

Frequently, the auditor will dissect the cash and raise his own adjustment account for each ledger, thus practically bringing the system into line with the self-balancing principle. In some businesses, the counting-house staff agree the ledgers by means of a monthly digest. Where statements are rendered monthly, it is not a difficult matter to make a digest of the postings in the ledger at the same time, and these, of course, should correspond with the totals of the day-books, the returns being agreed in the same way. The weak point in these systems, however, is, that in each case, although it may be ascertained that the total amount posted to the ledger equals the total amount passed through the journal, there is no guarantee that the individual items have been posted to the correct accounts. The rendering of monthly statements will probably, in some degree, have acted as an automatic check, but the notification from a customer of a mistake in his account cannot be considered a very satisfactory method of discovering such errors. It should be noted, however, that the checking of the postings by the auditor after the statements have been sent out, will, of course, be of no avail as a preventative.

What utility, then, can there be in spending the days which are so frequently occupied on this work? In practically all cases, the checking of day-book postings is of little assistance in insuring the accuracy of the statements rendered. As a general rule, too, the work consists simply of proving that a certain amount in the day-book has been correctly entered in the ledger. An omission from the day-book cannot be discovered in the course of this process, and in many businesses, especially where labor forms a considerable portion of the account, this is an important point to be remembered. The checking of the entries in the day-book from the original sources, such as time sheets, dockets, invoices, etc., would in some cases be of more advantage than tracing entries from day-book to ledger.

On the other hand, however, it must be remembered that, in addition to being a watch-dog and a financial conscience, an auditor is expected to possess the qualities and qualifications of a detective; and, by the use of the faculties of observation and deduction, he may gather much useful knowledge in the course of a detailed examination of the day-book. Again, there must be considered the question of the moral effect produced upon the book-keeping staff by the knowledge that every entry in the books is checked by the auditor. These might be considered very abstract advantages by a superficially-minded layman, but the practical auditor knows that they are of real value. But, perhaps, the main test of the usefulness of an auditor's work lies in its efficacy to discover fraud. And on this point it is extremely difficult, if not impossible, to say how far the checking of day-books may assist towards the desired end. Probably an accountant never unearths two frauds which have been perpetrated in exactly the same way, and it often happens that the first suspicion is raised in the most unlikely quarter. But if the checking consists simply of calling a figure from the day-book to see that it tallies with that in the ledger, then it is futile to suggest that any serious fraud is likely to be brought to light. Here, too, arises a question as to which is likely to be the more effective—checking by the permanent staff or checking by accountants' clerks.

FINANCIAL MATTERS.

The total incorporations in the Eastern States during July of companies with a capitalization of \$1,000,000 or over was very small, amounting to only \$61,315,000. There is usually, however, a lull in the filing of incorporations during the summer months. Last July the figures were very similar.

The general statement of the Dominion Bank for the six months ended June 30th, 1905, shows that the profits during that period amounted to \$237,777, after making provision for bad and doubtful debts. The total liabilities to the public stood at \$32,069,861, and the assets at \$39,646,407. Two dividends of 2½ per cent. each have been paid during the six months.

Our St. John correspondent informs us that the Province of New Brunswick has just negotiated with the Credit Foncier a temporary loan of half a million dollars. This loan is made in preference to floating bonds in the present condition of the money market, as it is believed a better arrangement can be made later. The new loan is to retire debentures falling due, and to meet other expenses of the Government.

The Canadian Pacific Railway has issued its statement of earnings and expenses for the month of June last, and for the fiscal year ending June 30th last. The gross earnings for the month were \$4,430,026, an increase over the same period in the previous year of \$13,161. Working expenses were \$2,927,093, a decrease of \$39,859, thus making the net profits \$1,502,932, or an increase of \$53,021. The gross earnings for the fiscal year ending June 30th, were \$50,481,882, the working expenses \$35,006,758, and the net earnings \$15,475,088, compared with \$46,469,132, \$32,256,027, and \$14,213,105 respectively for the previous year.

The fact that the bill incorporating the Monarch Bank has passed the Banking Committee of the House of Commons—though not, it may be remarked, without the counteracting of one or two "snags,"—has inspired some of the papers to refer to the prospects of the concern's forthcoming entry into active business. We refer to its founder and all-pervading factotum, Mr. T. Marshall Ostrom, in another place in this issue in connection with an insurance scheme, and consequently need not say much about his bank at the present time. One feature to which public attention is drawn is that it will remain open day and night.

—The Phenix Insurance Company, of Brooklyn, N.Y., has heretofore held a license in this country for the transaction of fire insurance. This license has been renewed, but it now empowers the company to carry on the business of tornado insurance as well as fire. The chief agent for Canada is Mr. A. M. M. Kirkpatrick, a well and favorably known insurance man having his office in Toronto.

—Few men probably will be listened to with greater respect in this country on the subject of Australia, than Mr. J. S. Larke, Canada's trade agent in the Antipodes. Recently he was in Toronto. Mr. Larke referred most encouragingly to the possibilities of Canadian trade with Australia. He pointed out some matters that worked to the country's disadvantage. Canadian shippers and manufacturers tried to do business with them on the same principles as with a firm in Hamilton. He objected to Canadians selling goods to Australians on thirty days' sight, as one example of too exacting detail. Improved transportation facilities are needed. The C.P.R. gives a cheap rate, but the bulk of Canadian goods for Australia go by way of New York. "We must have," said Mr. Larke, "a line of our own from Montreal and Halifax."

CLEARING HOUSE FIGURES.

The following are the figures of the Canadian Clearing Houses for the week ended with Thursday, August 3rd, 1905, as compared with those of the previous week:

	Aug. 3.	July 27.
Montreal	\$27,837,802	\$25,796,646
Toronto	18,520,503	17,035,126
Winnipeg	7,847,951	6,719,042
Halifax	1,967,152	1,843,355
Hamilton	1,289,026	1,382,368
St. John	1,076,602	1,132,304
Vancouver	1,669,761	1,806,458
Victoria	3,116,956	682,490
Quebec	1,718,360	1,796,142
Ottawa	2,674,438	2,235,488
London	1,005,282	914,149
Total	\$68,713,833	\$61,343,568

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