

58. In that respect you and the Solicitor-General differ?—No. I say the importation into the statutory balance-sheet of cash transactions of these book entries of that kind is unlawful, and also such an entry as makes it appear that loan charges have been paid off from accrued interest.

59. It is essential for the balance-sheet that that £30,000 should be written off?—I do not think it is essential. First of all, there is no Profit and Loss Account provided for. Next, there is no balance to the Profit and Loss Account, for the whole balance of the Management Fund, which includes this Profit and Loss Account, has to be paid over to the Assurance Fund. Then, there is no cash balance. You can make up a balance out of accrued interest as a book entry, but no money is received. It is all book entry, and by and by the loan-flotation charges written down may have to be written up. If the balance was money received it would be payable only to the Assurance Fund.

60. As we are not experts, is there any possibility, as between you experts, of getting any one to help us in this matter—as a kind of reference?—Well, I should be very glad to help in the construction of two statements, which would satisfy everybody.

P. HEYES, Superintendent of the Government Advances to Settlers Office, made a statement and was examined. (No. 2.)

*Witness:* I would like to go through the Act in order to show that in every particular I have complied with its requirements. I produce a balance-sheet which is in the form required by the Act, except for the one omission that has been referred to, and I will explain that later on. It has been stated that the Act does not provide for anything but a statement of cash receipts and expenditure. Now, turning to section 47 we see it is provided that "All moneys in the Advances to Settlers Office Account, or payable into that account by any person whomsoever, and also all moneys owing by any mortgagor on the security of any mortgage under this Act, whether the same be accrued due or not, are hereby declared to be the property of the Crown, and recoverable accordingly as from debtors to the Crown." Does that mean that no account is to be kept of accrued interest? I contend that that section provides for accrued interest being accounted for. I also contend that in a balance-sheet the provisions of subsection (4) of section 50 must be complied with, and the arrears or accrued interest must be shown. The only way in which the accrued interest and arrears can be shown in a correct form based on a true system of accounts is in the form I have shown them in the balance-sheet. The balance-sheet I have presented, I say as a professional accountant, is in the orthodox form, and I contend that I have complied with all the sections of the Act. I will go through the Act and will show I have complied with all its provisions in my balance-sheet and statements. First of all, I say that section 47 refers to interest whether it is accrued due or not—it provides for an account being taken of it. Section 48 says, "In addition to such other accounts as he may think necessary, the Superintendent shall cause to be kept the following accounts." That clearly allows for expansion. It allows for further accounts being kept, and does not limit, I contend, the accounts to be kept to those enumerated in the section. I think there is ample provision for expansion of any accounts.

61. *The Chairman.*] What are the accounts enumerated?—Section 48 is divided and subdivided in the correct form of the practice of accountancy. The Management Account is precisely what is known to accountants as the Profit and Loss Account, subdivided into the subsidiary accounts Interest Account and Management Expenses Account. Subsection (1) provides for a Profit and Loss Account in the correct form of accountancy. Subsection (2) provides for the Capital Account—the principal moneys or capital. Subsection (1) is further subdivided to show the subsidiary accounts necessary to complete a Profit and Loss Account, and subsection (2) the subsidiary Capital Accounts. Section 48 reads, "In addition to such other accounts as he may think necessary, the Superintendent shall cause to be kept the following accounts, made up to the close of each financial year ending the 31st day of March, that is to say: (1.) The Management Account, which shall be charged with (a) all interest and charges payable in respect of the loans raised by the Government for the purposes of the Debenture Fund; (b) one-tenth of all moneys received in respect of interest on investments under this Act (to be transferred to an Assurance Fund, as hereinafter provided); (c) all salaries and other expenses incurred in the general management of the Advances to Settlers Office; (d) all interest payable in respect of advances obtained from the Consolidated Fund under section 49 of this Act; (e) all other moneys payable under this Act: And shall be credited with (f) all interest received in respect of investments under this Act; (g) all costs and fees received in respect of mortgages or otherwise; (h) all other moneys paid into the Advances to Settlers Office Account other than moneys belonging to the Debenture Fund, whether invested or uninvested. (2.) An Investment Account, which shall be credited with (a) all moneys received from the Government or the Colonial Treasurer for the purposes of the Debenture Fund; and (b) all principal moneys repaid by mortgagors: And shall be charged with all moneys invested on mortgage." I would like to explain this section 48 and the subdivisions of it. There is one prime division which is in accordance with the terms understood by an accountant. Subsection (1) provides for, first, the items under a Profit and Loss Account; and subsection (2), items of Capital Account or principal moneys. Then, the further subdivision of subsection (1) requires just two accounts—namely, Interest and Management Expenses. Clause (a) of subsection (1) is the debits to interest, (c) is the debits to management expenses, (d) and (e) are inoperative just now (there is no occasion for them), (f) is the credits to Interest Account, and (g) the credits to management expenses. The subdivisions of subsection (2) of section 48 form the subsidiary accounts for Capital Investment Account. These are the headings that have to be provided for. But they could not all be shown in one account. If you keep the assets and liabilities in one account it leads to confusion. The section simply gives the general headings of the accounts. There may be two or three different accounts, but they should show these statutory particulars. That is what it means. I take it that the subdivisions of Investment Account embrace the principal moneys to be shown in the accounts.