

63-D-40 (3)
Published by Authority of the Hon. James A. MacKINNON, M.P.,
Minister of Trade and Commerce

MERCHANDISING AND SERVICES STATISTICS

DOMINION BUREAU OF STATISTICS

OTTAWA, CANADA

OPERATING RESULTS
OF
MISCELLANEOUS RETAIL STORES

1945

Independent:

RESTAURANTS

RESTAURANTS WITH MERCHANDISE

COAL AND WOOD DISTRIBUTORS

DRUG STORES WITHOUT SODA FOUNTAIN

DRUG STORES WITH SODA FOUNTAIN

JEWELLERY STORES

TOBACCO STORES

BULLETIN NO 5



July, 1947

Price 25 Cents

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DEFINITIONS

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS TRADING PROFIT OR MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in operating a business, except the cost of merchandise. They include:

Salaries and wages paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are not included.

Advertising

Store supplies used in the business during the year such as: wrapping paper, office supplies, gasoline and oil for delivery trucks.

Loss on bad debts in the year - amount written off less bad debts recovered.

Taxes and insurance - business, property and water taxes, licences including truck licences, insurance premiums carried for the protection of the business. Income taxes are not included.

Rentals - for premises used only in the business.

Heat, light and power used in the year.

Repairs and maintenance - incurred for the purpose of keeping fixed store assets in efficient operation, including delivery equipment.

Depreciation - allowances to cover decreases in the value of fixed store assets including delivery equipment.

All other expenses - telephone, telegraph, postage, bank charges, legal, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

CUSTOMERS' ACCOUNTS OUTSTANDING are all accounts receivable on the books at the end of the year.

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Series, 1945 16 - 7060
No. 15

OPERATING RESULTS OF MISCELLANEOUS KINDS OF RETAIL TRADE, 1945

Introduction

This report is one of a series reviewing average operating results for 1945, and covers the following kinds of business: restaurants with little or no merchandise; restaurants with merchandise; coal and wood distributors; drug stores without fountain; drug stores with fountain; jewellery stores; tobacco stores. In 1944 a similar survey was carried out for a dual purpose; to provide an estimate of the contribution made to the national income by unincorporated retail stores, and to provide reliable statistics on operating costs in retail trade. The average results presented in this report were obtained from stores whose individual profits and expenses vary considerably. Therefore, if the results of an individual store do not coincide with the averages, it does not follow that the store is being operated inefficiently.

The tables, however, may assist the merchant in deciding where economies may be most effective and may indicate the need for additional expenditures in other phases of business operation to meet changing conditions. Repairs or replacements of fixed assets and equipment, not available during war years, may now become a necessity. The resuming of pre-war services such as deliveries and credit, may be necessary to keep up sales volume in face of otherwise declining sales. With the possibility of more competition, unstable prices and greater expense outlay, these basic operating ratios may be of use in planning for changed conditions in the retail field.

The ultimate objective of business is to realize a net profit on operations. This might be the first item of comparison an individual owner makes with his own results. If his net profit is greater than the average shown for his particular business in this report, he may gain further by item-by-item comparison of his operating costs with those in the tables. If his net profit is smaller than average, a careful check should be made on his different expense items, using the averages shown as a guide in determining which items require investigation. In this way improvement in gross margin or a lessening of expenses may be accomplished to result in a greater net profit.

The prospective new entrant may find much information useful in planning his inventory outlay, expected rate of stock turnover, and various expenses such as salaries, advertising, rentals and so on.

Definitions of the terms used in this report and the components of the different expense items are given on page 2. When making comparison with other results, allowance should be made for any difference in definitions. When making comparisons of present day results with this report, allowance should also be made for any economic changes which have occurred since 1945. Chain stores were not included in this survey.

SUMMARY

Some of the significant features in the 1945 operations of the retail stores contained in this bulletin are noted below.

Restaurants (with little or no merchandise sales)

1. The average unincorporated restaurant operated on a gross margin of 36.8 per cent of net receipts. As would be expected, a high ratio of employees' salaries characterized these establishments (17.1 per cent). Total expenses amounted to 28.2 per cent of receipts. Before proprietors' salaries and income taxes were deducted, net profit was reported as 8.6 per cent. (See table 1).
2. Though gross margin ratios were irregular over the different size ranges, net profit ratios decreased consistently as business volume expanded. Reflecting a considerable incline in trend of salaries, total expenses were greater in the larger establishments. (See table 8, page 12).
3. Rented businesses reported wider gross margins than did owned restaurants. The higher expenses of rented businesses, particularly salaries, offset the marginal advantage, to result in net profits smaller than in owned establishments in one size class (\$10,000-\$19,999) and only slightly greater net profits in the other groups shown (\$20,000-\$49,999 and \$50,000-\$99,999). (See table 8, page 12).

Table 1. - Operating Results of Restaurants (with little or no merchandise sales), 1945
(445 restaurants reporting)

Item	Average dollar figures	Percentage of net sales
	\$	%
Average net sales	45,956	100.0
Gross trading profit	16,930	36.8
Operating expenses:		
Employees's salaries	7,878	17.1
Advertising	96	0.2
Store supplies	495	1.1
Bad debts	4	(a)
Occupancy expenses	3,381	7.4
All other expenses	1,107	2.4
Total operating expenses	12,961	28.2
Net profits before deduction of proprietors' salaries and income tax	3,969	8.6

(a) Less than 0.05 per cent.

Restaurants With Merchandise

1. In 1945, the average restaurant with merchandise sales between 20 and 50 per cent of total sales, operated on a margin of 31.0 per cent of total net sales. While the sale of merchandise caused this to be lower than the gross margin of restaurants with little or no merchandise, the ratio of salaries paid to employees was also smaller so that net profits were 9.3 per cent of sales. Merchandise sales formed 36.0 per cent of total receipts. (See table 2.)

2. Net profit ratios in rented establishments decreased with expanding volume of business. Owned businesses were fewer in number and are shown for two size classes only on which no trend can be based. Gross profits were more irregular in trend. Total expenses, reflecting increased labour cost in the larger restaurants, showed a ratio to net sales increasing with volume of business.

The proportion of merchandise sold decreased with sales volume. (See table 9, page 14).

Table 2. - Operating Results of Restaurants With Merchandise, 1945
(196 restaurants reporting)

Item	Average dollar figures	Percentage of net sales
	\$	%
Average net sales	30,708	100.0
Gross trading profit	9,525	31.0
Operating expenses:		
Employees' salaries	3,633	11.8
Advertising	45	0.2
Store supplies	254	0.8
Bad debts	7	(a)
Occupancy expenses	2,120	6.9
All other expenses	605	2.0
Total operating expenses	6,664	21.7
Net profits before deduction of proprietors' salaries and income tax	2,861	9.3
Average merchandise sales	11,056	36.0

(a) Less than 0.05 per cent.

