

the years excepting in 1932, when a loss of \$420,108 was shown. The profits in 1933 were \$24,813 as compared with a high in 1928 of \$1,504,429.

Profit and Loss Account 1933: Statement No. TT-4 shows the net results for 1933 of the Toronto store operations. On Statement No. TT-5 the details of the departmental operations are shown, the totals of which are carried forward to Statement No. TT-4. Statement TT-6 shows the details of the direct and indirect expenses shown in total on Statement TT-5 (1933 only). This is dealing with 1933 in detail.

Q. That is departmental accounts, and the departmental statement of profit and loss?—A. The total departmental profits shown on TT-5 are carried forward to Statement No. 4, and then are shown other adjustments in the profit and loss account, in order to arrive at the net profit or loss for the year.

Q. Yes?—A. And Statement TT-6 shows the details of the expenses which are shown *in toto* in Statement TT-5.

Q. Yes, and that covers wages, buying expenses, advertising, and all the other items of direct expense?—A. Yes.

Q. It also covers indirect expense?

Mr. FACTOR: In the printed copy we have no TT-3 or TT-6?—A. They are large statements and were not printed.

The expenses shown on this statement are not grouped in the same manner as on the company's departmental statements, although the net results do not differ. The following changes have been made:—

- (a) The amount of buying expenses charged into the cost of sales has been eliminated and shown instead as an expense item. For this reason the gross profit percentage of each department is higher than shown on the company's statements and on the comparative ten-year statement (No. TT-1).
- (b) The charges made to the departments for interest and depreciation have been eliminated from the expenses and shown as separate items.

INTEREST

The interest eliminated and shown separately consists of:—

- (1) The interest on inventories which was eliminated from "Miscellaneous Direct Expenses."

By Mr. Sommerville:

Q. In the matter of expenses charged, all departments and services are maintained as separate units?—A. Yes.

Q. And each service department is expected to show a profit operated as such, to cover its expenses and show a profit, is it not?—A. Yes, the cost of the various services is charged; at the beginning of the season the estimated cost of maintaining this service is arrived at, and that is spread over the expenses of the various departments on the basis of budgeted sales.

Q. Yes, and to these service departments there is added a proportion of rent, depreciation and interest?—A. The rent includes the interest.

Q. Interest, depreciation and other similar items?—A. Yes.

Q. Take, for instance, a service department, such as window display, that department is charged a rental for the window while it is used?—A. By the department.

Q. And then, the window trimming department charges for setting up the exhibit.

By Mr. Factor:

Q. That is not included in the 6 per cent?—A. No, the various services are charged separately.