

CANADIAN LOANS.

In our last issue we pointed out how the majority of the Canadian companies borrowing money in this country are incorporated. *The Investors' Review* of the same date says: "Canada was never so poor as it is to-day; its farmer class is more in the hands of the usurer than any similar body of men, even in Australia. They have in great numbers mortgaged their farms long ago to keep themselves going, and are now mortgaging their personal effects. In two recent and successive issues of *R. G. Dun & Co.'s Daily Bulletin*—a trade list similar to our *Perry's or Stubbs'*—upwards of 200 'chattel mortgages' were registered for the Province of Ontario alone, the richest, by far, in the Dominion; and almost every day in the week the list of such fills about a column of a paper nearly the size of the *Westminster Gazette*. By far the largest portion of these mortgages are upon the movable effects of farmers and yeomen, and that fact discloses a state of affairs of most sinister import to the country, and to us, the principal mortgagees." On the following day the *Scotsman* contained advertisements of no less than fifteen Canadian loan and investment companies, offering their debentures to the public. The most of these companies have agents on this side, whose position and character, no doubt, induces lenders to invest in these debentures; but it may reasonably be doubted whether these agents do more than receive and remit the money, pocket their commission, and hand over the debenture when it is issued. It appeared to us to be a significant fact that a few weeks ago, at the annual meeting of one of these loan companies in Canada, the chairman specially referred to the company's indebtedness to its Edinburgh agents. In an article which recently appeared in *THE MONETARY TIMES*, of Toronto, it is stated that "there is a decrease in the business of the mortgage loan companies; but there are growing up along side of them numerous building and loan associations, with elaborate tables of figures, showing how investors may receive immense returns from interest receipts, whilst borrowers may obtain advances without having to pay any interest." The italics are ours, and we trust intending investors will give due weight to these words. We have no doubt many of the borrowers of the present and future, as in the past, will obtain advances without paying any interest; and if in these cases the lenders obtain any interest, it will, without doubt, be at the expense of their capital. As an indication of how far the prosperity of Canada has fallen, we may mention that, when a cargo of seed wheat was shipped to Australia in the spring of this year, so much was made of the transaction that it almost appeared as if the Canadians looked upon it as a special intervention of Providence, and as ensuring the eternal prosperity of the Dominion. An analysis of the bank returns for March shows a decrease in deposits and a considerable increase in discounts. The figures are as follows:—

Deposits at 31st December, 1895.. \$197,000,000
Deposits at 31st March, 1896.... 189,000,000

Decrease (equal to £1,600,000).. \$8,000,000
Discounts at 31st December, 1895 \$230,000,000
Discounts at 31st March, 1896 ... 239,000,000

Increase (equal to £1,800,000)... \$9,000,000

THE MONETARY TIMES, in referring to the increased activity in business, states that it is accompanied by a large increase in business failures, and that the failures for the first quarter of this year are approaching to the dismal figures of 1878 and 1879. *The Bankers' Magazine*, New York, states that the failures both in America and Canada have increased largely during this year. In Canada the number of failures and amount of liabilities have increased more than 30 per cent. It, therefore, behooves our investors and merchants to act with caution until affairs are brought back to a more sound basis, and with due application of common sense this would only be a question of time, as we do not think there can be any question of the inherent capabilities of the country.—*Banking and Insurance, Edinburgh, June 1st.*

—"You, young men," said the Bishop of Derry to a congregation of under-graduates in St. Mary's Church, Oxford, "are very proud to call yourselves agnostics. It's a Greek word. I don't think you are equally fond of its Latin equivalent, 'Ignoramus.'"

HOMELY ADVICE.

Guard well the homely old virtues of honesty, integrity, energy, and industry and those qualities will show themselves in your very faces, and you will come to the description of Thackeray, who said: "Nature has written a letter of credit upon some men's faces which is honored wherever presented. You cannot help," he said, "trusting such men; their very presence gives confidence. There is a promise to pay in their faces which carries faith wherever they go and in all they do." Be the kind of men described by Francis Horner, who said of Sidney Smith: "The Ten Commandments were stamped upon his forehead."

Be careful about the odds and ends of your time—of the fifteen minutes this morning, the half-hour this noon, and the hour this afternoon which in the course of a week may lose you a day. After a large stained-glass window had been constructed for a noble edifice across the sea, an artist picked up the discarded fragments and made one of the most exquisite windows in all Europe for another cathedral. So, the difference between two men, as to success or failure, is sometimes only the difference between the odds and ends of time, which one carelessly throws away and another as carefully husbands.

A few minutes ago Mr. Grosner, calling my attention to a selection the band was playing, said "that was 'Kossuth's Farewell,' played as he left his native Hungary;" and that reminds me that just before Kossuth died he held out his open hands to his sons, and said, "My boys, these hands are old and wrinkled and weak, but, thank God, they are clean. So let all your methods and motives and ambitions be clean; first, because it is right, and second, because it means satisfaction and permanency and prosperity to you and to us, and it means the ennobling of the great and grand business to which your time and your talents are consecrated."—*John R. Hegeman.*

AUDITORS AND THEIR DUTIES.

