Organization \$80.00 each for their Meters. The Organization is CAUSE point through its E-Meter Sales Account and Biggs and Jones are the respective Receipt or EFFECT point.

EXAMPLE 16: (Being completion of Example 5)

The full BOOK KEEPING would be as follows:

BANK ACCOUNT

| | | | | | |
|--------|------------------------|--------------|--------|---------------|-------|
| 9 Aug | Received from Giles | 100.00 | 18 Aug | Paid to Roneo | 55.00 |
| 22 Aug | Received from Hall | <u>60.00</u> | | | |
| | | 160.00 | | | |

GILES ACCOUNT

| | | |
|-------|----------------------------------------|--------|
| 9 Aug | MONEY paid to the Organiza- tion | 100.00 |
|-------|----------------------------------------|--------|

HALL ACCOUNT

| | | |
|--------|----------------------------------------|-------|
| 22 Aug | MONEY paid to the Organiza- tion | 60.00 |
|--------|----------------------------------------|-------|

RONEO ACCOUNT

| | | |
|--------|--------------------------------------------|-------|
| 18 Aug | MONEY received from the Organization | 55.00 |
|--------|--------------------------------------------|-------|

The above entries record, as before, the INFLOW of the Organization's Bank Account of MONEY to the amount of \$160.00. It now also records that Giles and Hall were responsible for the OUTFLOW of MONEY to the amount of \$100.00 and \$60.00 respectively. Giles and Hall were the CAUSE points and the Organization's Bank Account was the Receipt or EFFECT point.

They also record, as before, the OUTFLOW from the Organization's Bank Account of MONEY to the amount of \$55.00 and it now also records the fact that Roneo received or INFLOWED this money. The Organization's Bank Account was CAUSE point and Roneo Co. was Receipt or EFFECT point.

It will be appreciated that there may well have been prior entries on the Accounts of Giles, Hall and Roneo to account for these MONEY transactions above. For example, Giles and Hall might be paying for some Course received which would have already been received which would have already been recorded as Left Hand Entries on their Accounts. Similarly, Roneo might have supplied Stationery to the Organization which would have been recorded already as a Right Hand Entry on its Account.

But here the only consideration is to demonstrate the Double Entry of these particular MONEY transactions.

EXAMPLE 17: (Being completion of Example 6)

The full BOOK KEEPING would be as follows:

GESTETNER CO. ACCOUNT

| | | | | | |
|--------|----------------|--------------|--------|----------------------------------------------------|--------------|
| 30 Aug | Check Received | 91.00 | 12 Aug | Stationery supplied to the Organiza- tion | 91.00 |
| | | | 26 Aug | Stationery supplied to the Organiza- tion | <u>42.00</u> |
| | | <u>91.00</u> | | | 133.00 |

STATIONERY ACCOUNT

| | | |
|--------|--------------------------------|--------------|
| 12 Aug | Received from Gestetner Co. | 91.00 |
| 26 Aug | Received from Gestetner Co. | <u>42.00</u> |
| | | 133.00 |

BANK ACCOUNT

| | | |
|--------|----------------------------|-------|
| 30 Aug | MONEY paid to Gestetner | 91.00 |
|--------|----------------------------|-------|

These records show, as before, the OUTFLOW by Gestetner of Stationery to the value of \$133.00 and they now also record the INFLOW by the Organization of this Stationery to this amount. Gestetner is CAUSE point and the Organization Stationery Account is EFFECT point. These records show as before the INFLOW by Gestetner of MONEY to the amount of \$91.00 and they now also record the OUTFLOW of this MONEY by the Organization Bank Account. In this case, the Organization Bank Account is CAUSE point and Gestetner is EFFECT point.

EXAMPLE 18: (Being completion of Example 7)

The full BOOK KEEPING would be as follows:

GILES ACCOUNT

| | | | | | |
|--------|-----------------------------|-------|--------|----------------------------------------|-------------|
| 20 Aug | Review Auditing Received | 60.00 | 20 Aug | MONEY paid to the Organiza- tion | 7.00 |
| | | | 27 Aug | MONEY paid to the Organiza- tion | <u>7.00</u> |
| | | | | | 14.00 |

BANK ACCOUNT

| | | |
|--------|------------------------------|-------------|
| 20 Aug | MONEY received from Giles | 7.00 |
| 27 Aug | MONEY received from Giles | <u>7.00</u> |
| | | 14.00 |

SALES OF PROCESSING ACCOUNT

| | | |
|--------|------------------------------------------|-------|
| 20 Aug | Review Auditing delivered to Giles | 60.00 |
|--------|------------------------------------------|-------|

The above entries record, as before, the receipt or INFLOW by Giles of \$60.00 worth of Review SERVICE and they now also record the OUTFLOW by the Organization of this amount by a Right Hand Entry on Sales of Processing Account.

