

All that should appear in the books of the city is that the Depreciation Reserves amounted in total to \$253,800 at the end of 1920, and that the Sinking Funds for various purposes totalled the same amount.

It is evident from the statement that the books of the City did not agree with those of the Sinking Fund, and that if for example the depreciation provided amounted to \$200,000 at the end of 1919 the Sinking Fund in the City books must also have been wrongly displayed.

But we are asked what remedial action is necessary. If the Sinking Fund Reserve is correct, viz., \$220,000 and the Depreciation Reserve incorrectly shown at \$200,000 there has been some neglect or lack of bookkeeping methods.

In this case, all that is necessary is an increase of \$20,000 in the Depreciation Reserve with a corresponding contra to Surplus.

If, however, both the Depreciation Reserve and the Sinking Fund Reserve are erroneously displayed in the books of the City, then both accounts should be increased to bring them into accord with the accumulated Sinking Fund.

Such an instance only exemplifies the need for the appointment of Sinking Fund Trustees, as then the City Books and those of the Trustees would not have been in agreement