refers as follows to the matter of valuing the merchandise for credit purposes.

"It is important to know if the figures are the result of actual inventory at cost price and also on what basis old or unsalable goods have been included. In revaluing the merchandise for credit purposes due consideration must be given to the nature of the business. A deduction of 10 per cent. is generally sufficient for staples such as groceries, provisions, iron and leather, while on goods partaking of the nature of luxuries, or depending for their sale on changing fashions or seasons, there should be a much heavier discount. It is always advisable to look over the stock as occasion offers. Another good plan is to keep a record of the result of local liquidation sales of goods and receivables; no better object lesson can be found as to the realizable values of the different kinds of merchandise."

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A number of the foregoing points may come up in connection with the regular accounts as well as in the case of new applications. It is quite important for the branch manager to convince Head Office that his oversight of the credits standing in the books is all that it should be. Of course new balance sheets are required periodically in their cases to permit of comparison, analysis, etc. It is advisable for the branch officials to watch the movement of certain percentages as shown by these balance sheets in successive years. Very important information may be discovered through watching three of the percentages in particular. The first of these is the percentage of sales to merchandise on hand. A healthy state of affairs is indicated when the sales are large in comparison with the stock of goods on hand; and if from year to year the percentage of sales to merchandise shows a marked tendency to decrease, the manager is put on enquiry. The circumstance may mean that the merchandise includes old or dead stock, or that the business is suffering from some sort of mismanagement.

Next the percentage of accounts and bills receivable to sales demands careful watching. Unsoundness may be denoted if this shows a persistent tendency to increase. Such tendency would point to bad debts not written off or slackness in making collections. And, thirdly, attention should be given to the percentage of current liabilities to liquid assets. In regard to this the generally accepted rule is that the current liabilities should not, except in a few special cases, exceed 50 per cent. of the liquid assets. If this percentage tends to increase from one year to another it is not a good sign. In a