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OPERATING RESULTS
OF
MISCELLANEOUS
RETAIL STORES
1946

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**OPERATING RESULTS
OF
MISCELLANEOUS
RETAIL STORES
1946**

INDEPENDENT:

RESTAURANTS

RESTAURANTS WITH MERCHANDISE

COAL AND WOOD DISTRIBUTORS

DRUG STORES WITHOUT FOUNTAIN

DRUG STORES WITH SODA FOUNTAIN

JEWELLERY STORES

TOBACCO STORES

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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returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.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 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 the ending inventory.

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

Salaries and wages - paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit.

Advertising

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

Loss on bad debts - during the year - amount written off
Less debts which are recovered.

Taxes and Insurance - business, property and water taxes, licences including truck licences, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.

Rentals - monies paid for premises used only in the business.

Heat, light and power expenses - amount paid for these used during the year.

Repairs and maintenance - incurred for the purposes of keeping fixed store assets, including delivery equipment, operating efficiently.

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

Occupancy expense - comprises taxes and insurance, rent, heat, light and power, repairs and maintenance, and depreciation.

Other expenses - telephone, telegraph, postage, bank charges, legal fees, 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.

DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES STATISTICS
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OPERATING RESULTS OF MISCELLANEOUS RETAIL STORES

INTRODUCTION

The operating results of miscellaneous kinds of business are presented in this report, which continues the series of bulletins published in 1944 and 1945. The survey is based upon operating statements contributed by a sample of independent firms throughout the country and covers restaurants with and without merchandise sales, coal and wood distributors, drug stores with and without soda fountain, jewellery stores, and tobacco stores.

Results of earlier studies are compared with those of 1946 while tables and charts clarify and facilitate understanding of the text. It is hoped that merchants, students and others will consult these reports as sources of reference and information.

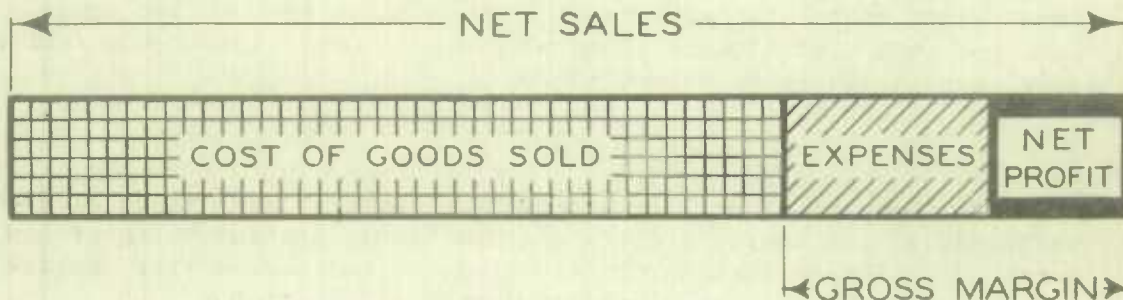
Once each year, at least, the merchant must come to grips with the problem of reviewing his operations, and calculating his expenses and profits. At the same time he may make plans for the coming months, applying his knowledge, experience, and personal observations to increase the efficiency of his business. This bulletin has been prepared for the purpose of augmenting the merchant's experience with data which describe the operations of his own type and size of business.

Our studies do not attempt to deal with such matters as store layout, advertising display, and salesmanship, which may be called methods of operation. The emphasis here is upon operating results, comparisons of profit and loss statements and their component parts.

The necessity of maintaining some orderly system of book-keeping cannot be over-emphasized. If some method of current record keeping is not employed, it is difficult to compare individual operations with average experience as shown in this study. It is essential that the meanings of terms be checked in such comparisons. For this purpose a list of definitions has been inserted at the beginning of this bulletin.

The component parts of operating ratios are graphically portrayed in the following formula and bar chart:

$$\text{NET SALES} = \text{COST OF GOODS SOLD} + \text{GROSS MARGIN}$$



$$\text{GROSS MARGIN} = \text{EXPENSES} + \text{NET PROFIT}$$

SUMMARY.....

RESTAURANTS

1. Unincorporated restaurants realized a gross margin of 37.2 per cent of net sales in 1946, slightly wider than the 1945 ratio of 36.8. A higher salary expense in 1946 more than offset the gain in gross margin to net a profit of 8.0 per cent, as compared with 8.6 per cent in the previous year. (See Table 1, below).

2. The high points in expenses incurred, in order of importance, were salaries and wages, rent, light, heat, and power. Salaries increased considerably in ratio as the volume of business expanded while the other two items diminished in ratio in the larger restaurants. Although gross margins were more irregular in ratio over the size ranges, net profits decreased consistently with volume of business. (See Table 8, page 13).

