

GENERAL BUSINESS INFORMATION

wrappings. The larger sum in an account or bill — that is, the sum of money before any allowance or deductions are made — is the *gross* amount of the bill. The word **NET** is derived from a Latin word meaning neat, clean, unadulterated, and indicates the amount of goods or money after all the deductions have been made. To say that a price is *net* is to indicate that no further discount will be made.

The word **FIRM** relates to solidity, establishment, strength, and in a business sense signifies two or more persons united in partnership for the purpose of trading. The word **HOUSE** is very frequently used in the same sense. In mercantile usage *house* does not mean the building in which the business is conducted, but the men who own the business, including, perhaps, the building, stock, plant, and business reputation. The name **CONCERN** is often used in a very similar way.

The name **MARKET** expresses a locality for the sale of goods, and in commerce is often used to denote cities or even countries. We say that Boston is a leather market, meaning that a large number of Boston merchants buy and sell leather. In the same sense we call Chicago a grain market, or New Orleans a cotton market. In its more restricted sense the name *market* signifies a building or place where meat or produce is bought and sold. We say that the *market is flooded* with a particular article when dealers are carrying more of that article than they can find sale for. There is *no market* for any product when there is no demand. The money market is *tight* or *close* when it is difficult to borrow money from banks and money-lenders.

II. COMMERCIAL TERMS AND USAGES (Continued)

THE **NATURAL RESOURCES** of a country are mainly the mineral commodities and agricultural produce that it

yields. The lumber and fish produced in a country are also among its natural resources. The positions and industries of cities are usually fixed by natural conditions, but the most powerful agent is the personal energy of enterprising and persevering men, who, by superior education, or scientific knowledge, or practical foresight, have often been able to found industrial centres in situations which no geographical considerations would suggest or explain.

COMMISSION MERCHANTS receive and sell goods belonging to others for a compensation called a commission. A **SELLING AGENT** is a person who represents a manufacturing establishment in its dealings with the trade. The factory may be located in a small town, while the selling agent has his office and samples in the heart of a great city. As regards the quantity of goods bought or sold in a single transaction, trade is divided into **WHOLESALE** and **RETAIL**. The wholesale dealer sells to other dealers, while the retail dealer sells to the consumer — that is, the person who *consumes*, or uses, the goods. A **JOBBER** is one who buys from importers and manufacturers and sells to retailers. He is constantly in the market for bargains. The names **JOBBER** and **WHOLESALE** are often used in the same sense, but a jobber sometimes sells to wholesalers. **WHOLESALE** has reference to the quantity the dealer sells, and not to the source from which he buys, or the person to whom he sells. The wholesaler, as a rule, deals in **STAPLES** — that is, goods which are used season after season — though of course there are wholesalers in practically all businesses.

Wholesale dealers send out **TRAVELLERS** or **DRUMMERS**, who carry samples of the goods. Frequently the traveller starts out with his samples from six months to a year in advance of the time of delivery. It is quite a common thing for the retailer to order from samples

merchandise which at the time of placing the order may not even be manufactured.

By the PRICE of a commodity is meant its value estimated in money, or the amount of money for which it will exchange. The exchangeable value of commodities depends at any given period partly upon the expense of production and partly upon the relation of supply and demand. Prices are affected by the creation of monopolies, by the opening of new markets, by the obstructing of the ordinary channels of commercial intercourse, and by the anticipation of these and other causes. It is the business of the merchant to acquaint himself with every circumstance affecting the prices of the goods in which he deals.

The entire world is the field of the modern merchant. He buys raw and manufactured products wherever he can buy cheapest, and he ships to whatever market pays him the highest price. Our corner grocer or produce-dealer may furnish us with beef from Texas, potatoes from Egypt, celery from Michigan, onions from Jamaica, coffee from Java, oranges from Spain, and a hundred other things from as many different points; and yet, so complete is the interlocking of the world's commercial interests, and so great is the speed of transportation, that he can supply us with these necessaries under existing conditions more easily and readily than if they were all grown on an adjoining farm.

III. BANK CHEQUES

A CHEQUE is an order for money, drawn by one who has funds in the bank. It is payable on demand. In reality, it is a *sight draft* on the bank. Banks provide blank cheques for their customers, and it is a very simple matter to fill them out properly. In writing in the amount begin at the extreme left of the line.

