

may be shown after depreciation, obsolescence and depletion, if the amount charged in respect of those items for the financial period is shown as a foot note to the statement of income and expenditure.

That has been suggested by the Society of Accountants and Auditors. Some companies out of their incomes set aside the necessary amounts for depreciation, obsolescence and depletion, and if they are charged against the manufacturing or operating costs by the company in its accounts, so that the net operating profit is shown after the deduction of these amounts for depreciation, obsolescence and depletion, a footnote shall be placed at the foot by the auditor explaining that fact.

Mr. DUPRE: I move accordingly, Mr. Chairman.

Amendment agreed to.

Section as amended agreed to.

Sections 114 and 115 stand.

Section 116 agreed to.

On section 117—Copies to be sent.

Mr. CAHAN: The word "is" at the end of line 40 should be changed to "in." It is a misprint.

Mr. DUPRE: I move accordingly, Mr. Chairman.

Amendment agreed to.

Section as amended agreed to.

On section 118—Appointment of auditors.

Mr. CAHAN: I suggest, Mr. Chairman, that subsection 5 be struck out. I will present the matter as fairly as I can for the consideration of the committee. Complaint has been made to the Secretary of State that when auditors are appointed by the shareholders and do their duty without fear or favour they sometimes incur unmerited reproach and are not likely to be reelected because of their persistency in presenting the real facts to the shareholders. That is the statement that has been made to me. In order to meet this I at first suggested subsection (5) which reads:

A person other than a retiring auditor may be appointed auditor of the company at an annual meeting as hereinbefore provided, only upon a resolution passed by at least two-thirds of the votes cast by shareholders voting on such resolution.

This clause has received widespread criticism as it is claimed that it places unnecessary difficulties in the way of selecting auditors. The previous clauses provide that if an appointment of auditors is not made at an

[Mr. Cahan.]

annual meeting, the Secretary of State may appoint on behalf of the shareholders. It is also provided by subsection 3 that there must be notice of intention to appoint a particular person as auditor. It is contended that if notice of intention is given to each shareholder with regard to the appointment of new auditors, a majority vote should be sufficient. After listening to the discussion on both sides, I ask the committee to delete subsection 5 and renumber the other sections accordingly.

Mr. DUPRE: I move that amendment.

Amendment agreed to.

Section as amended agreed to.

Section 119 agreed to.

On section 120—Report.

Mr. BUTCHER: Could not subsection 3 be amplified slightly to provide that on the request of shareholders holding ten per cent of the stock or of any class of stock the auditor shall be required to attend the annual meeting?

Mr. CAHAN: We could let this section stand in the meantime.

Section stands.

Section 121 agreed to.

On section 122—Meeting of shareholders to consider compromise.

Mr. CAHAN: These are the provisions which exist in our act to-day and they are in accord with the revised provisions of the English act. It will be noticed that subsection 3 contains the words, "unless the said judge in his discretion otherwise orders." We have sought to preserve the discretion of the judge, and I think that is the only material change made.

Section agreed to.

On section 123—Meeting of shareholders.

Mr. CAHAN: There is a slight amendment in the twentieth line, to strike out the words "and voting."

Mr. DUPRE: I move accordingly.

Amendment agreed to.

Section as amended agreed to.

On section 124—Notice to dissenting shareholder.

Mr. ELLIOTT: Has this section any relationship to the act passed a year or two ago with regard to compromises between companies and creditors and tying up proceedings until a meeting is held?