As stated above, capital statement TT-1 has been prepared in such a way as to show in total these departmental results after charging the overhead. Following these departmental results are shown the miscellaneous revenues and other adjustments required to arrive at the net profits or losses of the company.

The departmental results in total as shown on statement TT-1 may be summarized as follows.

Q. They run from 40 per cent to 44 per cent?

	Sales	Gross profit	Gross profit percentage to cost of sales	Total departmental profit or loss after charging overhead
1924	$22,184,397	$6,428,262	40.8	$ 717,695
1925	23,471,204	6,861,945	41.3	891,251
1926	24,021,577	7,155,168	42.4	1,101,106
1927	25,152,589	7,520,241	42.7	1,343,278
1928	27,084,993	8,352,258	44.6	1,504,429
1929	31,290,698	9,745,158	45.2	1,232,922
1930	30,917,406	9,550,243	44.7	983,549
1931	29,430,371	8,719,338	42.0	320,964
1932 (48 weeks)	22,458,679	6,616,300	41.8	420,108
1933	23,479,227	7,175,391	44.0	24,813

To that departmental profit is added in the profit and loss account the interest which is included in the rent charge to the department.

Q. That forms a head office entry?—A. Yes.

Q. In other words, the departments could all show no profit and no loss and yet the company would have a profit on its operation of 6 per cent on the total amount of money invested?—A. It is a figure arrived at on approximately 6 per cent.

Q. On the money invested in various departments from time to time?—A. Yes.

By Mr. Senn:

Q. Do you mean the operating capital?—A. No, it is the cost of the assets, of the company's assets estimated to be used in the different departments.

By Mr. Heaps:

Q. Is that 6 per cent on sales?—A. No, on the cost of the assets.

By Mr. Sommerville:

Q. And inventory also?—A. Yes.

Q. In other words, to every department's costs there is added 6 per cent which is 6 per cent on the inventory and on the proportion of fixed assets used in the department. Is there anything else?—A. No, that is all. They are fixed assets. In addition to the buildings and permanent equipment there is other equipment which is written off over a short period of time. Interest is charged on that on the depreciated value.

Q. So that the company is in this position, as I have heard a manager say, "In my department I could lose $10,000 a year and make money for the company." That is by reason of the interest charge that is made to the departments on inventory and fixed assets, is it not?—A. Yes.

Q. Whatever amount of goods are bought for that department and used in that department, 6 per cent is added?—A. No. On the inventory from time to time, not on the total purchases—it is on the inventory.

Q. I see. All right.

By Mr. Factor:

Q. That is, the capital employed in the department consists of the inventory in proportion to the fixed assets and 6 per cent is charged on that?—A. Yes.