Coal and Wood Distributors

1. In 1945, the average unincorporated coal and wood dealer operated on a gross margin of 20.1 per cent of net sales as compared to the 1944 margin of 20.7 per cent. While salaries remained unchanged, other expenses decreased in ratio during 1945 with the result that a net profit slightly greater than that in 1944 was realized; 1945, 5.0 per cent and 1944, 4.8 per cent. (See table 3.)
2. Incorporated firms, operating on a gross margin of 20.4 per cent, obtained only a slightly wider margin than unincorporated dealers. With salaries paid to firm members included in expenses, these firms realized a net profit of 1.9 per cent before income tax deductions. (See table 3.)
3. While net profit ratios to total net sales decreased consistently with expanding sales volume, gross profit ratios were irregular in trend. The ratio of salary expense generally increased with volume of sales while rent expense decreased proportionately.

Inventories were lower at the end of the year than at the beginning. The rate of stock turnover was irregular over the five size ranges but averaged 18.9 times per year. (See table 10, page 17).

Table 3. - Operating Results of Coal and Wood Distributors
(with 1944 percentages for comparison)

Item	1945		1944
	Incorporated (64 firms)	Unincorporated (249 firms)	Unincorporated (168 firms)
	Percentage of net sales	Percentage of net sales	Percentage of net sales
	%	%	%
Average net sales	100.0	100.0	100.0
Gross trading profit	20.4	20.1	20.7
Operating expenses:			
Employees' salaries	10.8	7.9	7.9
Advertising	0.3	0.2	0.2
Store supplies	1.7	1.9	
Bad debts	0.1	0.2	
Occupancy expenses	3.4	3.0	7.8
All other expenses	2.2	1.9	
Total operating expenses	18.5	15.1	15.9
Net profits before deduction of proprietors' salaries and income tax	1.9	5.0	4.8

Drug Stores Without Soda Fountain

1. In 1945, the average unincorporated drug store, not operating a soda fountain, operated on a gross margin of 27.2 per cent of net sales. Expenses formed 14.0 per cent of net sales with salaries accounting for exactly half at 7.0 per cent. This left an average net profit ratio of 13.2 per cent before deduction of proprietors' salaries and income taxes. (See table 4.)
2. Incorporated firms obtained wider margins on the average than did unincorporated stores. From an average gross profit of 33.9 per cent they paid expenses to the extent of 23.5 per cent of net sales. This expense ratio included salaries paid to all firm members. Incorporated stores realized a net profit, before income tax deductions, of 10.4 per cent. (See table 4.)
3. With one exception, net profit ratios declined with increasing sales volume. Because of the greater volume of sales, the average dollar value of net earnings increased in the larger stores. Gross profit ratios did not follow the general downward trend of net profit ratios but were more irregular. Like other retail trades, salary ratios increased proportionately with sales volume while the ratio of rent expense decreased. (See table 12, page 20).
4. Gross profits in rented stores were generally greater than in owned stores. Higher expense ratios, particularly in salaries paid to employees, more than offset any advantage in margin to result in smaller net profits in rented stores. (See table 12, page 20).

Table 4. - Operating Results of Drug Stores Without Soda Fountain, 1945

Item	Incorporated (46 stores)		Unincorporated (546 stores)	
	Average dollar figures	Percentage of net sales	Average dollar figures	Percentage of net sales
	\$	%	\$	%
Average net sales	78,359	100.0	34,286	100.0
Gross trading profit	26,557	33.9	9,318	27.2
Operating expenses:				
Employees' salaries	11,338	14.5	2,396	7.0
Advertising	766	1.0	211	0.6
Store supplies	671	0.9	213	0.6
Bad debts	67	0.1	24	0.1
Occupancy expenses	3,934	5.0	1,346	4.0
All other expenses	1,605	2.0	600	1.7
Total operating expenses	18,381	23.5	4,790	14.0
Net profits before deduction of proprietors' salaries and income tax	8,176	10.4	4,528	13.2

Drug Stores With Soda Fountain

1. Unincorporated drug stores operating soda fountains realized an average gross margin of 25.3 per cent of net sales, slightly less than the 27.2 per cent margin obtained by drug stores without fountain service. The total expense ratio was greater, reflecting a slightly higher salary cost from the soda fountain service. Net profits were 10.4 per cent of net sales as compared to the 13.2 per cent profit realized by drug stores not operating soda fountains. The average ratio from soda fountain receipts was 27.8 per cent of total sales. (See table 5.)
2. Although gross margins increased with volume of sales, a sharper incline in ratio of total expenses resulted in smaller ratios of net profits in the larger stores. Salaries rose in percentage of net sales as business volume expanded while other expenses showed little change. (See table 14, page 23).

Table 5. - Operating Results of Drug Stores With Soda Fountain, 1945
(214 stores reporting)

Item	Unincorporated	
	Average dollar figures	Percentage of net sales
	\$	%
Average net sales	41,818	100.0
Gross trading profit	10,563	25.3
Operating expenses:		
Employees' salaries	3,152	7.5
Advertising	241	0.6
Store supplies	272	0.7
Bad debts	31	0.1
Occupancy expenses	1,834	4.4
All other expenses	676	1.6
Total operating expenses	6,206	14.9
Net profits before deduction of proprietors' salaries and income tax	4,357	10.4
Receipts from soda fountain ...	11,605	27.8

Jewellery Stores

1. In 1945, unincorporated jewellery stores operated on a gross margin of 38.6 per cent, as compared to 41.3 per cent in 1944. Although expenses were curtailed somewhat in 1945, net profits before deduction of proprietors' salaries and income taxes were less than in 1944; (1945-18.0 per cent; 1944-20.1 per cent). (See table 6.)

2. Incorporated jewellery stores on the average obtained wider margins in 1945 than did unincorporated stores. With salaries paid to all firm members included in expenses and with a higher ratio of advertising expense, incorporated jewellery stores realized a net profit, before income tax deductions, of 13.4 per cent of net sales. (See table 6.)
3. Net profit ratios, in general, decreased with expanding volume of sales. Gross profit ratios were more irregular in trend over the different size ranges. Salary expense and advertising increased in proportion to sales volume while the rent expense ratio decreased. Other expense items formed less definite trends. (See table 15, page 26).

