

1. The direct expenses of the department;
2. General store expenses and other charges apportioned to the department;
3. Interest on the investment.

From this statement it will be seen that, of the net loss of \$99,663 for the year, \$83,109 represents interest on the investment charged to the department.

*By Mr. Sommerville:*

Q. The charges to the department includes \$83,000 of interest, and include \$68,317 for building maintenance, taxes and insurance?—A. Yes.

Q. And include \$24,000 depreciation on buildings and equipment?—A. Yes.

Q. A total of upwards of \$175,000 charged to that department?—A. Yes.

Q. By way of rental or interest?—A. Yes.

Q. And on the basis of that charge the department would show a loss of operation on the year?—A. Yes.

Q. But these charges would all be reflected in the profit and loss statement of the company?—A. The interest will.

Q. The interest, while the contribution towards building maintenance would be reflected— —A. It is a proportion of the actual building maintenance of the store as a whole.

Q. It would be a contribution towards that from this department?—A. Yes.

Q. So also depreciation would be a contribution towards reserves?—A. Yes.

Q. This is one of the cases where a department might need money and yet the company make money on the department?—A. Yes.

Mr. YOUNG: Can you tell us if the selling costs were not reduced in proportion to the cost of the goods?

Mr. SOMMERVILLE: I think the financing we heard of yesterday may have some bearing on that.

Mr. YOUNG: Did they keep the same staff on selling less goods?

The WITNESS: That is dealt with under the question of wages.

*Principal Suppliers:*

The principal suppliers during 1933 are listed below together with the volume of purchases and the average initial mark-ups. These initial mark-ups were obtained by an analysis of their purchases during eleven representative weeks between 1st May, 1933 and 31st January, 1934.

Name	Purchases in 1933	Initial mark-up percentage to cost
	\$	%
<i>Class 1—Case Goods—</i>		
A Quebec firm.....	58,300	50.5
An Ontario firm.....	52,400	57.6
“ “.....	50,200	62.5
“ “.....	40,000	56.0
<i>Class 2—Upholstery—</i>		
An Ontario firm.....	137,200	46.6
“ “.....	39,200	47.1
<i>Class 3—Bedding—</i>		
An Ontario firm.....	107,500	49.6
“ “.....	57,000	47.6
“ “.....	43,700	47.1
	585,500	Average 54.1