The illustration given below shows a poorly written cheque and one which could be very easily raised. A fraudulent receiver could, for instance write, "ninety"

No.....	Chicago Jan 4 1897
TENTH NATIONAL BANK	
Pay to the order of.....	Charles Brown \$ <u>6</u>
.....	elise Dollars
	Henry Hudson

A poorly drawn cheque.

before the "six" and "9" before the figure "6," and in this way raise the cheque from \$6 to \$96. If this were done and the cheque cashed, the maker, and not the bank, would become responsible for the loss. You cannot hold other people responsible for your own carelessness. A cheque has been raised from \$100 to \$190 by writing the words "and ninety" after the words "one hundred." One of the ciphers in the figures was changed to a "9" by adding a tail to it. It is wise to draw a running line, thus ~~~~~, after the amount in words, thus preventing any additional writing.

The illustration on page 8 shows a cheque carefully and correctly drawn. The signature should be in your usual style, familiar to the paying teller. Sign your name the same way all the time. Have a characteristic signature, as familiar to your friends as is your face.

A cheque is a draft or order upon your bank, and it need not necessarily be written in the prescribed form. Such an order written on a sheet of note-paper with

a lead-pencil might be in every way a legally good cheque.

Usually cheques should be drawn "to order." The words "Pay to the order of John Brown" mean that the

No 2369	St Louis Dec. 22 1896
EXCHANGE NATIONAL BANK	
Pay to the order of James Rogers Lindsay \$125 ³⁷	
One hundred and twenty five ³⁷ / ₁₀₀ Dollars	
Richard Ball	

A carefully drawn cheque.

money is to be paid to John Brown, or to any person that he orders it paid to. If a cheque is drawn "Pay to John Brown or Bearer" or simply "Pay to Bearer," any person that is the bearer can collect it. The paying teller may ask the person presenting the cheque to write his name on the back, simply to have it for reference.

In writing and signing cheques use good black ink and let the copy dry a little before a blotter is used.

The subject of indorsements will be treated in a subsequent lesson.

IV. BANK CHEQUES (Continued)

THE banks of this country make it a rule not to cash a cheque that is drawn payable to order, unless the person presenting the cheque is known at the bank, or unless he satisfies the paying teller that he is really the person to whom the money should be paid. It must be remembered

however, that a cheque drawn to order and then indorsed in blank by the payee is really payable to bearer, and if

No. 235	Newark, Del. Jan 18 1897
The National Bank of Newark	
Pay to the order of John Brown, 246 West Ave, St. Louis	
One hundred	00 Dollars
\$100 ⁰⁰	Daniel Quilp

A cheque drawn so as to insure payment to proper party.

the paying teller is satisfied that the payee's signature is genuine he will not likely hesitate to cash the cheque. In England all cheques apparently properly indorsed are paid without identification.

In drawing a cheque in favour of a person not likely to be well known in banking circles, write his address or his business after his name on the face of the cheque. For instance, if you should send a cheque to John Brown, St. Louis, it might possibly fall into the hands of the wrong John Brown; but if you write the cheque in favour of "John Brown, 246 West Avenue, St. Louis," it is more than likely that the right person will collect it.