Table 6. - Operating Results of Jewellery Stores
(with 1944 percentages for comparison)

Item	1945		1944
	Incorporated (33 stores) Percentage of net sales %	Unincorporated (339 stores) Percentage of net sales %	Unincorporated (136 stores) Percentage of net sales %
Average net sales	100.0	100.0	100.0
Gross trading profit	39.8	38.6	41.3
Operating expenses:			
Employees' salaries	14.4	9.7	10.4
Advertising	2.5	1.5	1.4
Store supplies	1.1	1.2	
Bad debts	0.1	0.1	
Occupancy expenses	5.3	5.2	9.4
All other expenses	3.0	2.9	
Total operating expenses	26.4	20.6	21.2
Net profits before deduction of proprietors' salaries and income tax	13.4	18.0	20.1

Tobacco Stores

1. In 1945, tobacco stores on the average operated on a narrower gross margin than in 1944; 15.9 per cent and 17.3 per cent respectively. Expenses were less in 1945 but did not offset the smaller gross profit. The net profit before deduction of proprietors' salaries and income taxes was smaller than in the previous year; 8.0 per cent in 1945 and 8.6 per cent in 1944. (See table 7.)

2. Gross and net profit ratios were irregular over the different size of business ranges. Although employees' salaries increased in percentage of net sales with volume of sales, rent expense decreased and total expenses showed little change. The average dollar value of net earnings per store increased with sales volume. (See table 16, page 28).

Table 7. - Operating Results of Tobacco Stores
(with 1944 percentages for comparison)

Item	1945 (322 stores)		1944 (182 stores)
	Average dollar figures	Percentage of net sales	Percentage of net sales
	\$	%	%
Average net sales	26,068	100.0	100.0
Gross trading profit	4,135	15.9	17.3
Operating expenses:			
Employees' salaries	755	2.9	3.1
Advertising	23	0.1	(a)
Store supplies	89	0.3	
Bad debts	10	(a)	
Occupancy expenses	929	3.6	5.6
All other expenses	247	1.0	
Total operating expenses	2,053	7.9	8.7
Net profits before deduction of proprietors' salaries and income tax	2,082	8.0	8.6

(a) Less than 0.05 per cent.

GENERAL DISCUSSION AND TABLES

Restaurants With Little or No Merchandise

Most restaurants sell merchandise such as tobacco and candy in certain quantities while some carry on a more extensive retail business. To remain in this classification, the sale of merchandise must not form more than 20 per cent of total sales.

Usable reports were received from 445 independent unincorporated restaurants. When classified by size of business and occupancy basis, there were too few owned restaurants with sales less than \$10,000 and with sales over \$100,000 to allow publication of results.

Trends by Size of Business (See table 8, page 12)

Gross margin ratios in rented establishments dropped from 37.0 per cent of net receipts in the smallest size class to 32.7 per cent in the next larger category. From the 32.7 per cent ratio of restaurants with business volume between \$10,000-\$19,999, the trend was upward as business volume increased. Owned restaurants showed little change in gross margin for the different size classes shown. Increasing ratios of expenses in the larger restaurants, reflecting the greater salary cost common to this kind of business, resulted in smaller ratios of net profit.

The actual dollar value of net earnings increased with sales volume. In making comparisons with this average figure, account should be taken of the number of proprietors engaged in the business with relation to the number of establishments. Salaries showed a **considerable** increase in the larger businesses while the ratio of rent expense decreased. Light, heat and power appeared as a greater item of expense in restaurants than in other kinds of business and decreased in ratio as volume of business expanded. Inventories and rate of stock turnover were of lesser significance in restaurants than in most other kinds of business.

Table 8. - Restaurants - Operating Results Classified According to Amount
of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES									
	Less than \$10,000		\$10,000- \$19,999		\$20,000- \$49,999		\$50,000- \$99,999		\$100,000 and Over	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of establishments reporting		24	15	67	33	162	12	86		33
Average net receipts \$		6,895	15,572	14,333	31,335	34,451	65,214	68,499		150,680
Average inventory beginning of year ... \$		109	307	264	996	700	1,417	1,219		2,632
Average inventory end of year \$		107	297	271	899	735	1,457	1,330		3,232
Average cost of goods sold \$		4,343	10,531	9,653	21,222	22,179	43,696	42,578		91,177
Stock turnover (times per year)		40.2	34.9	36.1	22.4	30.9	30.4	33.4		31.1
Number of working proprietors	SAMPLE	26	21	87	57	283	25	184	SAMPLE	91
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross trading profit		37.0	32.4	32.7	32.3	35.6	33.0	37.8		39.5
Operating expenses:										
Employees' salaries and wages		5.6	8.8	10.4	13.4	15.2	15.1	18.3		21.0
Advertising		0.1	0.2	0.1	0.1	0.2	0.3	0.2		0.3
Store supplies		1.0	0.9	1.1	1.1	1.0	1.5	1.1		0.9
Bad debts		(a)	0.1	(a)	(a)	(a)	-	(a)		(a)
Taxes and insurance		1.2	1.3	0.6	0.9	0.6	0.9	0.7		0.6
Rent	T00	6.8	-	3.2	-	2.7	-	2.6	T00	2.1
Light, heat and power		4.3	2.8	2.6	2.7	2.2	2.2	2.0		1.6
Repairs and maintenance		1.2	1.3	0.9	1.4	1.2	1.4	1.2		1.5
Depreciation		1.0	1.4	0.8	1.2	1.0	1.4	1.1		1.1
All other expenses		2.6	2.7	1.6	2.6	1.9	2.6	2.4		3.0
Total operating expenses		23.8	19.5	21.3	23.4	26.0	25.4	29.6		32.1
Net profits before deduction of proprie- tors' salaries and income tax		13.2	12.9	11.4	8.9	9.6	7.6	8.2		7.4
Average net earnings \$	SMALL	911	2,013	1,633	2,775	3,296	4,968	5,654	SMALL	11,183
Average customers' accounts outstanding \$		-	21	14	49	7	-	5		17

(a) Less than 0.05 per cent.

Restaurants With Merchandise

Restaurants falling within this classification are those whose merchandise sales form 20 per cent to 50 per cent of total receipts. The sale of tobacco products is, on the average, the largest item in merchandise sales. Other commodities sold are confectionery, soft drinks and groceries.

A total of 196 reports were received from independent unincorporated restaurants in this classification. When classified by size of business and occupancy basis there were too few restaurants with sales over \$100,000 to allow publication of their results. Returns from owned establishments with sales less than \$10,000 and between \$50,000 and \$99,999 were also too few for publication.

Trends by Size of Business (See table 9, page 14)

Owned restaurants are shown for only two size ranges. Gross profits in rented establishments dropped from 30.6 per cent in the smallest size class to 29.4 per cent in the next larger size. From the latter range it increased proportionately with sales volume. Due to a high ratio of salary expense in the larger restaurants, the increased gross profits were offset by increased expenses to result in a ratio of net profits decreasing with volume of business.

Because of the varying proportions and types of merchandise handled, stock turnover was irregular. Receipts from the sale of merchandise decreased from 43.1 per cent of total net receipts in the smallest size restaurant to 33.2 per cent in the largest.

