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but this is a minor matter by comparison with the envy which big dividends excite in the breast of Labour, which ignores the fact that past reinvestment of shareholders' profits alone made the high rate possible. In this respect, therefore, the capitalization of reserves is a movement in the direction of least resistance. It is much more simple to keep the rate of dividend than to attempt to prove to a body of employees that a high rate of dividend is really a low one.

Under the stress of war taxation, and with the prospect of some more or less permanent impost in place of the Excess Profits Duty, the movement has gathered momentum as a matter of policy, for experience in this respect also has shown that there is nothing to be gained by grossly undervaluing the assets so as to indicate a higher percentage of profit than is actually the case in relation to the invested capital.

The accounting methods adopted in the past in cases where any considerable portion of the profits has been withheld from distribution have an important bearing on the power of the directors to capitalize these profits. Where, for instance, the under-valuation has not actually taken the form of excessive writing down in the company's books, but the undistributed profits still exist in the form of nominal reserves on the liabilities side of the balance sheet, it is a simple matter to issue new shares to bring up the issued capital to a figure in keeping with the value of the assets. On the other hand, excessive depreciation allowances actually written off are not easy, to restore, as auditors, on a matter of principle, set their faces against anything which involves writing up any asset, whether it has previously been written down or not. Still, by a process of revaluation of all their assets, companies whose financial purity is above all question, have in several instances recast their balance sheets so as to bring their figures more in accordance with facts.

It may be quite fairly urged that such a procedure is thoroughly justified, because a balance-sheet which grossly undervalues the assets cannot be said to present "a true and correct view." The expression is really only justified by the words which follow, namely, "as shown by the books of the company," but auditors are more than mere checkers of other people's book-keeping. They are the shareholders' watch-dogs, and are not content with no more than reconcilement of the balance-sheet with the company's books. Yet they will allow assets to be written down excessively, but will not permit any readjustment to be made in an upward direction, no matter how much the circumstances may justify such action.

Up to the present the exact position of the shareholder with regard to any liability for Income Tax in respect of bonus shares distributed to him has not been precisely defined, and in the opinion of the Inland Revenue, depends on the fact of each case. From the company's point of view there is clearly no liability, since there is no question of the receipt of any income. But in the shareholder's case, too, it is difficult to see how it can be argued that any income has accrued to him. The capitalization of reserve is a purely book-keeping transaction through which the shareholders proportionate share in the assets remains the same as before, so that any tax which might be levied upon the bonus share would clearly be a tax upon the shareholders capital.

While the position remains undefined in this respect, care should be taken to word any resolution providing for a distribution of this kind in a form that will make it clear that it is the reserve fund or accumulated profit which is being taken into capital account rather than distributed to shareholders, by means of a share allotment. It will sometimes be found, however, that while articles of association may give power to distribute reserves, they do not mention their capitalization. The articles should therefore be revised if necessary, so as to make it quite clear that the company has power to capitalize its reserves, and then to word the shareholders' resolution on exactly similar lines.

Ed. note.—The establishment of a Canadian branch of the above institute recently referred to in these columns, will no doubt be welcomed by the Secretaries of the leading Joint Stock Enterprises of Canada.

TRAFFIC RETURNS.

Canadian Pacific Railway

Year to date	1917	1918	1919	Increase
June 30.....	$69,575,000	$70,213,000	$74,847,000	$4,634,000
Week ending	1917	1918	1919	Increase
July 7.....	3,101,000	2,787,000	3,120,000	333,000
" 14.....	2,867,000	2,688,000	3,325,000	637,000

Grand Trunk Railway.

Year to date	1917	1918	1919	Increase
June 30.....	$30,501,564	$22,972,154	$28,581,242	$5,609,088
Week ending	1917	1918	1919	Increase
July 7.....	1,297,003	1,093,462	1,048,962	Dec 44,500
" 14.....	1,379,293	1,130,800	1,238,903	108,103

Canadian National Railways.

Year to date	1917	1918	1919	Increase
June 30.....	....	$35,445,231	$40,009,585	$4,564,354
Week ending	1917	1918	1919	Increase
July 7.....	....	1,424,684	1,653,564	228,880
" 14.....	....	1,506,147	1,599,242	93,095