TABLE 1. - OPERATING RESULTS OF RESTAURANTS - 1945, 1946

Item	1945	1946
Number of restaurants reporting	445	382
Average net receipts	45,956	48,816
Inventory as per cent of net receipts:		
Beginning inventory	1.9	1.9
Ending inventory	2.1	2.2
Stock turnover (times per year)	31.4	30.6
Gross margin	36.8	37.2
Operating expenses:		
Employees' salaries and wages	17.1	18.2
Advertising	0.2	0.3
Store supplies	1.1	1.1
Bad debts	(a)	(a)
Occupancy expense	7.4	7.4
All other expenses	2.4	2.2
Total operating expenses	28.2	29.2
Net profits before deduction of proprietors' salaries and income tax	8.6	8.0

(Items expressed as percentages of net sales).

(a) Less than 0.05 per cent.

RESTAURANTS SELLING MERCHANDISE

1. Restaurants selling merchandise obtained better net profits on the average and operated on narrower gross margins than did restaurants which confined their activities to the serving of meals or lunches. Similar to the straight restaurant, they bettered the 1945 margin in 1946 but, due to increased salary expense, the net profit ratio obtained in 1946 was smaller than that for the previous year. (See Table 2, below).

2. In 1946, gross margins generally increased with business volume while net profits decreased in ratio. Salaries and wages followed the usual trend of increasing in ratio as volume of business expanded. (See Table 9, page 15).

3. Restaurants in this classification operating from rented premises realized wider gross margins and greater net profits than did those operating from owned premises. (See Table 9, page 15).

TABLE 2. - OPERATING RESULTS OF RESTAURANTS SELLING MERCHANDISE - 1945, 1946

Item	1945	1946
Number of restaurants reporting	196	232
Average net receipts	30,708	35,581
Inventory as per cent of net receipts:		
Beginning inventory	3.4	3.1
Ending inventory	3.4	3.6
Stock turnover (times per year)	20.5	20.5
Gross margin	31.0	31.9
Operating Expenses:		
Employees' salaries and wages	11.8	12.9
Advertising	0.2	0.2
Store supplies	0.8	1.0
Bad debts	(a)	(a)
Occupancy expense	6.9	7.1
All other expenses	2.0	1.9
Total operating expenses	21.7	23.1
Net profits before deduction of proprietors' salaries and income tax	9.3	8.8

(Items expressed as percentages of net sales).

(a) Less than 0.05 per cent.

COAL AND WOOD DISTRIBUTORS

1. The average unincorporated coal and wood distributor in 1946 obtained a gross margin which was 21.1 per cent of net sales, slightly higher than the two previous years. Net profits at 5.0 per cent remained the same as 1945. Salaries and wages have increased since 1941 and in 1945 and 1946 formed over half of the total expense ratio. (See Table 3, below).
2. Both gross margins and net profits of unincorporated dealers, operating their own delivery trucks, diminished in ratio to net sales as the size of business expanded. Salaries paid to employees did not increase in ratio with business volume to the same extent as did other retail businesses. Inventories were in much greater dollar volume at the end than at the beginning of the year. (See Table 10, page 18).
3. Dealers whose delivery was on a contract basis obtained slightly narrower gross margins and net profits than those doing their own delivery. The delivery expense was 7.7 and 7.3 per cent of net sales for unincorporated and incorporated dealers respectively. This expense, contracted out to other truckers, reduced considerably the items of salaries, supplies, taxes and insurance, repairs and depreciation for those dealers not maintaining their own trucks. (See Table 11, page 19).

TABLE 3. - OPERATING RESULTS OF UNINCORPORATED COAL DISTRIBUTORS

1941, 1944, 1945, 1946

Item	1941	1944	1945	1946
Number of distributors reporting	108	168	249	239
Average net sales \$	47,331	52,483	64,300	64,413
Inventory as per cent of net sales:				
Beginning inventory	5.4	4.2	4.5	3.9
Ending inventory	7.2	5.0	3.9	6.7
Stock turnover (times per year)	12.5	17.1	18.9	14.9
Gross margin	21.2	20.7	20.1	21.1
Operating expenses:				
Employees' salaries and wages	7.2	7.9	7.9	8.4
Advertising	0.3	0.2	0.2	0.3
Store supplies			1.9	2.2
Bad debts			0.2	0.1
Occupancy expense	8.2	7.8	3.0	3.3
All other expenses			1.9	1.8
Total operating expenses	15.7	15.9	15.1	16.1
Net profits before deduction of proprietors' salaries and income tax	5.5	4.8	5.0	5.0

(Items expressed as percentages of net sales).