Table 9.--Restaurants With Merchandise - Operating Results Classified According to Amount
of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES							
	Less than \$10,000		\$10,000- \$19,999		\$20,000- \$49,999		\$50,000- \$99,999	
	Owued	Rented	Owued	Rented	Owued	Rented	Owued	Rented
Number of establishments reporting		11	17	43	13	80		16
Average net receipts	\$	7,845	14,663	14,577	29,900	31,748		69,044
Average inventory beginning of year ...	\$	328	926	486	1,293	885		2,478
Average inventory end of year	\$	383	975	508	1,418	840		2,565
Average cost of goods sold	\$	5,446	11,165	10,297	21,230	22,048		46,049
Stock turnover (times per year)		15.3	11.7	20.7	15.7	25.6		18.3
Number of working proprietors		SAMPLE	11	23	54	23	120	SAMPLE
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit		30.6	23.8	29.4	29.0	30.5		33.3
Operating expenses:								
Employees' salaries and wages		4.9	5.9	7.1	10.8	11.5		13.9
Advertising		0.1	0.1	0.2	0.1	0.2		0.2
Store supplies		1.3	0.8	1.0	0.8	0.8		0.8
Bad debts		0.2	(a)	(a)	(a)	(a)		(a)
Taxes and insurance		0.7	1.3	0.8	1.0	0.6		0.6
Rent	TOO	4.3	-	2.9	-	2.1	TOO	2.4
Light, heat and power		3.1	2.7	2.4	2.1	1.9		1.9
Repairs and maintenance		0.5	1.3	1.3	1.3	1.1		1.6
Depreciation		0.9	1.6	0.9	1.0	1.0		0.9
All other expenses		1.8	1.6	1.5	1.4	1.8		2.1
Total operating expenses		17.8	15.3	18.1	18.5	21.0		24.4
Net profits before deduction of proprie- tors' salaries and income tax		12.8	8.5	11.3	10.5	9.5		8.9
Average net earnings	\$	S <small>SMALL</small>	1,001	1,253	1,642	3,133	3,024	S <small>SMALL</small>
Average customers' accounts outstanding \$		18	20	1	31	25		41
Merchandise sales (% of net receipts) ...		43.1	40.9	32.9	38.1	36.6		33.2

(a) Less than 0.05 per cent.

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Coal and Wood Distributors

While the name of this classification indicates that wood is handled, dealers selling wood exclusively are not included. Ice and fuel oil are also handled but the sale of coal forms the major proportion of the businesses included in this section of the report. A total of 249 usable returns were received from independent unincorporated distributors and 64 from incorporated firms.

Although there was a certain amount of irregularity in reporting delivery costs, an attempt has been made to distribute it over salaries, store supplies (gas and oil), repairs and maintenance and depreciation (of trucks). Irregular amounts of rent reported, such as leased sidings only; partly owned and partly rented premises; etc, tend toward an unknown margin of error in this item.

Trends by Size of Business - Unincorporated (See table 10, page 17)

Gross margins were irregular in trend over the five size of business ranges shown. An irregularity in total expenses matching the irregular gross margin resulted in a net profit trend of decreasing ratio with expanding sales volume. Because of increased business volume, however, this smaller ratio in the larger businesses meant greater dollar value net earnings.

Salaries, as a percentage of net sales, increased with business volume, while the ratio of rent expense, although smaller than in other businesses, decreased. Stocks on hand were less at the end of the year than at the beginning with no definite trend in rate of turnover.

Comparison with Previous Years - Unincorporated (See Chart 1, page 16)

A survey on operating costs in coal and wood yards was taken in 1944 and in 1941. The number of firms reporting information for 1941 was small and the results for that year may be out of line for that reason. In general, gross profits decreased from 1941 to 1945 in rented businesses while in owned, there was an increase in the two largest size ranges. Other items of expense and net profit were irregular in trend for the three years.

Comparison of Incorporated and Unincorporated Firms
(See table 11, page 18)

Reports received from 64 incorporated firms came within the two largest size ranges and were divided between owned and rented premises. Comparison with the same size and occupancy category of unincorporated firms is shown in table 11.

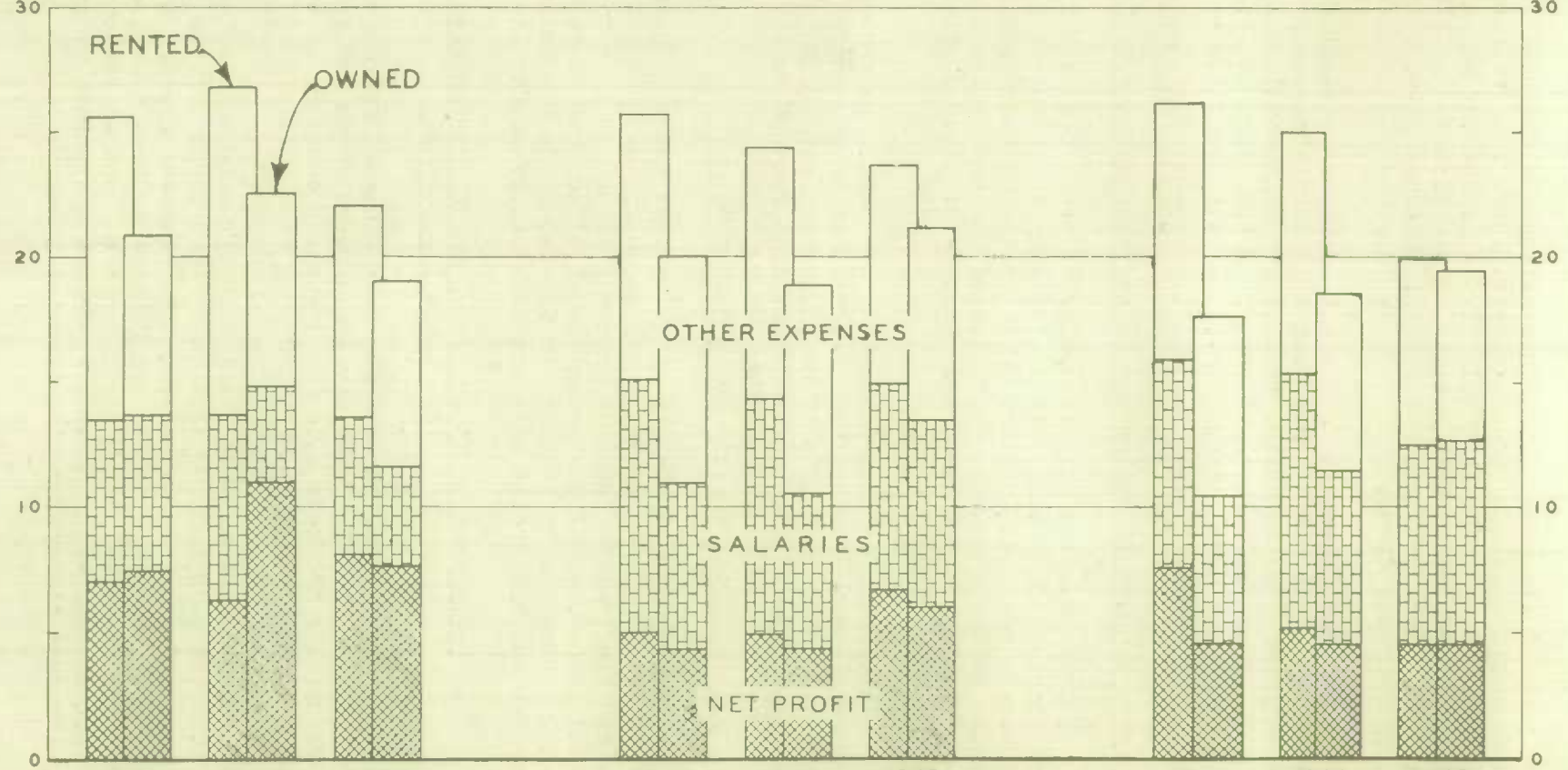
Incorporated firms obtained wider margins than unincorporated. With salaries paid to firm members of incorporated firms included in the expense item of salaries and wages, this item was greater than in unincorporated firms. Net profits are not comparable because unincorporated firms included proprietors' salaries. Stocks on hand at the end of the year were less than at the beginning in every class. The rate of stock turnover was irregular over the different categories shown.

