prietorships, partnerships, and corporations, in the *Statistics of Income* of the Treasury Department. Purchases for inventory (1914) are, therefore, the difference between total sales (3316) and final sales (1402), the latter being the sum of purchases of fixed assets (211) and purchases for consumption (1191). The figures in brackets are cross-references between the entry in one account and the same entry in another or in the same account.

The entries should be self-explanatory, but, for the benefit of readers who are not too familiar with basic accounting practices, the following explanations should be helpful. Total sales of goods (A) increase money and wealth, but the cost of the goods sold (U) reduces the inventory and wealth, since the goods sold are no longer in the inventories of the sellers. It should be noted that the cost of sales (U) is not equal to the purchases for inventory (P_i); it is the value of the goods sold expressed at the original cost of acquisition during the period or *in the course of some preceding period.* The difference between the value of the goods sold expressed at selling prices (A) and the value of the same goods expressed at the original cost of acquisition (U), is the value-added, the gross income (X), of the period. The depreciation allowance (V) reduces the value of the stock of fixed assets and wealth; it is not a monetary transaction but a mere double entry on the books of those owning fixed assets. Both the cost of sales (U) and the depreciation allowance (V) are entries on the books of one party, without any corresponding entries on those of another one. Both differ, in this respect, from purchases and sales which involve double entries on the books of the buyers and on those of the sellers. The difference between gross income and depreciation ($X-V$) is the net income of the period. Factor payments (F), which in this case consist of wages only, reduce both money and wealth. The difference between net income and factor payments ($Y-F$) is the net profits of the entrepreneurs. Factor receipts (F) increase money and wealth. The sum of net profits and factor receipts ($p+F$) is the net national income of the period (Y), equal to the net income of entrepreneurs (Y) before their payments to the factors of production. The difference between net income and consumption ($Y-C$) is the net saving of the period (S). Purchases for inventory (P_i) reduce money but increase the inventory, and, similarly, purchases of fixed assets (P_f) reduce money but increase the stock of fixed assets; both have no effect on wealth.

The entries in the wealth account constitute the income statement of the period. The change in wealth is the net saving of the period (S) equal, of course, to the sum of the changes in the components of wealth,