

"He had got to the good of you to the extent of \$235,000 and you wanted to secure yourselves?"

"Naturally."

"How did you go about closing the account with Appleyard? How did you take these securities and distribute them so as to show the transactions and that Appleyard was no longer your debtor?"

"We put the entries exactly corresponding to the agreement. We put the agreement into our books."

"So that you appear to have on hand these various securities you received from him at the figures at which they were put in the agreement. They included the profit you had made on the turnover."

"Yes."

The system of bookkeeping by which holdings of bonused stocks were shown was then taken up. Mr. Shepley wanted to know if there was any account in which stocks and bonds were massed together, and in which these holdings could be immediately discovered.

Mr. Macaulay went through the bond account, and through the stock account and showed how the transactions were recorded, purchases and sales, the bonused stock having a separate account. This explanation stirred Mr. Shepley to the comment that he could not find the stock holdings in the ledger, and he wanted to know if that was not the proper place.

Witness did not think so, and added that the system used by the Sun Life was considered by them to be the most perfect plan for keeping track of these things. He later added that not to have a separate entry for every bonused stock would be a backward step.

Mr. Shepley admitted that by going to the bond account he readily found what bonds were held by the company, but what he wanted to get was a single account showing transactions in bonds and also showing what bonused stocks had been secured in these deals.

Mr. Macaulay contended that bonus stocks cost nothing, but Mr. Shepley insisted that the money transaction represented the cost of bonds plus stock.

The stock account was taken up. The account in which stocks were given a value of one dollar found little favor with Mr. Shepley, and he wanted to know why they did not make real entries in a real account. Through this bit of bookkeeping Mr. Macaulay and Mr. Shepley waded, and books were produced, and it ended in Mr. Macaulay remarking that their books had been audited for years by Messrs. P. S. Ross & Sons, considered to be a reliable firm, and, he added, that the auditors were appointed by the shareholders. He was certain that if P. S. Ross & Sons had found these entries right then they must be so.

He again added that it was true that there has been some little discussion between himself and the

auditors relative to this system of tracing bonus stock, but it was all very friendly.

Mr. Langmuir suggested that a memorandum account would cover the difficulty.

Mr. Macaulay answered that their system would prevent all danger, and went on to say that the purpose of giving a value of one dollar to bonus stocks was to get an entry into the cash book and from the cash book into the ledger. It was "a deliberately designed fiction to keep track of transactions."

These words were supplied by Mr. Shepley and assented to by Mr. Macaulay.

Mr. Kent explained how in Toronto the companies examined there had kept track of these transactions by adding an explanatory line with the entry. It occurred to him that if fifteen companies out of sixteen did this in one way, it was necessary for them, the Commissioners, to discover why the Sun Life did it some other way.

Mr. Macaulay again insisted that the proper methods had been followed, and he explained the reasons that led the Sun Life to adopt their method. It was really one of convenience.

After this Mr. Robertson Macaulay produced a book which was a record of all the transactions in detail. He added that no securities were ever deposited or removed from the vault without the signature of two directors, the president or the secretary and one other director.

The deferred dividend plan, inaugurated by the company in 1884, found great favour with Mr. Macaulay. Of it he said that it had popularized life insurance immensely. It has protected thousands of widows, whose husbands would never have taken out a policy had it not been for the very special inducements offered. Again, this policy makes more prominent the investment feature. It means that a man must re-adjust his insurance at the end of twenty years, and at that time he has several options at his disposal. If he no longer requires protection, then he can draw out his full reserve and accumulated profits.

Mr. Macaulay stated that in about thirty-five per cent. of all the deferred profit policies that had matured in his company the actual results had equalled or exceeded the estimates which had been given. On the total amount the actual sum given had exceeded ninety-seven per cent. of the total estimate. At the present time the premiums are higher and estimates lower—Schedules had been filed with the commission showing that the company has on hand to the credit of its deferred profit policies an amount equal to \$108 for every \$100 required to carry out the estimates now in use, for every deferred profit policy in force on the books.

Quoting from statistics prepared by the combined life assurance companies of Great Britain, and covering a period of thirty years, from 1863 to