OPERATING RESULTS OF COAL AND WOOD DISTRIBUTORS

GROSS MARGIN = NET PROFITS + SALARIES + OTHER EXPENSES

PERCENTAGE
OF NET SALES

PERCENTAGE
OF NET SALES



AMOUNT OF ANNUAL SALES

Table 10.--Coal and Wood Distributors - Operating Results of Unincorporated Distributors Classified
According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES							
	\$10,000- \$19,999		\$20,000- \$49,999		\$50,000- \$99,999		\$100,000 and Over	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of distributors reporting	17	19	50	40	29	33	28	24
Average net sales \$	15,380	15,594	34,371	32,025	76,356	73,261	151,865	146,110
Average inventory beginning of year ... \$	702	468	1,593	1,387	3,637	2,797	9,152	4,798
Average inventory end of year \$	520	321	1,298	1,325	3,043	2,584	7,719	4,473
Average cost of goods sold \$	12,490	12,142	27,073	24,445	61,492	58,498	122,499	117,385
Stock turnover (times per year)	20.4	30.8	18.7	18.0	18.4	21.7	14.5	25.3
Number of working proprietors	18	19	60	48	36	42	36	39
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit	18.8	22.1	21.2	23.7	19.5	20.2	19.3	19.7
Operating expenses:								
Employees' salaries and wages	4.2	5.8	7.5	8.2	7.5	7.9	8.5	8.1
Advertising	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2
Store supplies	2.3	2.6	2.4	2.1	1.8	2.0	1.8	1.7
Bad debts	0.1	0.2	0.1	0.2	0.1	0.2	0.2	0.2
Taxes and insurance	1.4	0.9	0.9	1.1	0.8	0.7	0.7	0.5
Rent	-	1.1	-	0.9	-	0.7	-	0.5
Light, heat and power	0.2	0.4	0.3	0.3	0.2	0.2	0.2	0.1
Repairs and maintenance	1.1	1.1	1.2	1.4	1.1	1.0	1.2	0.9
Depreciation	0.6	0.6	1.0	0.8	0.7	0.5	0.8	0.5
All other expenses	1.6	1.3	1.6	1.8	1.6	2.3	1.6	2.5
Total operating expenses	11.7	14.2	15.2	17.0	14.0	15.7	15.3	15.2
Net profits before deduction of proprietors' salaries and income tax	7.1	7.9	6.0	6.7	5.5	4.5	4.0	4.5
Average net earnings \$	1,096	1,235	2,055	2,140	4,171	3,269	6,149	6,570
Average customers' accounts outstanding \$	507	560	2,022	1,921	3,539	6,590	9,442	12,266

Table 11.--Coal and Wood Distributors - Operating Results of Unincorporated
and Incorporated Distributors Compared, Canada, 1945

Item	AMOUNT OF ANNUAL SALES							
	\$50,000 - \$99,999				\$100,000 and Over			
	Owned		Rented		Owned		Rented	
	Unincor- porated	Incor- porated	Unincor- porated	Incor- porated	Unincor- porated	Incor- porated	Unincor- porated	Incor- porated
Number of distributors reporting	29	16	33	10	28	17	24	21
Average net sales	\$ 76,356	76,986	73,261	70,387	151,865	238,373	146,110	262,987
Average inventory beginning of year ...	\$ 3,637	4,239	2,797	2,424	9,152	9,476	4,798	17,828
Average inventory end of year	\$ 3,043	3,170	2,584	2,392	7,719	8,607	4,473	15,281
Average cost of goods sold	\$ 61,492	60,300	58,498	54,553	122,499	190,402	117,385	210,455
Stock turnover (times per year)	18.4	16.3	21.7	22.7	14.5	21.1	25.3	12.7
Number of working proprietors	36	-	42	-	36	-	39	-
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit	19.5	21.7	20.2	22.5	19.3	20.1	19.7	20.0
Operating expenses:								
Employees' salaries and wages	7.5	11.0	7.9	11.9	8.5	11.3	8.1	10.3
Advertising	0.2	0.4	0.2	0.3	0.3	0.3	0.2	0.4
Store supplies	1.8	1.7	2.0	2.6	1.8	1.8	1.7	1.4
Bad debts	0.1	0.1	0.2	0.2	0.2	0.1	0.2	0.1
Taxes and insurance	0.8	0.9	0.7	0.8	0.7	0.8	0.5	0.7
Rent	-	-	0.7	0.6	-	-	0.5	0.5
Light, heat and power	0.2	0.1	0.2	0.1	0.2	0.1	0.1	0.1
Repairs and maintenance	1.1	1.2	1.0	1.5	1.2	1.0	0.9	1.7
Depreciation	0.7	0.9	0.5	1.2	0.8	0.7	0.5	0.9
All other expenses	1.6	3.2	2.3	1.5	1.6	2.1	2.5	2.1
Total operating expenses	14.0	19.5	15.7	20.7	15.3	18.2	15.2	16.2
Net profits before deduction of proprie- tors' salaries and income tax (1)	5.5	2.2	4.5	1.8	4.0	1.9	4.5	1.8
Average customers' accounts outstanding \$	3,539	6,606	6,590	5,624	9,442	15,015	12,266	25,228

(1) Salaries paid to all firm members of incorporated firms included in employees' salaries.

