

The average of these mark-ups is 55·2 per cent and that for the department as a whole in 1933 was 50·3 per cent after eliminating buying expense.

These are initial mark-ups, not necessarily those actually realized, which may be less due to price reductions and employees' discounts.

These write-downs amounted to 3·6 per cent of cost of sales in 1933, and in the ten-year period have ranged from 3·6 per cent to 4·3 per cent. There is only one selling price to the public; terms of ten months are available at no extra cost through the "Home Lovers' Club," a store department.

Q. Those write-downs include all the reductions in price from the original mark-up?—A. Yes.

Q. And over the ten-year period they have never exceeded 4·3 per cent?—A. That is right.

Q. And last year amounted to 3·6 per cent of the cost of the sales?—A. Yes, that is the average. The individual write-downs may be averaged larger.

Q. But that is the average?—A. Yes, that is the average.

Comparative Operating Statement:

On Statement D-2 is submitted the comparative results of operations for the ten years, 1924 to 1933 inclusive. This statement was prepared from the statistical records of the company and accordingly:—

1. Cost of goods includes buying expense of approximately one per cent.
2. Expenses include certain charges made to the department (such as rent, interest on stock) which, to some extent, are not expenses to the organization, being offset by a credit in the profit and loss account of the company or of Simpsons Limited (the holding company).

It will be noted that sales increased from \$2,039,000 in 1924 to \$2,744,700 in 1929. There is a slight decrease in 1930, and then a very rapid decrease in the next three years to \$1,424,700 in 1933. (Note the 1932 figures are for eleven months only.) The gross profit has increased from 39·7 per cent in 1930 to 43·7 per cent in 1933, an increase of 10·1 per cent and to some extent this has offset the declining sales volume.

Q. That is to say, on your furniture sales when the volume of sales declined the gross profit did not decline proportionately?—A. That is right.

Q. But on the contrary there was an increase of 10·1 per cent in the gross profit from 1930 to 1933?—A. The increase is 10 per cent. There is no increase of 10 per cent in the gross profit percentages.

Q. Then the increase is 10 per cent from 1930 to 1933?—A. Yes.

Q. And that is reflected in an increased mark-up of goods during these last three years?—A. Yes.

Mr. HEAPS: Was it an increased mark-up? It might have been a decrease in the cost of the goods.

Mr. SOMMERVILLE: A decrease in the cost of the goods would not make any difference. This is gross profit.

Mr. ILSLEY: Not gross aggregate.

The WITNESS: Not in dollars, it is percentage.

By Mr. Heaps:

Q. Was the spread greater in these years?—A. Yes.

Q. The spread in price was greater?—A. Yes.

Q. How is that accounted for?

Mr. SOMMERVILLE: By a 10 per cent increase.