

and representing in some cases 3 per cent, or 5 per cent or 10 per cent of purchases were quantity discounts. The range of goods on which such discounts apply is wide and they are not confined to a few departments.

*Loss Leaders:*

Officials state that the advertising of loss leaders is confined largely to the Drugs and Groceries Departments. These will be discussed later in connection with the operations of these departments.

*By Mr. Sommerville:*

Q. It is the general practice throughout the business?—A. Yes.

*By the Chairman:*

Q. That is, what you have just read is the explanation of how the company treats these quantity discounts in their books. How do they account, for instance, for this free merchandise that is given to them? How is it treated in their books; do they charge it to merchandise account?—A. No, just the actual amount which they buy.

*By Mr. Sommerville:*

Q. They enter in their books just the actual amount they buy, and do they enter just the actual amount of the invoice of the five gross of Quinine Tablets, for instance, or do they enter five gross and ten dozen?—A. No, just the actual amount.

Mr. NASH: These companies do not keep inventory by quantity but by dollar value, so that you cannot find the quantity.

The CHAIRMAN: Yes, but at the end of the year or the inventory period it must be reflected there?

Mr. NASH: It would be reflected.

Mr. SOMMERVILLE: They would have dollar value of so much.

The CHAIRMAN: Well, it would automatically reflect itself in an increased profit to the company when they took their inventory whether it was taken notice of during the period or entered in any of their merchandise accounts?—A. Oh yes, it is profit.

Mr. SOMMERVILLE: Take for instance, the five gross of Quinine tablets being given the mark-up that was budgeted for the season, and then the ten dozen being put in for sale at the same mark-up.

Mr. NASH: They would be sold at the same price.

Mr. EDWARDS: Would that not be shown as a lowering of the unit price?

The WITNESS: It reduces the unit cost.

*By Mr. Sommerville:*

Q. You have shown it that way?—A. Yes.

Q. But on the books of the company I understood from you they do not take free goods into the books but reduce the unit cost; they treated the other goods as just additional.—A. I was referring to the amount they charged to the merchandise account and the credit to the vendor of the goods is the actual amount of the invoice.

*By the Chairman:*

Q. In dollars?—A. Yes.