

year and the resultant deficit of \$37,965,000 shown on that Statement has been under-stated to the extent of the capital expenditures of \$14,250,000.

This procedure is a contradiction of the long-standing principle of the Department of Finance that only realizable or interest- or revenue-producing assets should be offset against the gross liabilities on the Statement of Assets and Liabilities with costs of capital works being charged to expenditure at the time of acquisition or construction. This subject is dealt with further in paragraph 167 under the Comments on Assets and Liabilities. (para 70.11)

The Canadian Broadcasting Corporation is not in a position to repay either principal or interest on loans such as these unless it is placed in funds for the purpose. Consequently, the grant of \$85,869,000, provided by Appropriation Act No. 10, 1964 to cover the net operating requirements of the Corporation included an amount of \$374,000 to enable the Corporation to pay the interest on the loans. Receipt of this interest by the Department of Finance is recorded under the heading of "Non-tax Revenues—Return on Investments". This procedure has the effect of increasing the recorded amount of both the revenues and expenditures of Canada in violation of generally accepted accounting principles.

The 1965-66 Estimates tabled on March 22, 1965, but not yet approved by Parliament, include a grant of \$97,044,000 "in respect of the net operating amount required to discharge the responsibilities of the national broadcasting service". This amount includes the first principal repayment of \$710,000 and interest of \$1,170,000 on the loans made in 1964-65.

The wording of the Vote does not disclose this information nor is it provided in the Details of Services.

Mr. HENDERSON: Mr. Chairman, since the members of the Committee have the mimeographed sheet, "matters for consideration", to hand they will be able to follow the numbers. The listing is of a slightly different pattern to the one that we have been following, but I would suggest that we start, as the Chairman said, with the first item, although, in this case, it is a 1965 Report note.

In a number of cases, we can take two of the paragraphs together because they relate to the same subject. In the 1965 note you will find that we have updated what was stated in 1964.

Paragraph 55 describes the change in the method of financing the capital expenditures of the Canadian Broadcasting Corporation. As a consequence of this change having been made it was necessary for me to advise the House, as I state in the third paragraph, that the "annual statement of expenditure and revenue of Canada was not prepared on a basis consistent with that of the preceding year." The consequence of this was that the resultant overall deficit which, as you recall, was \$37,965,000 shown on that statement, was understated to the extent of the amount involved here, namely, 14½ million dollars.

As these loans cannot be repaid by this corporation unless it is placed in further funds, the loans do not, in my opinion, constitute an asset and I do not consider that they can possibly be described as such.

I am concerned that a change of this type should be made because it is, in my view, also a contradiction of the long-standing principle of the Department of Finance, that only the realizable or interest- or revenue-producing assets should be offset against the gross liabilities on the statement of assets and