

"Liabilities" and "Assets," which are generally seen at the head of a balance sheet, were omitted altogether, and for the words "Debtor" and "Creditor" were substituted the less cryptical symbols "Sums received," and "Sums spent and in hand." We should then arrive at a clearer conception of the meaning of a balance sheet; and many of the bewilderments which puzzle the investor will have vanished; and since, if the company is carried on at a profit, it will follow that the sums spent and in hand will exceed the sums received, the debtor side will be naturally less than the creditor, and the gap will be filled in by the profit, or the balance from the profit and loss account, awaiting division or disposal. The balance sheet will then show the actual state of the company as a going concern, and if proper reserves are set aside, and a liberal allowance for depreciation has been made, the statement will show, as near as possible, the position of the company at a given date. At this point, however, an important reservation must be made. The sums spent must not only have been spent, but be capable of realisation if the balance sheet is to be anything more than a record of what has been done, without any reference to the actual solvency of the company. It is quite possible for a limited company which is working a novelty or a wasting asset to show year by year a statement which might lead the uninitiated to imagine that its capital was intact, because it merely gave a simple story of amounts received and sums spent and in hand, as suggested above; treating the question of the realisation of the assets as a negligible one. When anyone is examining a balance sheet, he must consider it from all points of view, and ask himself the question: "Is the business carried on likely to be a permanent one?" "Is it likely to continue as a going concern?" "Is it working a wasting asset?" Or, "Is it working a novelty whose popularity is likely to wane?" Bankers and investors will, therefore, be well advised in studying balance sheets to give special attention to the items of their assets, which depend for their value on the difference between the "going concern" valuation and of the scrap-heap price. Stock-in-trade, plant and machinery, freehold and leasehold buildings, goodwill, patent rights, and interest in associated companies, are all items which should be carefully watched, and if a comparison of balance sheets for a number of years shows that the first three items tend to increase more rapidly than the rate of net profit, and the last three items remain at the same figures, great care should be exercised.

Mr. J. Grove Smith Addresses Fire Insurance Brokers Association of Montreal

At a luncheon held at Freemans on the 7th inst., by the Montreal Fire Insurance Brokers Association an address was delivered by Mr. J. Grove Smith, Dominion Fire Conservation Commissioner, on Fire Prevention. Mr. R. J. Wickman presided, and there was a large attendance.

Mr. Smith was emphatic in declaring that the inauguration of Fire Prevention work by his department was in a large measure productive of good results. After quoting figures showing the enormous annual loss by fire in Canada, Mr. Smith referred to the three main ways of dealing with the problem. This year the pamphlets to be distributed to 30,000 schools in Canada will contain positive teaching for the children, a second means of improvement said the speaker was in the insurance business itself. He believed that the theory of paying agents according to the profits resulting from their work should be accepted, the agents being paid, as it were, a premium for reducing fire hazard. He also suggested the removal of unqualified agents from the business, and would like to see the insurance companies having the moral force to refuse business from any agents but those legitimately in the business.

In addressing a body, such as this association, who are experts in their own line, it is necessary for the speaker to have a thorough practical knowledge of his subject. The impression left by Mr. Grove Smith suggested that his knowledge was largely theoretical.

While Fire Prevention propaganda is a most laudable object, on the other hand the Fire Prevention measures which have been adopted are very general in character, and it would scarcely be admitted by anyone having a practical knowledge of the fire insurance business, that such measures affect in any practical way the loss ratio, inasmuch as they have been confined entirely to efforts to educate the public on broad lines, which have been largely without direct results. The fire insurance companies, through their associations, have for many years endeavoured to instil in the minds of every property owner the importance of improving risks, and it may be assumed that business men realize the necessity of protecting their property from losses, by carrying out the improvements suggested from time to time by the underwriters and their agents.