

CANADIAN BANKING PRACTICE.

By H. M. P. Eckardt.

XIX.

The particulars required in the ledger are: Date received, number, name of promisor and of endorser, if any (the customer himself endorses all the notes in his account, but he is not considered an endorser), date of note, term, due date, amount. On each page, after the columns reserved for these particulars, are at least three more—one each for debit, credit, and balance.

Customers' Collateral Notes.

When a list is deposited the total is extended into the credit column and added to the balance previously existing. The balance shown represents the amount of collateral notes held on the customer's account.

After they are entered in the ledger the notes are diarized and handed over for checking and filing away, the same procedure being followed as in the case of the discounts and collections. The list forms, which contain the hypothecation of the notes, are filed away so as to be easily accessible.

The remarks made in connection with the notification of discounted bills apply with equal force to collateral notes.

When Collaterals become Due.

When the collaterals become due, the teller takes them over with the other bills due and follows the same process in collecting or effecting payment. The payment of a collateral, when received, is really a payment on account of the indebtedness to the bank of the customer who lodged it. It might, therefore, be applied with propriety on any of that customer's notes, against which the collateral was pledged, that happened to be due, and if none were due, then on the next one to become due. This could be done with collaterals pledged generally against a line of discounts. The proceeds of any that were pledged specifically against a particular discounted bill would have to be applied to that bill, and none other.

But to apply the proceeds direct to the loans or bills secured by the collateral is not convenient for several reasons. The clearer record is kept and entries are economized by crediting each payment on collateral notes to what is called the "cash collateral account" of the customer who lodged it. So, on receiving payment, the teller makes out a slip crediting the amount, less the commission charged by the bank, to that account. Enough particulars are put on the slip to identify the bill.

The cash collateral accounts are kept in the general ledger, an account being opened for each customer having collateral notes paid. It will not be out of place here to emphasize the distinction between the two kinds of accounts.

Some Examples.

The collateral ledger, let us say, shows a balance of \$8,426.73 at credit of the "collateral account Jno. Jones." That means the bank holds collateral notes on account of Jno. Jones' indebtedness to it amounting to \$8,426.73.

The ledger will state whether these notes are held generally against the indebtedness or specifically against particular loans. Then the general ledger shows that there is at the credit of "Cash collateral account Jno. Jones" \$340.11. This latter sum represents actual cash held by the bank (received as payment for collateral notes) for applying on such of Jno. Jones' notes as the notes were pledged against. The security held, in Jno. Jones' case, would be, therefore: In notes, \$8,426.73; in cash, \$340.11.

From the cash collateral accounts the funds are transferred to the particular notes to which they pertain,

or to the collateral customers' loans as they fall due, or as the manager may direct.

No Object in Protesting.

At the end of the day, if collateral notes remain unpaid, there is no object in protesting them, except in those cases where there is an endorser other than the customer on whose account they are held. The bank holds the customer liable on the discounted note or notes against which the collaterals are lodged, so there is nothing gained by protesting his name on his collaterals.

It has been described how the various accounts in the collateral ledger are credited with deposits of notes. Sometimes it happens that the customer desires to withdraw certain notes lodged by him for one reason or another. On his securing the manager's consent the bills are given up to him. Receipt forms are provided for this purpose. The notes to be withdrawn are entered on the forms and totalled.

The customer signs, as acknowledgment that he has received them, and the notes are then surrendered to him. Each bill on the form is then marked off as returned, with the date, in the collateral ledger and in the diary.

Withdrawals in Debit Columns.

The total amount of the withdrawals is put in the debit column in the customer's account in the collateral ledger, and is deducted from his balance. The numbers of the surrendered bills are set down opposite the debit entry particularizing the notes making up the total.

It is necessary also to debit the customer's collateral account when any of his notes are paid and credited to his cash collateral account. In this case the notes are marked off paid in the ledger and diary.

There are two general accounts pertaining to the collateral notes in the general ledger. One is "Collateral notes on hand," showing a debit balance, and representing the total of the collateral notes held by the bank. The other is "Collateral accounts," showing a credit balance, and representing the total of the collateral accounts of the customers. "Collateral notes on hand" balances exactly with "Collateral accounts."

Balancing the Collateral Ledger.

To balance the collateral ledger the balances shown in all the accounts are taken down and added. The total should agree with the balance shown at credit of collateral accounts in the general ledger.

At the end of every day, or on balance days, cash book entries are made for the collaterals received, and for those surrendered or paid. The account, "Collateral notes on hand," is debited with the total of the notes lodged, and "Collateral accounts" is credited with the same amount.

The total of all notes surrendered and paid is, in the same way, debited to collateral accounts and credited to collateral notes on hand.

The account, "Collateral notes on hand," is run the same as is the cash account; it is debited with the receipts or income, and credited with the outgo.

DEBENTURES OFFERING.

Hamiota, Man.—Until September 30th, \$4,000 6 per cent. coupon debentures. Jos. Andrew, secretary-treasurer.

Didsbury, Alta.—\$5,500 6 per cent. fire apparatus \$1,000 6 per cent. street improvement debentures. L. E. Eby, secretary-treasurer. (Official advertisement appears on another page.)

The annual fair of the Eastern Townships' Association is usually a good one. The present year's, which closes to-day, is no exception.

Regina has not received an offer satisfactory to the civic authorities for its debentures, amounting to \$555,000, and the city has decided to withdraw them from the market for the present.