Drug Stores Without Fountain

Drug stores were separated as between those not operating and those operating a soda fountain. Usable reports were received from 546 unincorporated and 46 incorporated drug stores not operating a soda fountain. When classified by size of business and occupancy basis all groups of unincorporated stores can be shown except owned stores with annual sales of over \$100,000. Incorporated stores fall within the rented category in the three largest size ranges. Comparable information for previous years is not available.

Trends by Size of Business - Unincorporated (See table 12, page 20)

Gross profits in owned and rented stores were irregular in trend. The ratio to net sales decreased from the smallest size store to the middle size ranges, then increased to record the highest ratio in the largest size class. Total expenses increased in ratio to net sales in proportion with volume of business and resulted in a general decline in ratio of net profit in the larger stores. The salary ratio increased consistently with sales volume while the rent expense ratio decreased.

Stocks of merchandise on hand at the end of the year were greater than at the beginning in every size and occupancy class shown. The rate of stock turnover increased with sales volume; owned stores ranging from 2.4 times per year to 4.3 times and rented stores from 1.7 times to 4.7 times.

Comparison Between Unincorporated and Incorporated Stores
(See table 13, page 21)

In table 13, a comparison of three size groups of rented stores is made between unincorporated and incorporated firms. Incorporated firms operated on wider gross margins in each size range. Like unincorporated drug stores, stocks were higher at the end of the year than at the beginning. Stock turnover rate, however, decreased with greater volume of sales in incorporated stores as compared to unincorporated stores where the rate increased. Net profit ratios increased considerably with sales volume in incorporated drug stores.

The expense item of employees' salaries and wages includes salaries paid to all firm members and is therefore somewhat larger than the same item in unincorporated stores. The net profit ratios are not directly comparable in that part of unincorporated store profits must go toward proprietors' salaries.

Table 12.--Drug Stores Without Soda Fountain - Operating Results of Unincorporated Stores Classified
According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES									
	Less than \$10,000		\$10,000- \$19,999		\$20,000- \$49,999		\$50,000- \$99,999		\$100,000 and Over	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting	17	12	59	73	66	218	19	73		8
Average net sales per store \$	7,387	7,891	15,053	15,151	29,607	33,248	64,189	66,184		142,985
Average inventory beginning of year ... \$	2,172	3,165	3,846	3,844	6,138	6,169	10,248	11,233		21,112
Average inventory end of year \$	2,276	3,326	4,036	4,100	6,587	6,550	11,154	12,003		21,717
Average cost of goods sold, per store . \$	5,427	5,660	11,185	10,974	21,702	24,544	46,229	47,515		101,597
Stock turnover (times per year)	2.4	1.7	2.8	2.8	3.4	3.9	4.3	4.1	SAMPLE	4.7
Number of working proprietors	17	12	63	73	66	232	21	89		10
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross trading profit	26.5	28.3	25.7	27.6	26.7	26.2	28.0	28.2		28.9
Operating expenses:										
Employees' salaries and wages	1.9	3.1	3.2	4.5	6.0	6.5	7.9	8.4		11.1
Advertising	0.3	0.3	0.5	0.5	0.5	0.6	0.5	0.7		1.1
Store supplies	0.6	0.9	0.6	0.6	0.6	0.6	0.5	0.7		0.8
Bad debts	0.1	0.1	0.2	0.1	0.1	0.1	0.1	(a)		(a)
Taxes and insurance	1.5	0.9	1.4	0.9	1.1	0.7	0.9	0.5	T00	0.5
Rent	-	3.3	-	2.7	-	2.1	-	2.1		1.8
Light, heat and power	2.0	1.0	1.3	1.0	0.9	0.6	0.6	0.4		0.2
Repairs and maintenance	0.6	0.3	0.7	0.5	0.6	0.4	0.5	0.3		0.3
Depreciation	1.1	0.3	0.9	0.4	0.6	0.4	0.6	0.4		0.4
All other expenses	1.5	2.2	2.1	1.8	1.8	1.7	2.3	1.6		2.0
Total operating expenses	9.6	12.4	10.9	13.0	12.2	13.7	13.9	15.1		16.2
Net profits before deduction of proprie- tors' salaries and income tax	16.9	15.9	14.8	14.6	14.5	12.5	14.1	13.1		10.7
Average net earnings per store \$	1,251	1,252	2,232	2,215	4,290	4,143	9,027	8,687	SMALL	15,331
Average customers' accounts outstanding \$	117	75	155	210	460	334	637	840		4,176

(a) Less than 0.05 per cent.

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Table 13.--Drug Stores without Soda Fountain - Operating Results of
Unincorporated and Incorporated Stores Compared, 1945

Item	AMOUNT OF ANNUAL SALES					
	\$20,000 - \$49,999		\$50,000 - \$99,999		\$100,000 and Over	
	Unincorporated	Incorporated	Unincorporated	Incorporated	Unincorporated	Incorporated
Number of stores reporting	218	14	73	23	8	9
Average net sales per store \$	33,248	35,055	66,184	69,256	142,985	168,983
Average inventory beginning of year ... \$	6,169	6,521	11,233	14,526	21,112	34,714
Average inventory end of year \$	6,550	7,670	12,003	15,097	21,717	36,773
Average cost of goods sold, per store . \$	24,544	25,049	47,515	47,309	101,597	104,900
Stock turnover (times per year)	3.9	3.5	4.1	3.2	4.7	2.9
Number of working proprietors	232	-	89	-	10	-
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)						
Gross trading profit	26.2	28.5	28.2	31.7	28.9	37.9
Operating expenses:						
Employees' salaries and wages	6.5	14.5	8.4	13.8	11.1	15.2
Advertising	0.6	0.5	0.7	0.9	1.1	1.2
Store supplies	0.6	0.8	0.7	0.5	0.8	1.2
Bad debts	0.1	(a)	(a)	0.1	(a)	0.1
Taxes and insurance	0.7	0.7	0.5	0.7	0.5	0.7
Rent	2.1	2.9	2.1	2.8	1.8	3.0
Light, heat and power	0.6	0.7	0.4	0.5	0.2	0.5
Repairs and maintenance	0.4	0.6	0.3	0.3	0.3	0.6
Depreciation	0.4	0.5	0.4	0.4	0.4	0.5
All other expenses	1.7	2.0	1.6	2.2	2.0	1.9
Total operating expenses	13.7	23.2	15.1	22.2	18.2	24.9
Net profits before deduction of proprietors' salaries and income tax (1)	12.5	5.3	13.1	9.5	10.7	13.0
Average customers' accounts outstanding \$	334	846	840	1,240	4,176	4,247

(a) Less than 0.05 per cent.

(1) Salaries paid to all firm members of incorporated firms included in employees' salaries.

Drug Stores With Soda Fountain

Reports were received from 214 independent unincorporated drug stores in this classification. When classified by size of business and between owned and rented stores there were too few stores in the classes under \$10,000 annual net sales, over \$100,000 annual net sales, and **owned** stores with sales between \$10,000 and \$19,999 to allow presentation of results.

