Office to arrive at a satisfactory conclusion regaraing the customer's posit'on and regarding the nature of the risks he takes in selling on credit. It should be said that inasmuch as Canadian banks are always rea to discount the good bills receivable belonging to reputable customers, there is not likely to be an excessive amount of these shown as an asset. If the amount is large it invites inquiry.

Then the item "merchandise," which usually figures importantly among the assets, should receive more attention than some managers accord it. In case of a merchant's statement some explanatory remarks should be given making it clear as to the character or nature of the stock of goods—whether slow or quick selling, well or ill selected, whether or not the stock appeared excessive, etc. The great point on which Head Office desires to be informed in this connection is: To what extent can this stock of goods be relied upon as a quick or live asset? With manufacturing customers another point comes in for consideration. It makes much difference in some cases whether the merchandise is manufactured, partly manufactured, or in the form of raw material.

If the raw material is a cash article—bought and sold for cash—there will probably be a ready market at any time for the whole of it, and it therefore constitutes a desirable or suitable security. When this raw material takes a different form—being partly worked up into the article which is produced—it is perhaps not readily marketable. In the event of the bank taking over the security it might be necessary to expend considerable sums in completing the process of manufacture before the asset could be realized. Again, with reference to the wholly manufactured goods, if there is a durable market for them at satisfactory prices, the bank can presumably realize at once. Hence the manager should be particular to explain how much of the merchandise is manufactured, how much partly manufactured and how much raw material.

——

As regards the item "merchandise" it should be specifically stated by the branch manager, when forwarding an application, whether the inventory is based on cost or selling price. When a merchant takes stock he should value his goods at cost price, not at their supposed selling value. However, some customers, through ignorance or with intent to deceive, make up the inventory on the basis of selling prices. Thus they show a larger surplus than is warranted. This is a point about which the manager should make specific inquiries. Mr. E. L. Stewart Patterson, in his "Banking Practice and Foreign Exchange,"