

In Outfit 1877, the amount deducted in the Inventories of the Northern Department for bad and doubtful debts is \$28,827, and the Accountant has ascertained, after a protracted examination, that the Outfit has sustained no loss whatever on account of these debts. On the contrary, it appears that the deductions made in Outfit 1876, in respect of the outstanding balances transferred to Outfit 1877, have exceeded the amounts written off at the close of that Outfit by \$809. In future, Officers in charge of Districts should be instructed to report the amount of the loss sustained each Outfit from bad debts, in sending forward their accounts.

We have to draw the attention of the Committee to an important change which is now being made at Fort Garry, as regards the separation of the Depôt at that place, from the business of Red River District. The change was adopted after full discussion with the Chief Commissioner, and it is alluded to at page 21 of the accompanying Report.

We are of opinion that when the necessary arrangements are completed, and a properly qualified Officer is placed in charge of the business of the Depôt, and of the accounts of the Northern Department, a more correct and satisfactory system will be adopted, and none of the difficulties alluded to in the Report on the Depôt and Merchandise Accounts should be experienced.

Upon the subject of these Accounts the Chief Commissioner in a recent letter has given the following explanations:—

“Outfit 1875.—Fort Garry Depôt and Merchandise Account together showed a profit of \$11,602<sup>00</sup>. The system adopted in separating the Accounts had been only initiated, and from the apparent heavy loss on the Depôt it was evident that the charges had not been correctly made, and the two accounts were, as explained at the time, merged into one.

Outfit 1876.—Merchandise Account showed a profit of ... ..	\$56,326 <sup>00</sup> .
Depôt a loss of ... ..	\$3,055 <sup>00</sup> .

“The light Loss on the Depôt Account this Outfit arises from the charge made by it for handling the Importations of the year which amounted to much more than previous years; while, the rate charged in Outfit 1875 having been found insufficient to cover expenses, an increased rate was adopted for Outfit 1876, say 5 per cent., which on the total Importations from London (\$588,844<sup>00</sup>), besides elsewhere, valued at cost landed at Fort Garry, and amounting to \$1,090,237<sup>10</sup> produced \$54,511<sup>10</sup>, which forms the charge against sundry Accounts in Fort Garry Depôt Outfit 1876 amounting to \$1,144,748<sup>10</sup>. The larger the Importations from abroad the greater income derived by the Depôt from the charge of handling. The Sales in Outfit 1876 amounted to a much larger sum than those of Outfit 1877, resulting in a larger margin for profit, while the increased competition in trade, in consequence of the growth of the town of Winnipeg, affected Outfit 1877 injuriously, both as regards prices obtained and quantity of goods sold.

“These explanations are submitted in accounting for the difference between the profit of \$53,000<sup>00</sup> in 1876, and the loss of \$23,000<sup>00</sup> in 1877.

“Outfit 1877 —The charge against the Depôt of \$20,217<sup>00</sup> for Bills on London was caused by our Cash Balance being low at the time a demand was made on us for freights, and the Bill was given to the Transportation Company at that value instead of cash, and formed a charge for freight similar to the cash entries. Properly speaking, the entry should have read Northern Department Bills for freight, and would then have explained itself.