Mr. HAMILTON (*Notre-Dame-de-Grâce*): Just before you leave that heading, Mr. Chairman. Last year you took a physical inventory of your supplies and equipment, Mr. McGregor?

Mr. McGREGOR: We do each year, Mr. Hamilton.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): Mr. McGregor, I am sorry. I do not want to differ from you, but the auditor's report in the previous year said they had not done an actual physical inventory last year, however the point is not important. I was coming to this: when you take a physical inventory, you find a discrepancy between what you had on your books and what was actually there. What was the amount of that?

Mr. McGREGOR: I can give you that in a moment, Mr. Hamilton.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): Because that will affect your operating picture, of course.

Mr. McGREGOR: It was a credit, an overage in other words of $48,058.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): $28,000?

Mr. McGREGOR: $48,000.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): $48,000.

Mr. McGREGOR: Yes.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): In other words, when you actually counted up the inventory, you had $48,000-odd more than you thought you had?

Mr. McGREGOR: Than the card records showed.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): Right. I am delighted. That makes me a better accountant than my roommate.

Mr. HAMILTON (*York West*): We had quite an argument about that last night.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): And that, therefore, was a direct reduction to your operating expenses for 1955?

Mr. McGREGOR: That is correct.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): Therefore, over what period of time did that actually represent any accumulation?

Mr. McGREGOR: In 1955 it represented one year. We missed a year, I think it was 1953, in taking a full inventory due to changes that were being made. But the practice of the company is normally to take a physical inventory, and on some items a spot check. That is, the number of washers and so on are calculated by weight, and that type of thing. I think that that difference covered a 18-month period. The total investment is in the order of—

Mr. HAMILTON (*Notre-Dame-de-Grâce*): $7½ million?

Mr. McGREGOR: $7½ million, yes.

Mr. HAMILTON (*Notre-Dame-de-Grâce*): So that that overage, or underage like that is a fairly normal position, I would think?

Mr. McGREGOR: Yes, it could well reverse itself in the 1956 inventory.

Mr. HAHN: Do you, at the same time depreciate your inventory at the same rate as in aircraft?

Mr. McGREGOR: It depends on the item. Major items such as spare engines, and particularly expensive units such as crank shafts, we capitalize and depreciate, but not normally consumable stores.

Mr. HAHN: Well, in the case of the Bristols that were disposed of, the full depreciation was taken on that, was it?

Mr. McGREGOR: Yes. We sold them and their parts as a package. There was a small credit representing the difference between the sale price and the book value of the four aircraft and their parts.