What are the duties of auditors has been a matter of much discussion of late years. Whether they should simply examine the books and make out a balance sheet and profit and loss accounts, or whether they should also check the books to see if they have been properly kept, are questions which constantly arise, in winding-up cases. The decision of the Court of Appeal in a recent case would lead us to believe that provided an auditor shifts the responsibility on to a leading official of a company, whose account he accepts implicitly, by stating that he takes them as "per manager's certificate," he frees himself from legal blame. The case was one in which the manager of a company had falsified his books by making the amount of stock much larger than it should have been, and where by simple examination of those books the error would have been discovered. The members of the Court of Appeal argued that it was no part of an auditor's duty to take the stock of a company. That is very true, for the technical knowledge required would be such as no auditor could be expected to have. But in this case the auditor had simply to compare the stock existing at the end of one year with that of the previous year, and then go through the books to see whether the balance between the stock bought and sold for the year made the difference between the two. The question then resolves itself into this: How far do the duties of auditors extend in their examination of books? If they are to be satisfied with accounts as presented to them by the leading officials of a company, what check is there upon those officials? It is a painful thing to state, but in nearly all the company failures of the past few years, where directors and officials have been found to have misled the shareholders, the auditors have been the last persons to discover and expose the delinquencies. Suppose that instead of being a public company, this had been a case in which a partnership was being negotiated. Could any auditor then make excuse that he accepted the manager's certificate as to the amount and valuation of the stock? His very first duty would be to see that the books actually represented the stock in hand, and instead of taking the manager's word for it he would call in an experienced man to go through the stock and the figures with him, in order that there should be no mistake about the partnership accounts.

This is a serious matter for the shareholders in public companies, for if the auditor is to take

the figures which are given to him, and then make his balance sheet out, what responsibility attaches to him at all? It would be far better for the private accountant of the company to do the work himself and save the auditor's fees. Better no audit at all than one which cannot be depended upon. It may be said that it is impossible for any auditor to check minutely the accounts of a joint stock company with a considerable number of clerks. That is true, and it is that which makes the auditing of the accounts of companies more a matter of form than anything else, and simply because shareholders are disposed to place reliance on auditors' reports. The best form of balance sheet and profit and loss account, would be one drawn up by the leading officials of the company, signed by them and countersigned by the directors, stating that to the best of their knowledge and belief the accounts as presented give an exact state of the company's affairs at the time it is issued. If a mistake were then made, there could be no doubt upon whom responsibility would rest.—*The Shareholder, London.*

THE QUEBEC CENTRAL RAILWAY COMPANY.

The annual meeting of this company was held in London on the first of June. The statements then presented showed that the company owned 21½ miles of railway, which included the branches. An increase of \$43,033 was shown in the gross earnings, which were \$344,764, while the working expenses amounted to \$232,329, or an increase of \$24,286, and the net earnings, including sundry credits, were \$124,137, being an increase of \$18,749. It might be thought that this increase was owing partly to the branch line, but the total gross earnings from that branch from September to December were \$13,000, so there really was an increase, apart from that, of over \$30,000. After paying the interest on the prior lien bonds, there was a net revenue credit of \$76,744, from which the directors had declared a payment of interest upon the income bonds of 1½ per cent., payable on June 1st, that comparing with one per cent. last year. This would absorb \$41,123, leaving \$35,621 to be added to the reserve contingent fund, which would then amount to \$83,896. No doubt some surprise would be felt at so large an amount being carried to reserve fund, but circumstances had arisen of an unforeseen character which rendered that course desirable. At the end of March, Canada was visited with the most excessive snowfall which had taken place within living memory. Unfortunately, the snow melted rapidly under a hot sun in the early days of April, and was followed by heavy rain, leading to floods, which inundated the country to an extraordinary extent. But the effect upon this company's line was more severely felt by the fact that the freshets which followed carried away two out of three most important bridges on the line—one at St. Anselm and one at Sherbrooke. The directors heard that the cost of the repair of the bridges and line, and the loss of traffic, was estimated by Mr. Grundy at about \$31,000, so they hoped it would be covered by the amount carried to reserve contingent account, and that the earnings this quarter would not be affected by it. The president, Mr. Edward Dent, moved the adoption of the report, which was seconded by Mr. Joseph Price, who said that the working expenses were 67.39 per cent., and he thought the Quebec Central board might point with some pride to the fact that that was the lowest ratio of working expenses of any railway in Canada. It certainly showed how closely Mr. Grundy, the manager, had watched the operation of the railway, and they were much indebted to him for his exertions in bringing the expenses down to such a point. Notwithstanding the loss of traffic which had arisen from the floods, they showed a gross increase for the first nineteen weeks of the present year of no less than \$15,500.

—The negro sexton of St. Peter's church has a very stylish mulatto wife. Asking for a bigger salary, he gave as a reason: "It's mighty hard to keep a sealskin wife on a muskrat salary."—*Judge.*

—"I don't see why they call these men in the bank tellers," exclaimed a Kensington woman yesterday. "They wouldn't tell how much my husband had in the bank."—*Philadelphia Record.*