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For application forms apply to the Deputy Minister of Finance, Ottawa.

DEPARTMENT OF FINANCE, OTTAWA,
OCTOBER 7th, 1916.

Industry, Thrift, Banking, Insurance, Investments

BOOK VALUES OF BONDS AND DEBENTURES

In connection with this item the question arises as to what is to be regarded as the book value of a bond at date of purchase and in the interval elapsing between that date and the date of the first interest payment. The purchase price of a bond will usually include accrued interest, and there are the following three methods of dealing with this accrued interest: (1) Carry it to a separate ledger account, "Amount paid for accrued interest on bonds purchased," and when the first interest on the bond is paid, apply a part of it to wipe out the balance in this account. (2) Charge the accrued interest directly to the interest account. (3) Carry the accrued interest in the bond account until the first interest payment after purchase is made on the bond. If the first method is followed the accrued interest on the bond shown in the non-ledger assets will be the interest accrued from date of purchase to the end of the year; if the second method is followed the accrued interest to be shown in the non-ledger assets will be simply the interest accrued from the date of the last interest payment on the bond; if the third method is followed it must be borne in mind that the market price of a bond is a firm price, that is, a seller of such a bond would, in addition to the market price, be entitled to the full interest accrued from the date of the last interest payment made on the bond, and it will therefore be necessary, if the total assets represented by the bond is to be correctly returned, that the full interest accrued from the date of the last interest payment on the bond be shown in the non-ledger assets. There may be a slight objection to this, however, as the interest shown as earned on the bond before the first interest due date after purchase will be over-stated. Some companies which have adopted the third method have added the accrued interest at purchase to the market value of the bond, but this practice is objectionable, as the price placed upon the bond cannot be reconciled with that furnished by the department of insurance. The first method described is, perhaps, theoretically correct, but probably the second method will be more practicable and very little objection can be taken to it.

PURCHASE AND SALE PRICE.

The half-yearly statements of securities require the purchase and sale prices of bonds to be shown. In order that comparisons, made from the returns, may not be vitiated it would be well to exclude all accrued interest from these prices.

When a bond, repayable at par at the end of a definite period, is purchased at a premium or at a discount, the amortization method of dealing with the account value should be followed so that at the date of maturity it will equal the par value. The account values of securities should not be made to agree from year to year with the market values, the adjustment in this connection being made by a separate item in the non-ledger assets. Gains or losses of a definite character should nevertheless receive special treatment.

In speaking of the item in the non-ledger assets which takes care of the difference between the total account and market values of securities we might refer to the fact that the market value of a stock usually includes accrued dividend, and in such cases no credit should be taken in the assets for accrued dividends. In those cases, however, where the quotations are ex-dividend, it is, of course, proper to take credit for the amount of the dividends declared. Where the interest on the securities of a company is in default the values supplied by the insurance department include all interest due and accrued.—Monetary Times.

THE BRITISH WAR LOAN.

It is interesting to note the small proportion of subscriptions to the great British loan which elected to take advantage of income tax exemption. This was only one hundred and ten millions out of the total five thousands millions of dollars. This might be ascribed to patriotism—that the great bulk of the subscribers preferred to pay the war tax to keep the war going. Otherwise it was a preference to pay the impost for a time, with the certainty of a larger income when peace came, coupled with belief that this event was not so far away as years ago.

At any rate, the new British war loan marks, by its stupendous totals and by the fact that nearly one-fifth of all the individuals in the entire nation contributed to it, the deep determination of a great people to win the war. Five thousand millions of new money contributed by eight million people. It is the most sincere demonstration of the settled patriotism of a united nation. It was a revelation of the almost unlimited resources of Great Britain. The individual funds of a nation were never before enlisted to near such an extent, for one issue of Government securities.

In July, 1915, the English war loan produced \$2,900,000,000, and the loan in November about \$2,500,000,000. Now after thirty-one months of a stupendously costly war, Great Britain's people turn in double the amount of new money obtained from the first loan.

The French loan of 1915 yielded \$2,600,000,000; Russia's largest loan yielded under \$1,000,000,000; Austria-Hungary raised something over \$500,000,000 in one loan, and Italy \$150,000,000.

Germany's September, 1915, loan produced the largest amount for that country. The subscriptions were \$3,000,000,000, but the amount of new cash received has never been definitely figured out, as the loan banks' participation confused the totals. It is estimated that \$2,000,000,000 would amply cover the amount of new money received.

The national debt of Great Britain, it is estimated, will approximate \$20,000,000,000 on March 31.

WAR DEBTS.

A table of debts of the belligerent countries estimated at the present time is as follows:

	February, 1917.	August, 1914.
Great Britain	\$19,000,000,000	\$3,500,000,000
France	17,000,000,000	6,500,000,000
Russia	13,000,000,000	4,600,000,000
Italy	4,700,000,000	2,800,000,000
Entente	\$53,700,000,000	\$17,400,000,000
Germany	17,000,000,000	5,200,000,000
Austria-Hungary	8,500,000,000	3,750,000,000
Turkey	900,000,000	650,000,000
Teutonic	\$26,400,000,000	\$9,600,000,000
All belligerents	80,100,000,000	27,000,000,000

A HINT FOR INVESTORS.

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