

FLOUR-MILLING COMPANIES

19

REVENUE, 1917.

Total sales		\$22,720,685
Net profit available for dividends, after \$111,000 has been absorbed for reconstruction of Medicine Hat milling plant (after deduction of war-tax)		618,258
Composed—Lake of Woods net profit		581,748
Less war-tax reserve (nominal)	\$ 55,000	
" reconstruction	111,000	
	\$166,000	
Total		115,748
Net profit Lake of Woods, including war-tax reserve, \$55,000, and after paying off reconstruction costs	\$479,748	
Net profit Keewatin Flour Mills, after deducting depreciation reserve	179,765	
	\$659,513	
Less war-tax (actual)	32,255	
Total net profit for year	\$618,258	
Lake of Woods profit		\$415,748
Disposal—Dividend on preferred shares (7 per cent)	\$105,000	
" common " (8 per cent)	168,000	
Added to surplus profits account	142,748	
Total		415,748
Derived—From flour manufacture, after deducting \$111,000 for reconstruction of Medicine Hat plant	\$456,513	
From sources other than milling	194,000	
Total	\$650,513	
Less war-tax	32,255	
		\$618,258
Rate of profit—Net profit, before paying \$50,000 off the good-will account and before paying war-tax (\$618,258 plus \$32,255, plus \$50,000), was:—		
Total net profit		\$ 700,513
On capital		3,000,000
Preferred shares	\$1,500,000	
Common shares	2,100,000	
	\$3,600,000	
Less good-will	600,000	
	\$3,000,000	
Surplus profits		889,000
On total invested capital (18 per cent)		3,889,000

Profit per barrel of flour and dividends on common stock payable thereby after deducting amount paid off good-will account and \$111,000 for reconstruction of plant and war-tax (\$456,513-\$32,255).

Total net profit from flour, \$424,258.
Total flour and other cereals produced, 2,102,400 barrels.
Profit per barrel, 20 cents.

After paying the dividend on preferred shares, \$105,000, and setting aside \$42,940 to surplus profits account instead of \$142,748 which was set aside, and deducting the war tax, \$32,255, the remainder, \$276,339, would pay about 13 per cent on common stock. The reserve of \$42,940 is the average of the reserve set aside annually during the period 1913 to 1916. The amount set aside to surplus profits account in 1917 was unusually large and might justly have been applied to dividends.

The disposal of accruing surplus profits from the Keewatin Flour Mills Company is not analyzed in detail above. It is sufficient to state that after due depreciation and other charges had been paid the profits from the operations of this mill were used to redeem bonds to the extent of \$350,000 in 1916 and that the amount to the credit of the surplus profits account was \$212,599 in 1916 and \$392,364 in 1917.