

With reference to the figures of the last-mentioned mill, it may be explained that under the heading of "wool" there has been included the costs of large quantities of yarn, *partly* manufactured material used in producing woollen goods. This has increased the "wool" costs in relation to other items of cost. It will be noted that wool has generally shown a tendency towards representing an increased proportion of the cost of manufacture, while wages were decreasing in importance until the increased wage-rates granted in 1919 had their effect.

The particular circumstances of each business and the variation in systems of accounting and dates of annual balance, however, caused dissimilarity in the movements of the above percentages. The value of these figures for purposes of comparison is small unless it is assumed that a mill continued all through the period to produce exactly similar articles, or that any mills between which comparison is sought to be made produced similar classes of goods. This assumption, however, has no foundation in fact.

FINANCIAL AND TRADING RECORDS.

Manufacturing-costs have been closely examined and selling-prices of a number of samples of goods have been compared with such costs. Serious difficulties arise, however, when consideration is given to overhead charges and the expenses of distribution. All companies are forced to maintain, in greater or less degree, a selling organization. Further than this, as has already been mentioned, the larger companies do a clothing-manufacturing and general soft-goods warehousing business. This prevents the accurate compilation of costs in relation to the manufacture and sale of locally produced woollen goods. The firm's mill-production becomes a part of the raw material used by its clothing-factory or is transferred—usually at *pro forma* values—to the warehouse, where it is merged into the general stock of goods, both cotton and woollen, locally manufactured or of foreign origin.

For the reason indicated above, reference must be had to the financial and trading records of the companies as a whole. For this purpose detailed particulars have been supplied by nine of the ten companies. As has been previously mentioned, a recent change of ownership and the destruction of books of account has prevented the collection of information from one comparatively small company.

The following table shows for each company, for the trading years 1914, 1918, and 1919—(1) The share capital actually paid in; (2) the reserves; (3) the gross capital investment.

Share Capital paid in.			
Company.	1914.	1918.	1919.
	£	£	£
A	200,000	274,992	300,000
B	25,000	25,000	25,000
C	43,205	49,996	50,000
D	32,607	32,852	32,852
E	30,000	40,000	40,000
F	15,000	15,000	15,000
G	83,457	83,457	83,457
H	626,971	671,075	711,801
I	115,350	115,350	115,350
Totals	<u>£1,171,590</u>	<u>£1,307,722</u>	<u>£1,373,460</u>

Reserves.			
Company.	1914.	1918.	1919.
	£	£	£
A	50,000	100,000	160,150
B	47,417	96,483	125,367
C	27,900	58,100	67,150
D	17,500	24,500	27,500
E
F	1,500	5,000	7,000
G	10,478	16,000	17,000
H	1,000
I	3,000	3,000	3,000
Totals	<u>£158,795</u>	<u>£303,083</u>	<u>£407,167</u>

With reference to the above table, it is advisable to point out that these figures cover reserves made for both special and general purposes, and relate only to such amounts as are specifically transferred to reserve accounts. In the case of almost every company the unappropriated balance of profits has been increased in recent years as compared with 1914. These unappropriated profits are in themselves of the nature of a general reserve. Since a considerable portion of the reserves have been set aside for specific purposes, and as the unappropriated profits have not been taken into account in the above table, the figures given do not provide any very significant statement of the "reserve position" of the companies. To the extent that the companies have increased their general reserves instead of appropriating profits for purposes of paying dividends, their action is probably due to a desire to make provision for a fall in prices and a period of unsuccessful trading.