

Q. Will you give us the mark-up as expressed in terms of cost?—A. The following is the same initial mark-up expressed as a percentage of cost of sales:—

	Percentage
1924..	51.3
1925..	52.3
1926..	53.5
1927..	53.6
1928..	54.9
1929..	55.5
1930..	54.8
1931..	53.3
1932..	53.7
1933..	54.6

The individual departments do not all show the same trends—some of them show increasing mark-ups and maintained gross profits percentages over the ten-year period. On the other hand, some of them show the reverse.

By Mr. Ilsley:

Q. What do you mean by trend? There does not seem to be any trend?—
A. I say that individual departments do not show the same trend. There is a trend from 1924 to 1928 from 51 per cent to 55 per cent. Then it varies in the next five years.

INVENTORY RESERVES

The company maintains an inventory reserve which, however, is not set up on its books as such—effect being given to this reserve by adjusting the values of its inventories at the year-end. This inventory reserve is not set up or adjusted by the departmental managers, any adjustment made being after the departmental results are obtained. In each of the years 1926, 1927 and 1928 the inventory reserve was increased by \$100,000 and in 1930, 1931 and 1932, \$104,052, \$160,000 and \$40,000 of this reserve was used to increase the profits. These adjustments are shown on statement TT-1. The total of the inventory reserves for all branches of the business at 3rd January, 1934, was \$502,140 of which \$400,000 applies against the Toronto store inventory. The gross profit percentages referred to previously are before any of these inventory reserve adjustments.

By Mr. Sommerville:

Q. And the inventory reserve, that is so much velvet to fall back upon?—
A. They are to reduce inventories to their cost.

Q. If needed?—A. Yes, if needed.

Q. They are a very legitimate cushion?—A. Yes.

Q. This is an additional over-all inventory reserve?—A. Yes. The adjustments of the inventory reserve are shown separately on the statement because adjustments are not made in the departmental results, and in order to tie up to the departmental profits the inventory adjustments were shown separately on this statement.

EXPENSES

On statement TT-3 is shown a summary of the expenses charged to the departments in total in each of the ten years 1924 to 1933. The amounts included in the various expense items for interest and depreciation have been eliminated in total and shown separately on this statement, the totals of which are carried forward to statement TT-1. All of the expense items show a substantial increase in 1928 and 1929 because of the increased additions made at that time to the Toronto store which resulted in increased operating expenses. Since 1930 the expenses, exclusive of interest and depreciation, decreased from