Trends by Size of Business (See table 14, page 23)

For the groups shown, gross profit ratios increased proportionately with volume of sales. Net profit ratios in rented stores decreased with sales volume while the two size ranges of owned stores showed similar net profit ratios. Reflecting increased ratios of salary expense, total expenses formed a greater percentage of net sales in the larger stores.

Like unincorporated drug stores without fountain, stocks on hand were greater at the end of the year than at the beginning and the rate of stock turnover increased with sales volume. The ratio of soda fountain receipts was greater in the larger stores.

Table 14.--Drug Stores With Soda Fountain - Operating Results of Unincorporated Stores Classified
According to Amount of Annual Sales and Occupancy Basis, 1945

Item	AMOUNT OF ANNUAL SALES					
	\$10,000 - \$19,999		\$20,000 - \$49,999		\$50,000 - \$99,999	
	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting		12	24	97	11	56
Average net sales per store \$		16,657	29,024	33,619	71,211	58,916
Average inventory beginning of year ... \$		3,407	4,867	5,351	9,615	7,653
Average inventory end of year \$		3,647	5,184	5,775	9,990	8,167
Average cost of goods sold, per store . \$		12,615	21,998	25,422	52,111	43,722
Stock turnover (times per year)	SAMPLE	3.6	4.4	4.6	5.3	5.5
Number of working proprietors		12	24	97	11	56
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)						
Gross trading profit		24.3	24.2	24.4	26.8	25.8
Operating expenses:						
Employees' salaries and wages		3.4	5.7	5.8	9.5	8.8
Advertising		0.4	0.4	0.4	0.4	0.8
Store supplies		0.7	0.5	0.6	0.5	0.7
Bad debts		0.1	0.1	0.1	0.1	0.1
Taxes and insurance	T00	1.1	1.1	0.6	0.7	0.6
Rent		2.5	-	2.1	-	2.0
Light, heat and power		1.3	1.1	0.9	0.7	0.7
Repairs and maintenance		0.4	0.5	0.5	0.6	0.5
Depreciation		0.6	1.4	0.6	0.8	0.6
All other expenses		1.5	1.6	1.6	1.6	1.7
Total operating expenses		12.0	12.4	13.2	14.9	16.5
Net profits before deduction of proprietors' salaries and income tax		12.3	11.8	11.2	11.9	9.3
Average net earnings per store \$	SMALL	2,045	3,417	3,777	8,499	5,458
Average customers' accounts outstanding \$		125	344	295	459	524
Soda fountain receipts (% of net sales) .		18.2	25.2	20.5	28.6	23.7

Jewellery Stores

Usable reports were received from 339 independent unincorporated and from 33 incorporated jewellery stores. When classified by size of business and between owned and rented stores all rented classes could be shown but there were only sufficient unincorporated owned stores to allow publication of two size ranges. Incorporated firms reporting came within the two largest size ranges in the rented category and their results are only shown in total in table 6, page 9.

Trends by Size of Business - Unincorporated (See table 15, page 26)

With the results of owned stores shown only in two sizes of business no definite trends can be pictured. Gross profit ratios in rented stores followed the irregular trend of decreasing from the smallest size class to the middle size range, then increasing to a high ratio in the largest stores. Increased percentages of salaries and advertising in the larger stores were reflected in total expenses to result in diminishing net profits except in the largest group where a slight increase was reported. This smaller ratio of net profit measured in dollar value gave the proprietors of the larger stores greater net earnings because of the greater volume of sales.

Inventories showed considerable gain at the end of the year over the beginning of the year. The rate of stock turnover rose from 1.4 times per year in the smallest store to 2.7 times in the largest.

Comparison With Previous Years - Unincorporated (See chart 2, page 25)

A survey on operating results of jewellery stores was taken for the years 1944 and 1941. Information for 1941 on owned stores with annual sales over \$100,000 is not available. In general, net profits increased from 1941 to 1944 but decreased from the latter year in 1945. Gross profits decreased from 1941 to 1945.

