

For long-term or fifty-year bonds which are sought by estates wishing to avoid the necessity of the frequent reinvestment of funds consequent upon the maturity of their investment securities, the sinking fund bond is still a favorite.

#### Sales of Bonds.

The question of bond budgets or the borrowing program attaches equally to both sinking fund and serial bond. A loan may be for the total contemplated expenditure for a public work, and may be marked by the simultaneous sale of the entire issue, or it may consist of a series of sales taking place at predetermined periods, calculated to provide the funds when, and not before, they are required for expenditure. In small communities, or where it is contemplated that the work will be performed within a comparatively brief time, one sale of the entire issue authorized is the rule. In large communities where the work is more or less continuous or necessarily protracted over a long period of time, not only will the necessary funds be realized from a succession of sales of one authorized loan, but there may also be a series of authorizations relating to the same subject of outlay as new plans are made or extensions of the original plan develop.

Where sinking funds are operated, the choice of expedients covers a wide range. One sinking fund may function for a succession of sales under authorizations covering a period of years, or separate sinking funds may be operated for each years' borrowings of all bonds issued within the year. Again, a separate sinking fund may be operated for each authorization, identified by the title of the work extending over several years, or a separate fund may be operated for each year's borrowings under each designated authorization.

#### The Accounting Work.

The segregation of the installments, investments and free cash of each fund occasions no appreciable work over what would be necessary in determining the just proportion of each item in administering the same aggregate value in one consolidated fund. In either instance it requires care and knowledge of the subject in hand—knowledge, too, of no mean order—and a high degree of accounting skill. In view of the relatively crude processes commonly followed in rural communities, the operation of a group of funds is supposed to simplify the process in each case by concentrating the problem upon the redemption of each issue.

With respect to serial bonds the scheme of retirement is automatic, and the annual total is derived by a simple process of tabulation whereby the amount necessary to be included in the tax budget is ascertained without any special knowledge being required.

#### The Advantages of Serial Bonds.

For all relatively short-term bonds where the avoidance of the reinvestment of funds is not a matter of great concern, the serial bond is growing in favor. They certainly possess the advantage of a ready and rational means of retirement, subject to none of the embarrassing problems that arise from a congestion of liquidations for which inadequate provision has been made, and uninvolved with sinking fund complications. The risks that attach to a reliance upon sinking funds that have been unskillfully administered are too obvious not to be understood and appreciated by those familiar with bond buying. These risks exert a decided influence on the public credit and the rates obtainable for public obligations. Serial bonds have a marked advantage and convenience, both with respect to those features of the contract relating to redemption as well as the removal of the necessary exactions that are always attendant upon the administration of a sinking fund. Not only is the matter of convenience, but the matter of equity to be considered. The years over which the repaying of the loan is to be spread and the succeeding generations upon whom the burden will fall must sustain a just relationship to the periods and the people that will enjoy the benefit of the outlay for which the debt was incurred.

The immediate cost of maintenance of works exceeding in magnitude the present requirements—to which, however, the present generation is committed in its effort to adequately provide for the future—becomes an expenditure possessing the characteristics of capital outlay as well as revenue expenditure. It is a form of cost incident to the preservation of a property for which the immediate need is only partial. While there is not the occasion to share such outlay with posterity in the same degree as necessitated by the original acquisition of the property in ques-

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