tension of trade in other directions than the great American Republic, with which we have found it extremely difficult to get a reasonable treaty of commerce.

RENEWAL ACCOUNTS IN COTTON CONCERNS.

Once more the tide of prosperity would seem to have reached the Canadian cotton trade. After some years of depression, caused by over-production, the mills are once again making money. Many, if not the majority, of the concerns have, however, a considerable amount to the debit of profit and loss account to pay off before they are able to begin to pay to their shareholders the much desired dividend. Shareholders are naturally impatient once again to receive a return upon their investments. Moreover, not a few of the directors could perhaps well find room in their businesses for the dividends they had hoped to receive from their investments; whilst others have the angry shareholder so much before their eyes that they are as anxious for dividends as persons who financially require them.

This condition of affairs offers great temptation to those who have the control of these concerns to make the profit appear larger than it really is. That this is possible will be at once admitted when it is stated that in England such manipulations have been so frequent and so notorious amongst Limited-Liability concerns that the Imperial Government is even now considering a Bill by which this evil may be checked. If such an evil can exist in England where thousands of persons possess sufficient technical knowledge as would enable them to detect the manipulations, how much easier may it be done in Canada where but few persons possess the knowledge and where the balance sheets of the different companies are kept as secret as possible.

One of the methods most often employed to enhance the profit or decrease the loss is that of taking off an insufficient amount for depreciation, or in other words adding to the Renewal Fund an amount insufficient to meet the constant depreciation in the mill property over and above the cost of what is understood as repairs.

Shareholders as a rule cannot understand this question of renewals. They hold that a mill and plant, well built and fitted, kept in constant repair, should be as good in five years time as during the first year of its existence. It would be a sad day for machinists and inventors were this the case. But the facts are very different. The life of a machine is ordinarily from fifteen to twenty years, but in many instanc s it is found more profitable to replace the machinery at the end of ten years in consequencc of improvements in the make of the new machines which causes the old machinery to be worked unprofitably when it has to compete with mills fitted with newer appliances. Machinery is in some respects very much like a man: you may pay doctors' bills, supply false teeth and do a hundred and one things to lessen decay or supply the waste caused by its ravages, but a time comes when no doctor, however clever, can do anything more for him and he must make way for those younger.

Now, in England, the recognized rate of allowance for depreciation is after the rate of 2½ per cent. per annum upon mill buildings, engine, boilers and shafting and 7½ per cent. on machinery. Is there any mill in Canada to-day where this provision for the future is being made? Yet the mills work longer hours in Canada than in England. The climate is one much more trying and the operatives much less killed. These conditions must of necessity increase the annual depreciation of cotton concerns. The accounts of some mills do not show one as having been provided for depreciation although the concern has been at work for some years.

This is a matter that affects every shareholder. If dividends are being paid out of capital, the time will surely come when the reckoning has to be met, with the result that hundreds may lose more than they can well spare. More than this, such an *expose* would so shake the public confidence in industrial concerns that the progress of the country may be sensibly retarded.

Let shareholders and investors look into this subject and see, whilst there is yet time and opportunity, that every company provides for depreciation at least at the rate considered requisite in England. The days of harvest may be short, shorter than they wot of, and it may go hard with those concerns that are caught in rough weather with worn-out sails. We have given our warning, it is for those financially interested—the banks especially—to see that we do not warn in vain.

RECENT LEGAL DECISIONS.

RYAN v. THE BANK OF MONTREAL.—This case, judgment in which was given in the Court of Appeal last week, is one of great interest to business men, involving questions as to liability on forged notes, and notes or bills with forged endorsations. The facts of the case are briefly as follows:—On the 23rd July, 1883, one Young, of Hamilton, an employe of the Hamilton Cotton Co'y., purported to draw upon Ryan a bill of exchange in the name of the company for $4,800, payable on demand to their own order. Young took this draft to the bank's branch at Hamilton, and it was there discounted, the proceeds being afterwards drawn by cheques in the name of the company. The draft was then forwarded to the bank's branch in Toronto, and there presented to Ryan for acceptance and payment. Ryan paid the draft, which bore the endorsation of the company. The plaintiff, Ryan, about the 11th September, 1883, discovered that both draft and endorsation were forgeries; and he immediately notified the defendants, the bank, of the same, and demanded repayment of the money, which the bank refused. The plaintiff then brought this action against the bank for recovery of the amount of the draft. The case came on before Galt, J., without a jury, at the autumn assizes of 1885, when the learned judge, after reserving his judgment, decided in favor of the defendants, and dismissed the plaintiff's action, with costs. On appeal to the Queen's Bench Division, this judgment was by that court unanimously reversed, Wilson, C. J., delivering the judgment; the reasons for which—and they were practically adopted in the Court of Appeal—were briefly as follows: The acceptance of a bill by procuration admits the drawer's handwriting and the procuration to draw, but it does not admit the endorsement was authorizedly made, although the endorsement is made by the same procuration, even although the endorsement is made before acceptance. When the acceptor accepts, he looks only to the handwriting of the drawer; he is therefore liable, even if the signature of the drawer be forged, but he is not liable for a forged endorsement. He is therefore not liable to any one claiming title upon a forged endorsement of the alleged payee of a bill, for he is not estopped from showing that the person demanding payment from him has no title to make such demand. This was held to be the position of the bank here: having no title to the bill, the endorsement being a forgery, they were not entitled to receive payment, and having received it from the plaintiff he was entitled to recover it back, unless the defendants had been injured by his delay in reclaiming the money. Upon this latter ground of delay, the Court of Queen's Bench was in favor of the plaintiff, on the simple ground that his delay could not possibly have damaged the bank in any way, because there was no actual, genuine party upon the bill to whom the bank could have had recourse, nor was it shown that restitution could have been had by them, if earlier notified,from the actual forger. That this question of delay, if the delay had damaged the bank at all in their power of exhibition, might have seriously affected the position of the plaintiff, is shown by the lucid summing-up of the learned Chief Justice of the Queen's Bench Division. "There is nothing," he says, "the plaintiff has done to prevent his recovery of the money he has paid to the defendants by reason of their want of authority to receive it, excepting the delay in claiming it, but that, I think, is answered by the fact that the defendants had no recourse against any actual parties to the forged bill, and it does not appear they have lost the means of recovering against the actual forger of the bill by reason of such delay."

The Court of Appeal, to which the case was next carried, was evenly divided in opinion, Hagarty, C. J. O., and Patterson, J., being in favor of affirmation of the decision of the Queen's Bench Division in favor of the plaintiff, and Burton and Osler, J.J., being in favor of a reversal. Judgment thus stands, at present, in the plaintiff's favor. Patterson, J., whose judgment goes very fully into all the grounds raised on both sides, practically decides on the broad principle that, the endorsement of the company being a forgery, and the plaintiff, by his acceptance, not guaranteeing the genuineness of the endorsement, he paid the money under mistake; and, having paid it under mistake, is entitled to recover it back, the bank not having been injured by his delay in reclaiming. His judgment also contains valuable remarks as to the responsibility of banks in general for the genuineness of signatures of their own customers; these, however, are too lengthy to be fully referred to here.

This case will be carried to the Supreme Court, and in all probability to the Privy Council, and its ultimate determination will be looked for as deciding an interesting and important point with regard to liability for forged endorsations.