The above entries record as before the OUTFLOW by Giles of two amounts of \$7.00 each to the Organization and they now record the INFLOW of this MONEY by the Organization into its Bank Account. The Organization is CAUSE point for the \$60.00 worth of Review delivered and Giles is EFFECT point. Giles is CAUSE point for the two amounts of \$7.00 paid and the Organization Bank Account is EFFECT point.

EXAMPLE 19: (Being completion of Example 8)

The full BOOK KEEPING would be:

BANK ACCOUNT

| | | |
|--------|---------------|--------|
| 11 Aug | Paid to Biggs | 200.00 |
|--------|---------------|--------|

BIGGS ACCOUNT

| | | |
|--------|--------------------------------------------|--------|
| 11 Aug | MONEY received from the Organization | 200.00 |
|--------|--------------------------------------------|--------|

As before, Biggs Account is recorded with the INFLOW of MONEY and the Double Entry is completed by recording the payment or OUTFLOW of the MONEY by the Organization Bank Account. The Organization Bank Account is CAUSE point for the OUTFLOW of MONEY and Biggs Account is receipt or EFFECT point.

EXAMPLE 20: (Being completion of Example 9)

The full BOOK KEEPING would be completed thus:

CRISPIN ACCOUNT

| | | |
|--------|----------------------------------------|--------|
| 12 Aug | MONEY paid to the Organiza- tion | 250.00 |
|--------|----------------------------------------|--------|

BANK ACCOUNT

| | | |
|--------|--------------------------------|--------|
| 12 Aug | MONEY Received from Crispin | 250.00 |
|--------|--------------------------------|--------|

As before, the Crispin Account is recorded with his OUTFLOW of MONEY to the Organization and the Double Entry is now completed with the recording of the INFLOW or receipt of the MONEY by the Organization into its Bank Account. Crispin is CAUSE point and the Organization Bank Account is EFFECT or Receipt point.

EXAMPLE 21: (Being completion of Example 10)

The full BOOK KEEPING would be as follows:

JOHN SMITH CAPITAL ACCOUNT

| | | |
|--------|----------------------------------------|----------|
| 12 Aug | MONEY paid to the Organiza- tion | 1,500.00 |
|--------|----------------------------------------|----------|

BANK ACCOUNT

| | | |
|--------|--------------------------------------|----------|
| 12 Aug | MONEY received from John Smith | 1,500.00 |
|--------|--------------------------------------|----------|

The above records show as before the OUTFLOW of MONEY by John Smith to the amount of \$1,500.00 and they now also record the INFLOW of this MONEY by the Organization into its Bank Account. Smith is CAUSE point and the Organization Bank Account is EFFECT point.

EXAMPLE 22: (Being the completion of Example 11)

The full BOOK KEEPING now becomes as follows:

STOCK OR SHARE CAPITAL ACCOUNT

| | | |
|--------|-----------------------------------------------------------------------|---------------|
| 13 Aug | MONEY paid into the Organization by Tony Jones for 500 Units | 500.00 |
| | Ditto Bill Prentice for 500 Units | <u>500.00</u> |
| | | 1,000.00 |

BANK ACCOUNT

| | | |
|--------|-----------------------------------------|---------------|
| 13 Aug | MONEY received from Tony Jones | 500.00 |
| | MONEY received from Bill Prentice | <u>500.00</u> |
| | | 1,000.00 |

As before the above recordings show the OUTFLOW to the Organization by Jones and Prentice of their MONEY for the Stock or Shares and they now also record the INFLOW by the Organization of this \$1,000.00 into its Bank Account.

Jones and Prentice are CAUSE points for the MONEY OUTFLOWED by them and the Organization's Bank Account is EFFECT or Receipt point.

Derek Field
Accountant WW
for
Herbie Parkhouse
D/Guardian Finance WW

for
Jane Kember
The Guardian WW

for
Mary Sue Hubbard
The Controller

Reissued as BPL
by Flag Mission 1234 2nd
Molly Gilliam

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