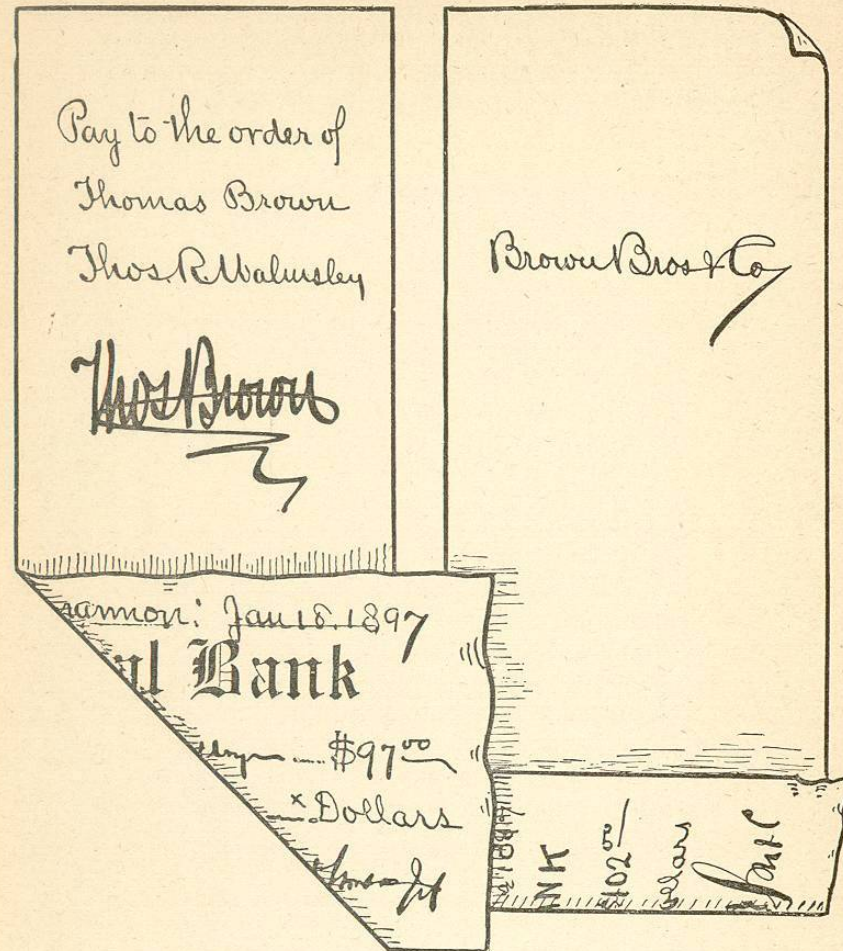
If you wish to get a cheque cashed where you are unknown, and it is not convenient for a friend who has an account at the bank to go with you for the purpose of identification, ask him to place his signature on the back of your cheque, and you will not likely have trouble in getting it cashed at the bank where your friend keeps his account. By placing his signature upon the back of the cheque he guarantees the bank against loss. A bank

is responsible for the signatures of its depositors, but it cannot be supposed to know the signatures of indorsers. The reliable identifier is in reality the person who is responsible.

INDORSING CHEQUES

In indorsing cheques note the following points:

1. Write across the back — not lengthwise.
2. If your indorsement is the first, write it about two inches from the top of the back; if it is not the first indorsement, write immediately under the last indorsement.
3. Do not indorse wrong end up; the top of the back is the left end of the face.
4. Write your name as you are accustomed to write it, no matter how it is written on the face. If you are depositing the cheque write or stamp "For Deposit" or "Pay to BANK.....," as may be the custom, over your signature. This is hardly necessary if you are taking the cheque yourself to the bank. A cheque with a simple or blank indorsement on the back is payable to bearer, and if lost the finder might succeed in collecting it; but if the words "For Deposit" appear over the name the bank officials understand that the cheque is intended to be deposited, and they will not cash it.
5. If you wish to make the cheque payable to some particular person by indorsing, write "PAY TO (NAME) OR ORDER," and under this write your own name as you are accustomed to sign it.
6. Do not carry around indorsed cheques loosely. Such cheques are payable to bearer and may be collected by any one.
7. If you receive a cheque which has been transferred to you by a BLANK indorsement (name of indorser only), and you wish to hold it a day or two, write over the indorsement the words "PAY TO THE ORDER OF (yourself —



A cheque payable to order.

A blank indorsement.

writing your own name)." This is allowable legally. The cheque cannot then be collected until you indorse it.

8. An authorised stamped indorsement is as good as a written one. Whether such indorsements are accepted or not depends upon the regulations of the clearing-house in the particular city in which they are offered for deposit. The written indorsement is considered safer for transmission of out-of-town collections.

9. If you are indorsing for a company, or society, or corporation, write first the name of the company (this may be stamped on) and then your own name, followed by the word "TREAS."

10. If you have power of attorney to indorse for some particular person, write his name, followed by your own, followed by the word "ATTORNEY" or "ATTY.," as it is usually written.

11. It is sometimes permissible to indorse the payee's name thus, "BY _____ (your own name)." This may be done by a junior member of a concern when the person authorised to indorse cheques is absent and the cheques are deposited and not cashed.

12. Do not write any unnecessary information on the back of your cheque. A story is told of a woman who received a cheque from her husband, and when cashing it wrote "Your loving wife" above her name on the back.

V. BANK CHEQUES (Continued)

If you wish to draw money from your own account, the most approved form of cheque is written "Pay to the order of *Cash*." This differs from a cheque drawn to "*Bearer*." The paying teller expects to see yourself, or some one well known to him as your representative, when you write "*Cash*." If you write "Pay to the order of

(*your own name*)" you will be required to indorse your cheque before you can get it cashed.