OPERATING RESULTS OF JEWELLERY STORES

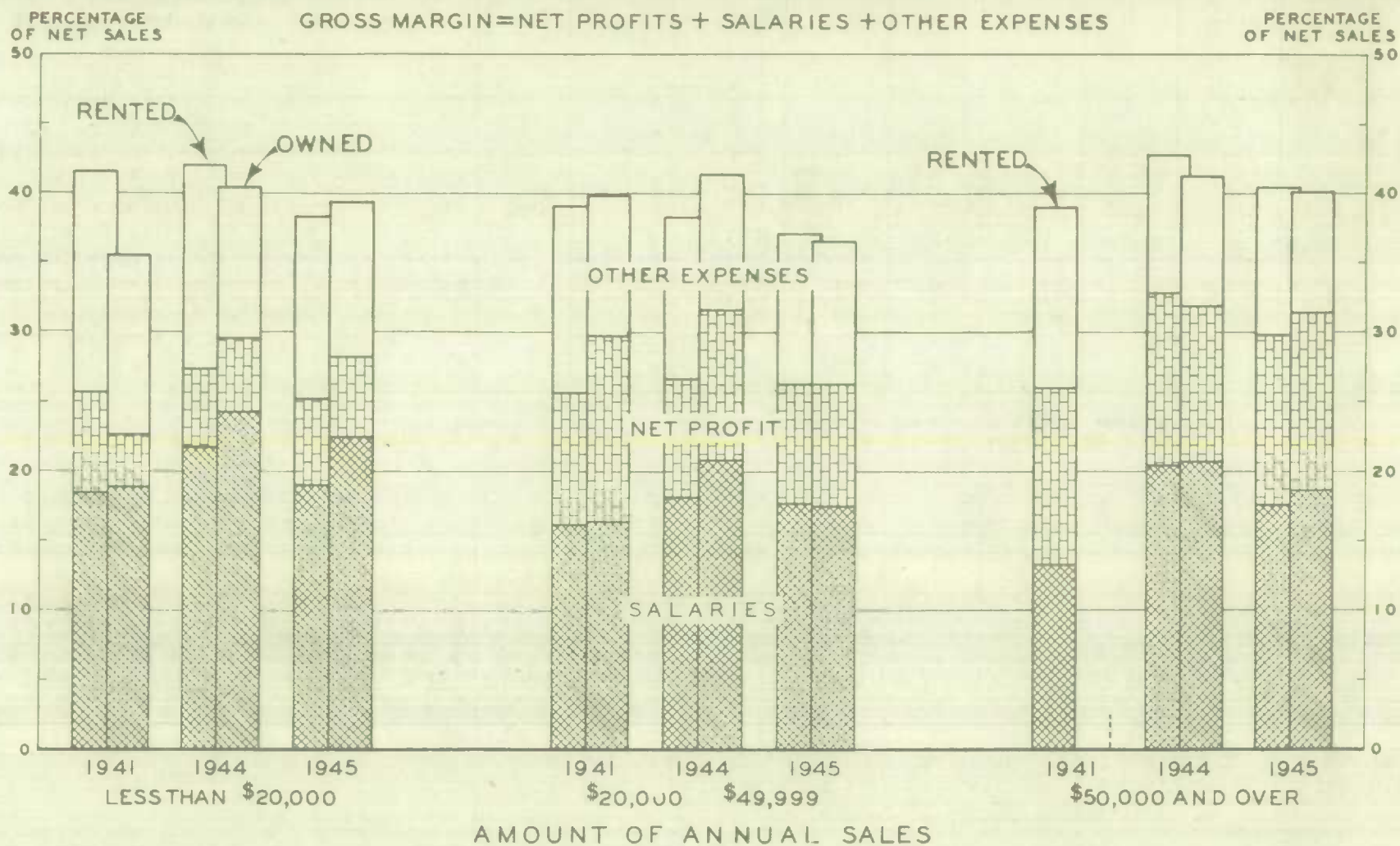


Table 15.--Jewellery Stores - Operating Results of Unincorporated Stores Classified
According to Amount of Annual Sales and Occupancy Basis, 1945

Item	AMOUNT OF ANNUAL SALES									
	Less than \$10,000		\$10,000- \$19,999		\$20,000- \$49,999		\$50,000- \$99,999		\$100,000 and Over	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting		32	19	77	22	134		29		12
Average net sales per store	\$	6,737	14,049	15,127	32,416	31,388		71,203		135,685
Average inventory beginning of year ...	\$	2,801	4,319	5,207	7,493	8,124		17,058		25,937
Average inventory end of year	\$	3,202	5,276	6,119	8,939	10,148		20,906		31,837
Average cost of goods sold, per store .	\$	4,085	8,452	9,371	20,554	19,753		43,535		78,065
Stock turnover (times per year)	SAMPLE	1.4	1.8	1.7	2.5	2.2	SAMPLE	2.3	SAMPLE	2.7
Number of working proprietors		33	20	80	25	156		40		16
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross trading profit		39.3	39.8	38.0	36.6	37.1		38.8		42.5
Operating expenses:										
Employees' salaries and wages		3.2	6.6	6.8	8.8	8.6		10.6		14.1
Advertising		0.9	1.1	1.0	1.0	1.4		1.6		2.2
Store supplies		1.3	0.7	1.4	0.9	1.1		1.3		1.1
Bad debts		0.2	0.1	0.1	0.2	0.1		0.1		0.2
Taxes and insurance	TOO	1.3	2.2	1.2	1.5	0.7	TOO	0.7	TOO	0.9
Rent		4.2	-	3.7	-	2.6		2.9		2.6
Light, heat and power		1.1	1.3	1.0	1.1	0.6		0.6		0.5
Repairs and maintenance		0.5	0.8	0.6	1.1	0.5		0.5		0.4
Depreciation		1.1	1.6	0.7	0.9	0.5		0.6		0.3
All other expenses		3.3	3.4	3.1	3.6	3.1		2.6		2.2
Total operating expenses		17.1	17.8	19.6	19.1	19.4		21.5		24.5
Net profits before deduction of proprie- tors' salaries and income tax		22.2	22.0	18.4	17.5	17.7		17.3		18.0
Average net earnings per store	\$	SMALL 1,497	3,098	2,787	5,664	5,557	SMALL 12,302	SMALL 24,369		
Average customers' accounts outstanding \$		78	213	367	979	783	2,205	4,157		

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Tobacco Stores

A store must sell more than 50 per cent tobacco and smokers' sundries to be classified as a tobacco store. Other merchandise sold includes magazines, newspapers, confectionery and novelties. Usable reports were received from 322 independent unincorporated stores. When classified by size of business and occupancy basis there were too few stores in the owned category with sales between \$50,000 and \$99,999 and in the size range of over \$100,000 annual sales to allow publication of results. Comparable information for previous years is not available.

Trends by Size of Business (See table 16, page 28)

Gross profits and net profits, expressed as percentages of net sales, followed no definite trend in relation to volume of sales. Salary ratio increased with sales volume while the ratio of rent expense decreased. The other expense items showed little change.

Stocks on hand at the end of the year were greater than at the beginning in each category shown. The rate of stock turnover followed no trend with change in size of business but fluctuated between 10.5 times per year and 15.7 times.

Table 16.--Tobacco Stores - Operating Results of Unincorporated Stores Classified According to Amount of Annual Sales and Occupancy Basis, 1945

Item	AMOUNT OF ANNUAL SALES							
	Less than \$10,000		\$10,000-\$19,999		\$20,000-\$49,999		\$50,000-\$99,999	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting	14	20	26	91	27	114		27
Average net sales per store \$	6,879	7,392	13,832	15,496	29,188	30,573		67,108
Average inventory beginning of year ... \$	481	460	700	1,045	1,857	2,018		5,042
Average inventory end of year \$	491	502	784	1,070	2,022	2,253		5,475
Average cost of goods sold, per store . \$	5,663	5,781	11,673	13,102	24,610	25,861		55,478
Stock turnover (times per year)	11.6	12.0	15.7	12.4	12.7	12.1	SAMPLE	10.5
Number of working proprietors	15	20	28	95	27	24		33
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit	17.7	21.8	15.6	15.4	15.7	15.4		17.3
Operating expenses:								
Employees' salaries and wages	1.7	0.7	1.6	1.6	2.7	2.9		4.8
Advertising	0.1	(a)	(a)	0.1	(a)	(a)		0.1
Store supplies	0.5	0.6	0.4	0.4	0.3	0.3		0.4
Bad debts	(a)	(a)	0.1	(a)	(a)	(a)		(a)
Taxes and insurance	1.8	0.6	1.3	0.6	0.9	0.4	T00	0.4
Rent	-	4.0	-	2.7	-	2.0		1.9
Light, heat and power	1.4	1.2	1.1	0.8	0.9	0.5		0.4
Repairs and maintenance	1.1	0.3	0.6	0.3	0.5	0.3		0.2
Depreciation	0.4	0.2	0.7	0.2	0.7	0.3		0.3
All other expenses	0.7	1.0	1.7	0.8	1.2	0.7		1.3
Total operating expenses	7.8	8.6	7.5	7.5	7.2	7.4		9.8
Net profits before deduction of proprietors' salaries and income tax	9.9	13.2	8.1	7.9	8.5	8.0		7.5
Average net earnings \$	683	975	1,124	1,232	2,471	2,434	SMALL	5,051
Average customers' accounts outstanding \$	24	10	1	13	30	25		149

(a) Less than 0.05 per cent.

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