

Mr. STEWART: What is the standing of the reserve account as of the end of this year we have reported here?

Mr. COOPER: \$1,696,000.

Mr. STEWART: What was the reserve account at the end of 1922, then, after deducting the amount spent?

Mr. COOPER: \$3,627,010.

Mr. STEWART: That shows it depreciated in the year \$1,831,000, and I cannot see any place where that fits in with the figures given.

Mr. HENRY: In addition to that there was \$801,000 accrued in 1923.

Mr. STEWART: You have been juggling that \$801,000 around as an expenditure.

Mr. HENRY: The \$801,000 was a charge to maintenance of equipment and a credit to the reserve in the first form.

Mr. STEWART: It went in and out again. It would not affect the balance in the end?

Mr. HENRY: To the extent that it went in and out, that is correct.

Sir HENRY DRAYTON: Yes it does, because you charge the other against expenses.

Mr. HENRY: To the extent that it went in and out at all it is.

Sir HENRY DRAYTON: It shows the volume of work done.

Mr. HENRY: It depends on the way you look at it.

Sir HENRY DRAYTON: These monies were actually used?

Mr. HENRY: If you are looking at what the books show as charged to that account, and what the expenditure actually was, of course those are two different points of view.

Sir HENRY DRAYTON: What the expenditure really was is the real thing.

Mr. HENRY: Yes.

Sir HENRY DRAYTON: It is not merely a book-keeping entry.

Mr. HENRY: Yes.

Mr. STEWART: I would like to get a little further light in regard to this reserve account. Where does this originate?

Mr. HENRY: The reserve represents charges made to maintenance of equipment during the last few months of 1922 and the first four months of 1923. It was for the purpose of taking up deferred maintenance in the equipment, which was estimated to be that extent below normal.

Mr. STEWART: Was there no such thing as reserve account prior to 1922?

Mr. HENRY: It commenced on September 1st, 1922.

Mr. STEWART: It may be that I am very dense, but I do not understand yet just why you formed that account.

Mr. HENRY: It was to take up what might be called deferred maintenance.

Mr. STEWART: There was a change of accounting at that time?

Mr. HENRY: There was a change, yes. There was a change of administration, too, as a matter of fact.

Major BELL: Mr. Henry, put it in another way. From year to year, supposing you had the same number of cars and you kept them up to a certain standard, and they cost you \$12,000,000 a year. You put out \$1,000,000 every month to keep them up. If you spend that over a period of ten years, that would show absolutely the proper expenditure. Instead of doing that, you might say the first five years that you would only put out \$500,000 a month. The result is that at the end of the ten-year period you would be \$10,000,000