If your note is due at your own bank and you wish to draw a cheque in payment, write "Pay to the order of

No. 2693	Middletown, Del.	Jan 26 1897
<i>Peoples National Bank</i>		
Pay to the order of		<i>Cash</i>
Five hundred		Dollars
\$500 ⁰⁰	<i>J. H. Henry</i>	

A cheque made to obtain money for immediate use.

Bills Payable." If you wish to write a cheque to draw money for wages, write "Pay to the order of *Pay-roll*." If you wish to write a cheque to pay for a draft which you are buying, write "Pay to the order of *N. Y. Draft and Exchange*," or whatever the circumstances may call for.

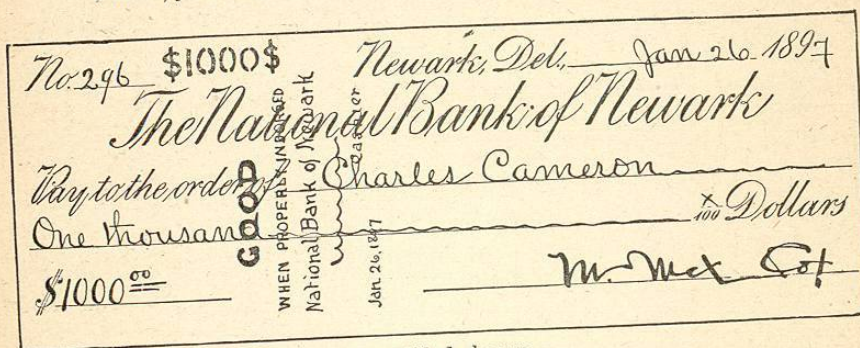
If you wish to stop the payment of a cheque which you have issued you should notify the bank at once, giving full particulars.

Banks have a custom, after paying and charging cheques, of cancelling them by punching or making some cut through their face. These cancelled cheques are returned to the makers at the end of each month.

If you have deposited a cheque and it is returned through your bank marked "*No Funds*," it signifies that the cheque is worthless and that the person upon whose account it was drawn has no funds to meet it. Your bank will charge the amount to your account. The best thing to

do in such a case is to hold the cheque as evidence of the debt, and write the person who sent it to you, giving particulars and asking for an explanation.

If you wish to use your cheque to pay a note due at some other bank, or in buying real estate, or stocks, or bonds, you may find it necessary to get the cheque *certified*.



A certified cheque.

This is done by an officer of the bank, who writes or stamps across the face of the cheque the words "*Certified*" or "*Good When Properly Indorsed*," and signs his name. (See illustration.) The amount will immediately be deducted from your account, and the bank, by guaranteeing your cheque, becomes responsible for its payment. Banks will usually certify any cheque drawn upon them if the depositor has the amount called for to his credit, no matter who presents the cheque, and this certifying makes it feasible for a man to carry in his pocket any amount of actual cash. If you should get a cheque certified and then not use it, deposit it in your bank, otherwise your account will be short the amount for which the cheque is drawn. In Canada all cheques are presented to the "ledger-keeper" for certification before being presented to the paying teller.

THE USEFULNESS OF BANKS

Banks are absolutely necessary to the success of modern commercial enterprises. They provide a place for the safe-keeping of money and securities, and they make the payment of bills much more convenient than if currency instead of cheques were the more largely used. But the great advantage of a banking institution to a business man is the opportunity it affords him of borrowing money, of securing cash for the carrying on of his business while his own capital is locked up in merchandise or in the hands of his debtors. Another important advantage is to be found in the facilities afforded by banks for the collection of cheques, notes, and drafts.

VI. BANK DRAFTS

A DRAFT is a formal demand for the payment of money. Your bank cheque is your sight draft on your bank. It is not so stated, but it is so understood. A cheque differs from an ordinary commercial draft, both in its wording and in its purpose. The bank is obliged to pay your cheque if it holds funds of yours sufficient to meet it, while the person upon whom your draft is drawn may or may not honour it at his pleasure. A cheque is used for paying money to a creditor, while a draft is used as a means of collecting money from a debtor.

Nearly all large banks keep money on deposit with one or more of the banks located in the great commercial centres. They call these centrally located banks their *correspondents*. The larger banks have correspondents in New York, Chicago, Boston, and other large cities.

As business men keep money on deposit with banks to meet their cheques, so banks keep money on deposit with other banks to meet their drafts.

