

Q. Yes?—A. The maintained gross profit in the customs tailoring division in 1933 was only 29·39 per cent on cost which, however, was 5 per cent higher than in any of the previous years in spite of the special \$16.50 suit sales in 1933.

Q. The \$16.50 suit sales which added largely to their volume reduced the average mark-up, notwithstanding that they still had a 5 per cent higher mark-up in that department than in the previous years?—A. Yes.

Q. That is another indication of the increased mark-up?—A. Yes.

Q. Will you continue?—A. The lower gross profit percentage in the custom tailoring department decreases the average maintained gross profit in the combined men's clothing departments to 38·41 per cent which compares with a high of 43·73 per cent in 1925 (when the volume of custom tailoring business was very low) and a low of 33·24 per cent in 1928.

Q. That is to say, you have combined the three departments?—A. Yes.

Q. Overcoats, suits and custom tailoring?—A. Yes.

Q. In the one report?—A. Yes.

Q. And by combining the three, you find that the customs tailoring average reduces the average of the whole?—A. That is right.

Q. And that that average is substantially less, because of that, than formerly?—A. Yes.

Q. You say that made-to-measure suits are largely responsible for that condition?—A. Yes.

Q. Will you proceed?—A. Yes. Net Profit: The combined departments show a net profit in each of the ten years under review, although the custom tailoring department showed a net loss until 1933 when a substantial profit (\$8,861) was shown. The combined net profit for 1933 was \$21,244 as compared with a high of \$50,038 in 1925.

Examples of Price Spreads: The purchase orders for the year 1933 in each of the three divisions referred to above were examined and invoices were drawn on the larger orders. On statements No. D4, D5 and D6 are shown examples of price spreads on the larger purchase orders of the three departments—men's overcoats, men's suits and men's custom tailoring, respectively. On these statements are shown the name and address of the supplier—the names and addresses are left out of the printed copies—and details of the invoices examined, the total laid down unit cost, the initial unit selling price and the initial mark-up. The initial mark-up does not necessarily represent the mark-up actually received as the company finds it necessary to reduce its selling prices in a great many instances. The amounts of these write-downs are included in the comparative results statement with the stock shortages, and the figures shown thereon also include employees discounts which are not segregated from stock write-downs. In total the write-downs have averaged around 5 per cent of sales. The maintained gross profit percentages are shown on the comparative results statements.

Q. That means that your maintained average or maintained mark-up would be within 5 per cent of the initial mark-up?—A. Of the average initial mark-up.

Q. And that maintained mark-up, or that 5 per cent write-down would include also the discount given to the employees?—A. Yes.

Q. It would not come within the same category?—A. No.

*By Mr. Young:*

Q. What do you mean by stock shortage?—A. Any differences in the inventory at the end of the year.

Q. Some had disappeared?—A. Yes.

Q. Was that extensive?—A. No.