Q. No; I want to know how these figures are built up. As I understand you now these figures represent the gross deductions when the loans are made?—A. Yes, gross deductions when the loans are made.

Q. Yes?—A. I just want to explain that only part of that goes into income. It is only taken into the earnings account each month as it is earned.

Q. What is the total amount of your deductions during the year; what is the amount of your losses that were taken into account, what is the interest, what are the service charges, and what does go to make up these figures given in that statement; in other words, the amount that has been deducted to allow for debts you will not collect? That is a fair enough question?—A. It may be to you, but I am not an actuary.

Q. Neither am I, but I want to understand this statement?—A. I cannot see just what you mean.

Q. You show here as income interest earned on promisory notes $333,648.61? —A. Yes.

Q. Now then, in view of the fact that you deduct your interest ahead of time, how do you arrive at that figure?—A Well, I just explained that. When we make a loan we put the $21.00—that is 7 per cent of a $300.00 loan, we put that into the unearned interest account.

Q. All right, what do you do next?—A. At the end of the first month we transfer into the interest account $^{12}/_{78}$ths of unearned interest from the unearned interest account and credit that to interest earned.

Q. And you keep on doing that until you use the entire $^{78}/_{78}$ths?—A. Yes.

Q. At the end of the time you would have transferred the full amount of $21.00?—A. That does not mean that at the end of one year we have taken out everything which is in the unearned interest account, because new notes are being put in which date beyond the first of the year so that there would still be a balance in that unearned interest account.

Q. How do you allow for the fees that are not collected? What I am getting at as a matter of fact, and it must be of interest too, is this——A. I must admit that I do not understand that.

Q. The 2 per cent on your total loans amounts to what — it amounts to 2 per cent doesn't it?—A. It amounts to practically 2 per cent of the amount loaned.

Q. It amounts to practically the amount that you show there?—A. Yes. Well, the 2 per cent charge is not handled in that method. The income tax department would not permit our doing it in that way. That 2 per cent is taken into the earnings as the loan is made. That is the difference in these three accounts, that we cannot take it into account when the loan is made. We have to put it into our reserve.

Q. That item No. 2 in the charges that you are permitted to make is taken, earned, the moment you deduct it from a loan?—A. That is right.

Q. Does that apply to this?—A. No, I have just explained that is not the case.

Q. In regard to fees and things?—A. That is right. These amounts in the unearned income account are brought into earnings pro rata each month as the loan progresses.

Q. And it is therefore included in the amount that you figure you are earning if you are collecting three quarters of your loans during the year?—A. It is a formula worked out by the tax department.

Q. And is that correct; you bring it in according to the amount that you figure you are collecting on your loans?—A. No, the amount we estimate to be due on the loans.

Q. On the loans you are collecting, or the loans which you figure are collectable?—A. On the loans we figure are collectable, yes; but the whole thing is collectable, we hope.

[Mr. Arthur P. Reid.]