A BANK DRAFT is simply the bank's cheque, drawn upon its deposit with some other bank. Banks sell these cheques to their customers, and merchants make large use of them in paying bills in distant cities. These drafts, or CASHIERS' CHEQUES, as they are sometimes called, pass as cash anywhere within a reasonable distance of the money centre upon which they are drawn. Bankers' drafts on New York would, under ordinary financial conditions, be considered cash anywhere in the United States. A draft on a foreign bank is usually called a BILL OF EXCHANGE.

Cheques have come to be quite generally used for the payment of bills even at long distances. If a business

No. 736	San Francisco, Cal.	Jan 26 1897
<i>York National Bank</i>		
Pay to the order of N.Y. Draft and Exchange		
Six Thousand		Dollars
\$6000 ⁰⁰	<i>W. J. [Signature]</i>	

A cheque for the purchase of a draft.

man desires to close an important contract requiring cash in advance he sends a bank draft, if at a distance, or a certified cheque, if in the same city. If he desires simply to pay a debt he sends his own personal cheque. Bank drafts are quite generally used by merchants in the West to pay bills in the East. A draft on New York

bought in San Francisco is cash when it reaches New York, while a San Francisco cheque is not cash until it returns and is cashed by the bank upon which it is drawn. In the ordinary course of business cheques are considered cash no matter upon what bank drawn. The bank receiving them on deposit gives the depositor credit at once, even though it may take a week before the value represented by the cheque is in the possession of the bank.

All wholesale transactions and a large proportion of retail transactions are completed by the passing of instruments of credit—notes, cheques, drafts, etc.; a part only of the retail trade is conducted by actual currency-bills and "change." Banks handle the bulk of these transferable

\$4000 ⁰⁰	<i>The Traders National Bank</i>	
	Mannington, W. Va.	Feb 1 1897
	Pay to the order of Adam Bede	\$4000 ⁰⁰
	Four Thousand	Dollars
TO NATIONAL EXCHANGE BANK, OF BALTIMORE, MD.		<i>J. [Signature]</i> Cashier.

A bank draft.

titles and deal to a very small extent—that is, proportionally—in actual money. The notes, drafts, bills of exchange, and bank cheques are representative of the property passing by title in money from the producers to the consumers. A small proportion—perhaps six or eight per cent.—of these transactions is conducted by the use of actual bank or legal-tender notes. This trade in

instruments of credit amounts in the United States to fifty billions of dollars yearly.

VII. PROMISSORY NOTES

A PROMISSORY NOTE is a written promise to pay a specified sum of money. At the time of the note's issue—that is, when signed and delivered—two parties are

\$500 ⁰⁰	Boston, Mass., Feb. 8, 1897
Three months after date	
I promise to pay to the order	
of Samuel Weller the sum of	
Five Hundred Dollars with Interest	
at six per cent.	
Value received }	Wm. H. H. P.

Ordinary form of promissory note.

connected with it, the *maker* and the *payee*. The maker is the person who signs or promises to pay the note; the payee is the person to whom or to whose order the note is made payable. NEGOTIABLE in a commercial sense means *transferable*, and a negotiable note is a note which can be transferred from one person to another. A note to be made negotiable must contain the word *bearer* or the word *order*—that is, it must be payable either *to bearer*, or *to the order* of the payee. A NON-NEGOTIABLE note is payable to a particular person *only*. A note may be written on any

kind of paper, in ink or pencil. It is wise, however, to use ink to prevent changes. All stationers sell blank forms for notes which are easily filled in.

The samples of notes which appear in this lesson are selected simply to illustrate to students the fact that there are a great many special forms of notes in common use. The wording differs slightly in different States.

The DATE of a note is a matter of the first importance. Some bankers and business men consider it better to

\$2000 ⁰⁰	Philadelphia, February 8 1897
Four months after date we promise to pay	
to the order of Guy Mannering	
at the MECHANICS NATIONAL BANK.	
Two thousand	00 Dollars.
without defalcation Value received	
No. _____	Dues _____
Doubey & Co.	

A promissory note filled out on an engraved blank.

draw notes payable at a certain fixed time, as, "I promise to pay on the 10th of March, 1897." The common custom is to make notes payable a certain number of days or months after date. A note made or issued on Sunday is void. The DAY OF MATURITY is the day upon which a note becomes legally due. In several of the States a note is not legally due until three days, called DAYS OF GRACE, after the expiration of the time specified in the note.

The words VALUE RECEIVED, which usually appear upon notes, are not necessary legally. Thousands of good notes made without any value consideration are handled daily.