

8.—Summary of Profit Statistics for 665 Industrial Companies, 1936-43

(In millions of dollars)

Note.—Compiled by Bank of Canada. The sample includes all those companies with 1941 assets over \$200,000 for which consistent reports were available from 1936-43. The accounts of certain companies which were available in some or all of these years were not comparable throughout the period and had to be excluded. The material is, of course, subject to all the limitations and qualifications which apply to the basic accounting statements. Figures are for the respective fiscal years ended nearest to Dec. 31 of the year stated.

Item	1936	1937	1938	1939	1940	1941	1942	1943 ¹
Net operating profit (before depreciation) ²	392	476	410	488	619	763	838	799
Depreciation ²	-108	-117	-114	-122	-147	-177	-201	-193
Investment and other non-operating income (net).....	47	50	48	44	40	43	37	38
Bond interest (including exchange and amortization of discount) ⁴	-52	-52	-49	-49	-49	-48	-47	-45
Net profit before income and excess profits tax provision ²	279	357	295	361	463	581	627	599
Income and excess profits tax provision (excluding refundable portion).....	-49	-62	-53	-73	-175	-271	-314	-307
Net Income to Stockholders^{2,4}	230	295	242	288	288	310	313	292
Forced saving (refundable portion of excess profits tax).....	-	-	-	-	-	-	-19	-32
Net Income Available for Dividends^{2,4}	230	295	242	288	288	310	294	260
Net income paid out in cash dividends.....	185	219	234	223	223	223	209	196
Undistributed income (excluding forced saving) ^{2,4}	45	76	8	65	65	87	85	64

¹ Preliminary figures. ² For purposes of comparability any special capital charges made against income account in company reports have been added back as well as "contingent" and "general" reserves. Special inventory reserves (amounting to 0.1, 0.7, 0.8, 1.8, 4.4, 10.1, 6.2 and 3.3 in the years 1936-43, respectively), whether shown by the company in operating expenses or as an adjustment to earned surplus, have been deducted in arriving at net operating profit. ³ Includes deferred development and depletion provision amounting to 6.9, 9.5, 9.1, 8.8, 9.1, 9.3, 8.7 and 7.3 in the years 1936-43, respectively. ⁴ Current bond interest owing but not paid in cash of 2.4 in the years 1936-40 and of 2.3, 1.9 and 1.5 in the years 1941-43, respectively, has been deducted from net income to stockholders.

The net operating profits before depreciation were more than doubled during the seven years following 1936. Taking 1937 as a normal pre-war year and 1942 as the year of peak war production, there was a gain of 76.1 p.c. Deducting depreciation, investment and other non-operating income, and bond interest the aggregate amount left before taxation showed a gain of 75.6 p.c. but after income and excess profits tax provision the percentage of net income available to stockholders showed only 6.1 p.c. increase.

The following statement brings together for each of the years covered the proportion of tax to profits made and the trend of net profits. This clearly shows that wartime industry in Canada has not been permitted to benefit in the way of profits from the increased value of business brought on by the War.

Year	Net Profit ¹	Income and Excess Profits Tax Provision ²	P.C. of Taxes Paid to Profits Shown	Net Profits after Taxes
	\$'000,000	\$'000,000	p. c.	\$'000,000
1936.....	279	49	17.6	230
1937.....	357	62	17.4	295
1938.....	295	53	17.9	242
1939.....	361	73	20.2	288
1940.....	463	175	37.8	288
1941.....	581	271	46.6	310
1942.....	627	314	50.1	313 ³
1943.....	599	307	51.3	292 ³

¹ After depreciation, bond interest and other charges. tax portion.

² Including refundable tax portion.

³ Exclusive of refundable