

Hon. Mr. ABBOTT: If the insurance company repaired and reconstructed the property I should think that under the operation of the new principle he would be in exactly the same position as before the fire, and his asset account would stand exactly as it did before.

Hon. Mr. HAYDEN: What would happen if the property were completely destroyed?

The CHAIRMAN: The case of a partial loss is covered but the case of total loss is not covered, is that the point?

Hon. Mr. HAYDEN: That is it.

Hon. Mr. ABBOTT: If the money is required to rebuild the asset, the cost of rebuilding is charged right into the asset account. That, I take it, is one of the things that have to be spelled out in the regulations. If you have underpreciated your property and you get from the insurance company \$10,000 more than your depreciated value, you add that \$10,000 or charge it back from your depreciation account and take it into profit. Then if you rebuild the same building and it costs you twice as much, you charge the extra cost or whatever the cost is back in and you offset the \$10,000 that you have taken out of depreciation and put it into profit and loss.

Hon. Mr. HAYDEN: That sounds all right, but it does not work out that way. Take a look at paragraph (c) (iii), on page 6. It says: "Proceeds of disposition of property include an amount payable under a policy of insurance in respect of loss or destruction of property". That simply means that if I have a property insured for \$15,000 and it is totally destroyed, and the depreciated value at the time of the fire was \$10,000, then some part of the proceeds is going to come back into my income for the year.

Hon. Mr. ABBOTT: If the amount that you use to rebuild exceeds the depreciated value of your old asset you can charge that back into the account.

Hon. Mr. HAYDEN: Where does it say that?

Hon. Mr. ABBOTT: That is the way it works out on a sound accounting basis.

Hon. Mr. HAYDEN: That is not what the section says.

Hon. Mr. ABBOTT: The section does not spell out the accounting practices.

Hon. Mr. HAYDEN: But it does spell out the regulation in the case of a property that is partially destroyed, and it is just as necessary to have it spelled out in the case of a property that is completely destroyed.

Hon. Mr. ABBOTT: Perhaps Mr. Gavsie can answer your question.

Mr. GAVSIE: If a property is destroyed this year and the owner rebuilds, in the meantime he has got some money from the insurance company. Well, the old and the new property are of the same class, so that the insurance proceeds would go under the same fund that the new property was charged to and in effect they would be offset. There would be nothing charged back to income if the new property cost more than the amount he got from the insurance company.

Hon. Mr. ABBOTT: Would you explain why we need a separate provision for the cost of repairs?

Hon. Mr. HAYDEN: You have made the assumption that the new property costs more than the amount of money received from the insurance company. That is not the point.

Mr. GAVSIE: I thought it was.

Hon. Mr. CAMPBELL: Mr. Chairman, I move that we adjourn till 2 o'clock.

Hon. Mr. ABBOTT: I would ask to be excused from attending at 2 o'clock, for there is a cabinet meeting at that time. I may say there are two things that I shall be very glad to consider. The first is the possible amendment suggested by