

CANADIAN BANKING PRACTICE.

By H. M. P. Eckardt.

XX.

Most business men borrowing regularly from banks do so on what are called lines of credit, or credits; that is, they arrange with their respective banks to take paper up to a certain maximum amount. For example, if a manufacturer arranges for a credit of \$20,000, that means that the bank will discount for him all the acceptable paper he can lodge, providing the amount held at any one time does not exceed \$20,000.

Credits Authorized by Head Office.

The credits granted to the respective customers are authorized by the head office. In considering whether they will grant them or not, the executive officers are influenced more or less by the representations and recommendations of the managers of the branches at which the requests or applications originate.

It is important that the bank officers be able to tell at any time what amount of bills the bank has under discount for each one of its customers; in other words, to tell what his "liability" is. That is done by means of the "liability" or "credit ledger."

This book is kept by a senior officer, sometimes by the manager himself, but it can fittingly be described here in connection with the discounting department. Accounts are opened for all the regular discounting customers; occasional or "petty" discounts are put in a place by themselves. Each customer's account is debited every day he discounts with the bills he puts in, and credited with the bills matured and paid. The posting is done from the bills themselves, or from the discount register, in the case of debits, and from the discount diary in the case of credits.

Two Balances are Shown.

His account should also show whether he has any paper in past due bills. The bills discounted by the customer are entered in his account separately in their alphabetical order. Two balances are shown, one for his loans and the other for his trade bills. In entering each loan bill the name of the endorser, or particulars of the security, must be set down, and the amount of the bill; in entering trade bills the promissors' names and the amount of each bill are the essentials.

In both cases it is advisable to have the book designed so that the respective due dates also can be given. When the book is posted up to date, the total of the two balances—loan bills and trade bills—represents the customer's direct liability to the bank. In his account there will also be a memo of the amount of his indirect liability, if he has any. Indirect liability in this sense means the amount of his paper held by the bank, discounted for the account of some other customer.

This indirect liability does not show in his balance, and it does not, generally, form a part of his line of credit. The total of the balances shown in the liability ledger, regular and petty accounts, should agree with the total of the loans and discounts as shown by the general ledger.

Utility of Liability Ledger.

A properly arranged liability ledger will show the manager at a glance, when he refers to a particular customer's account, how much of each kind of paper that customer has under discount in the bank, the names or security against which the discounts were made; also, it should show him how near maturity are all of the bills.

As already implied, the liability ledger is balanced with the general ledger. The purpose of the book being merely to show the liability of the several customers to the bank, it is not necessary to balance to a cent. As a matter of fact, it is found convenient to ignore the cents and to enter dollars only in the accounts.

MONEY AND MARKETS.

Notes from London Concerning the Situation in German Trade—Joint Stock Companies.

(From our own Correspondent.)

London, Sept. 6th.

The fact seems to be thoroughly assimilated now that there is monetary tension in Canada. More notice is given to the plight of New York, but every scrap of news of Canadian conditions is weighed. Nothing really bad is reported, but there is an unmistakable cautionary warning hoisted.

Criticism for Mr. Cortelyou.

As to the efficacy of Mr. Cortelyou's measures to relieve pressure in Wall Street there is frank puzzlement. Few are bold enough to say that the Government deposits will do good without concomitant harm. More than any detail of his scheme is feared the effect of a sort of general assurance to speculators that a benevolent Government will ward off any disastrous consequences of speculation.

Money is quite unlikely to be cheap soon, and nothing adequate has happened to explain a complete reaction in Stock Exchange feeling. Yet suddenly dealers have adopted a more cheerful mood. They are beginning to think even of a boom. The market has turned from crying to laughing, but the change is more emotional than due to matters of fact.

Notes of Metal and Coal Markets.

In trade, metals are weakening, but coal hardens. House coal and steam coal are advanced one month earlier than usual by such abnormal amounts as 1s. 8d. and 1s. per ton respectively. Steam coals, costing 5s. 9d. in December, 1906, are at 10s. 6d. now. Lower rates are paid on current contracts, but the difference shows the situation.

Spring, 1908, is the time at which a decline is expected, and this expectation is based on a survey of the metal industries of all Europe. A calculation puts the world consumption of coal this year at 1,030,000,000 tons, or 400,000,000 more than ten years ago.

London has been much taken with the designs for the Dominion buildings, which are to decorate the Strand. They are to adjoin Aldwych, and to face the island Church of St. Mary-le-Strand. Beside them will be the new Commonwealth offices, making a great sweep of frontage, that is likely to become well known as "Colonial Crescent."

Are Interested in British Columbia.

It is observed that the architecture harmonizes well with the great neighboring edifices, Somerset House, the Gaiety Theatre, and the Waldorf Hotel. Commentators find it appropriate that a Scots architect should design a Canadian building. But it is not uncommon for London's greater commissions to go to Scotland. The Adelphi was built by the Brothers Adam, and the Dominion House is being built by Marshall Mackenzie, of Aberdeen.

A concern with important interests in British Columbia, the Yorkshire Guarantee and Securities Corporation, Ltd., returns a favorable account of its transactions in that Province. The report tells of "very satisfactory prices" made for properties sold, and of continued general prosperity in British Columbia. The corporation announces its appointment as agent in the Province for the Yorkshire Insurance Company.

British consular reports on Germany are distinguished as being almost the only ones in the series that are consistently well done. They relate to internal conditions for the most part, but Sir Wm. Ward, Consul-General at Hamburg, has something to say of German-Canadian trade relations. He finds affairs influenced unfavorably by the tariff war, and finds Germans the greater sufferers in the conflict.

Some Trade Statistics.

Figures for the Empire carry only to 1905, when German sendings were £1,090,000 instead of £1,935,000 as in 1902. Imports from Canada, which had been £370,000 in 1901, were £490,000 in 1905. Figures for the port of Hamburg refer also to last year, and reflect something like the half of Canadian-German commerce. They show exports to have declined from £875,000 in 1902 to £460,000 in 1906. Since 1905 imports from Canada have increased from £138,000 to £212,000.

A notable movement is exhibited in figures relating to registration of joint stock companies. The capitalization is steadily falling. The present average of £28,000 per company is only half of the average ascertained ten years ago. Undoubtedly the main cause is the resort to limited liability of relatively small traders. But our largest traders are very much given to registering small companies.

Companies with Small Capital.

The combines, with their many millions, organize their branches as subsidiary companies with a capital of £1,000 or so. Then small capitals are attached to the numerous experimental concerns, which are later to be transferred to big companies by professional promoters.