Farmers' Financial Directory

C.P.R. PROFITS $49,000,000

At a meeting of the directors of the Canadian Pacific Railway at Montreal on Monday, August 14, a statement of the earnings of the company during the past fiscal year was made, which shows that the company has earned 16.76 per cent. on its $260,000,000 of common stock. This compares with 11.25 per cent. in the previous year and with 19 per cent. in the record year of 1912-13. When comparing results it must be remembered that since 1912 there have been large increases in common stock capitalization. This explains the fact that despite the gain in the actual balance available for dividends, the percentage earnings of 16.76 on the common stock for the past year compare with more than 19 per cent. earned in the 1912-13 period. After making provision for all charges and deductions, including pension fund and preference stock dividends, the balance available from all sources for distribution on the common shares was $43,585,113 compared with the corresponding balance of $39,128,223 in the record year of 1912-13, an increase of $4,456,890, or more than 11 per cent. As compared with 1914-15 the gain is $14,325,866, or approximately 50 per cent. The total gross earnings for the 1915-16 period amounted to $129,481,885. The working expenses were $80,255,965, leaving the total net earnings for this year $49,225,920.

How Much War Tax?

The Monetary Times, commenting on this report, says that no provision has been made in the Income Act for any payment under the Dominion war profits tax. The question of the company's liability under the new taxation act has been discussed, but no official statements on the matter have been issued. Supposing the company is liable for the tax, it cannot be stated definitely whether the company will be allowed to earn 7 per cent. on both its preference and common stocks or only on the common before its profits are subject to the 25 per cent. tax, and further, whether the profits of the system, as a whole, that is including the special war work the company is performing or only those from railway operation are to be taxed. If the extreme case is taken, namely, that a profit equal to 7 per cent. on the common stock only is to be free of tax, and that the taxes are applicable to profits of the entire system, the position may be tabulated as follows:

Profits	$49,225,000
Less tax-free profit of 7 per cent. on common	18,200,000
Net taxable profit	$31,025,000
Less 25 per cent. of taxable profit	7,756,250
Balance, equal to 8.94 per cent. on common stock	$23,268,750
Extra 3 per cent. on common, making total dividend of 10 per cent	7,800,000
Balance, equal to 5.10 per cent. on common stock, after deduction of war profits tax and 10 per cent. dividend on common stock	$15,468,750

The net surplus for the year after payment of fixed charges, pension fund, etc., was $15,444,158. Putting the war tax point in another form, should the company have to pay the business profits war tax estimated above at $7,756,250, the net surplus for the year would be reduced to $7,687,908. It will not be known until the annual meeting in October whether the allowance for contingent reserves fully covers the business profits war tax, if payable. If so, and the company pays the tax, the net surplus for the year would be brought up to $15,444,158 again.

DISCOUNTING FARMERS' NOTES

Letters are frequently received at The Guide office stating that the writers, who are farmers, have borrowed a certain amount of money from a local bank and that the banker has discounted the note instead of adding on interest. The Bank Act has no provision covering this practice. It is of considerable advantage to the bank to discount the note rather than to add on the interest. For instance, suppose the note is for $300 for three months at 10 per cent. If the note is discounted the banker deducts the interest, which would be $7.50, and gives the farmer $292.50. When the three months