

at the end of every year, but this process does not determine its value, which should appear in the balance sheet by the permission and with the approval of the auditor, because the auditor is responsible to the shareholders for a true statement of the values of assets and liabilities, as well as of the accounts.

In order to stimulate thought upon this subject we will premise that the patent requires the use of a large capital for its operation, in which case the value of the patent is affected by the risk of the capital. In other words, the capital demands that the risk it assumes shall be taken into account as well as reasonable interest or fair expectations of dividends when valuing the patent right.

An auditor may be justified, at the end of the first year, in allowing the cost of the patent right, less a pro rata deduction for time, to appear in the annual balance sheet, if the statement is made plainly and unmistakably. But he may not be justified in continuing this method of statement for reasons already suggested.

Suppose the cost of the patent right to be \$10,000, its life ten years, the actual capital requirement \$90,000, making a nominal capital account of \$100,000, the net profit during the first year \$10,000, the dividend declared \$7,000 and the reserve \$3,000, less \$1,000 written off patent right account. If the balance of the reserve is kept intact and the next year is similarly successful, \$1,000 may again be a sufficient deduction from the valuation of the patent at the end of the second year; but should not a contingency account then be created of a similar amount, so that the reserve may safely then be stated as \$3,000?

The general disposition of such companies is to make the dividends eat up the net profits, the argument being that the result of the year's operations is an assurance of continuous prosperity. The shareholders always want dividends, the managers want commendations and increases of salaries, and so everybody is made happy without regard to the future; but the auditor is not relieved from responsibility unless he has plainly stated the facts and made protest against the improvidence of the accounting.

The value of a lease of other privilege for a limited period may be affected by responsibility for special taxes or by loss of use by reason of a fire or other catastrophe, so, therefore, a contingent account should always be maintained, outside of the reserve account, to provide against such drawbacks.

The fact of a reserve account may be made an argument for increased dividends; therefore it should not be depended upon as a provision against contingencies, as neither directors nor auditors should allow any neglect of or infringement upon the provisions made for the safety of the company and the avoidance of calamities arising from want of foresight in respect to assets of uncertain or decreasing values.

NOTES FROM MONTREAL.

Mr. F. W. Cowie, Government engineer, connected with the Department of Marine and Fisheries, was in conference a few days since with the president of the Montreal Board of Trade, in regard to the proposed damming of the lower end of Lake Erie. It is Mr. Cowie's opinion that should the United States be permitted to dam the lower end of the

lake in this manner it would advance the season of high water, in fact, the best United States authorities admit this. This being the case it would naturally advance the season of low water, which would bring the lowest depths of the season in the early autumn, when ships are leaving Montreal with the heaviest cargoes, and when they want every inch that the river will give.

The half-yearly report recently issued by the building inspector's department at the City Hall, shows a very material increase for the six months ended June 30th, as compared with the corresponding period of 1904. The total number of permits issued was 559, and the estimated cost of buildings, \$2,516,761, an increase of 220 buildings, and of \$927,946 in value over last year's returns. The highest number of permits issued in any one month was 158; value \$658,000, in April. Building operations in the city, however, are receiving a severe check owing to the strike of the carpenters and joiners now prevailing, with no prospects of immediate settlement. The men are out for an increase of wages, and contend that they have borne with their present "low" rate long enough. The worst feature of the strike is the effect it will have upon buildings in course of erection. In the city the season at its longest is but short, and it is, of course, necessary to have the buildings under cover before the cold weather sets in. It is to be hoped that a satisfactory settlement will soon be arrived at.

There appears to be every indication that Eastern Canada will have bumper crops this season. Such, at least, is the testimony of the reports which have been received from many points. Of course, it is somewhat early to form conclusions, as the cold and wet weather which was experienced during spring have made the season late, but with a continuance of the present warm, dry weather, a banner year may be expected. Trade conditions here have a slightly better tone than was noticeable a week ago, although business is unusually quiet. Prospects, however, favor an improvement in wholesale trade. Collections are fair.

"MOUNT ROYAL."

Montreal, July 5th.

FIRE IMPROVEMENTS IN MONTREAL.

An important private conference between Mayor Laporte, representative aldermen, and a delegation from the Montreal Board of Trade was held in the City Hall, on Tuesday, the 4th inst., to discuss the question of insurance rates. It is the Mayor's contention that the city has done enough in the matter of improving the fire brigade to warrant the fire-underwriters in reducing the insurance rates. A statement presented by Chief Benoit and Supt. Janin showed that during the last four years, the city had expended over \$600,000 on the improvement of the fire protective service of Montreal. After listening to these reports the delegates referred to the list of improvements sent to the city some time ago, with the suggestion that until they were carried out there was small hope of the insurance rates being reduced. These suggested improvements are:—The installation of a high pressure water supply for fire purposes only; the placing underground of all light, telegraph, and telephone wires; the removal of the central fire alarm office from the City Hall to a fire-proof building; the strengthening of the fire department by a considerable addition of new men, new stations, and new appliances; the revision of the building by-law, and its enforcement; the strict enforcement of the by-law regarding the storage of explosives and inflammable materials. It would appear that the chief item in the foregoing is the installation of a high pressure water supply for fire purposes only; and about that there is a division of opinion. It was pointed out that the cost would be about \$1,000,000, and it was the contention of many of the aldermen that the city did not need it. The matter was well discussed, however, and while the Mayor and aldermen could not promise to have such a system installed, they promised to improve the water pressure. Regarding the putting of wires underground, it was promised that everything possible