DRUG STORES WITHOUT SODA FOUNTAIN

1. Higher expenses, particularly in salaries, incurred in the operation of drug stores during 1946 reduced a gross margin of even ratio with 1945 at 27.2 per cent to result in a lesser net profit. (See Table 4, below).
2. Both gross margins and net profits in unincorporated drug stores were somewhat irregular in trend over the different sizes of business. In common with most kinds of retail trade, salaries increased in ratio with volume of sales. Inventories were greater in dollar volume at the end of the year than at the beginning in all size and occupancy classes and the rate of stock turnover increased with the size of business. (See Table 12, page 21).
3. Incorporated firms operated on wider gross margins than did unincorporated. With salaries paid all firm members included in expenses, their net profit was generally reduced below the level of unincorporated stores where proprietors' salaries are included with net profit. (See Table 13, page 22).

TABLE 4. - OPERATING RESULTS OF UNINCORPORATED DRUG STORES

WITHOUT SODA FOUNTAIN - 1945, 1946

	1945	1946
Number of stores reporting	546	576
Average net sales	34,286	40,373
Inventory as per cent of net sales:		
Beginning inventory	18.9	17.5
Ending inventory	20.1	19.7
Stock turnover (times per year)	3.7	3.9
Gross margin	27.2	27.2
Operating expenses:		
Employees' salaries and wages	7.0	7.8
Advertising	0.6	0.6
Store supplies	0.6	0.7
Bad debts	0.1	0.1
Occupancy expense	4.0	3.9
All other expenses	1.7	1.7
Total operating expenses	14.0	15.0
Net profits before deduction of proprietors' salaries and income tax	13.2	12.2

(Items expressed as percentages of net sales).

DRUG STORES WITH SODA FOUNTAIN

1. Drug stores in this classification realized a gross margin of 24.8 per cent in 1946 compared with one of 25.3 per cent in 1945. Increased salary expense was offset by an improvement in the occupancy expense ratio so that the relationship in net profit between 1946 and 1945 was relatively the same as that in gross margin. Receipts from soda fountains diminished from the 1945 ratio of 27.8 per cent of total sales to 20.3 per cent. (See Table 5, below).
2. In the two size classes tabulated, gross margins were higher in the larger category in both owned and rented stores in 1946. Higher salary cost reduced this gain to a net profit of smaller ratio in the larger size class. (See Table 14, page 23).

TABLE 5. - OPERATING RESULTS OF DRUG STORES WITH SODA FOUNTAIN - 1945, 1946

Item	1945	1946
Number of stores reporting	214	193
Average net sales	41,818	49,408
Inventory as per cent of net sales:		
Beginning inventory	14.8	14.1
Ending inventory	15.8	15.4
Stock turnover (times per year)	4.9	5.1
Gross margin	25.3	24.8
Operating expenses:		
Employees' salaries and wages	7.5	8.1
Advertising	0.6	0.6
Store supplies	0.7	0.8
Bad debts	0.1	0.1
Occupancy expense	4.4	3.9
All other expenses	1.6	1.5
Total operating expenses	14.9	15.0
Net profits before deduction of proprietors' salaries and income tax	10.4	9.8
Fountain receipts	27.8	20.3

(Items expressed as percentages of net sales).

JEWELLERY STORES

1. In 1946 the gross margin of the average jewellery store decreased to 37.1 per cent of net sales, lower than previous years. This decline was reflected in a net profit of 16.4 per cent of net sales, lower than the preceding two years, but higher than the 15 per cent recorded in 1941. It is of interest to note here that net profits as a proportion of net sales have been higher in jewellery stores than in any other of the independent store types studied in 1945 and 1946. The inventory position has improved to the point where the stock held at the end of 1946 was 36.1 per cent of net sales, a ratio not matched since the end of 1941. (See Table 6, below).
2. While net profit ratios in unincorporated stores decreased in 1946 as the volume of business expanded, gross margins were irregular in relation to net sales over the different size groups. Salaries paid to employees increased consistently in ratio with sales volume and effected a similar trend in total expenses. (See Table 15, page 26).
3. Incorporated jewellery stores obtained wider gross margins in 1946 than did unincorporated stores. Unlike the latter, their expenses decreased in ratio and net profits increased as volume of sales expanded. Incorporated store salaries included all firm members whereas the proprietors' salaries of unincorporated stores are included with net profit. This accounts for the difference in salaries and net profit between the two types. (See Table 16, page 27).

TABLE 6. - OPERATING RESULTS OF UNINCORPORATED JEWELLERY STORES -

1941, 1944, 1945, 1946

Item	1941	1944	1945	1946
Number of stores reporting	101	136	339	344
Average net sales \$	36,009	43,746	32,070	36,169
Inventory as per cent of net sales:				
Beginning inventory	32.2	23.7	25.5	27.2
Ending inventory	36.1	22.2	31.1	36.1
Stock turnover (times per year)	1.8	2.3	2.2	2.0
Gross margin	38.9	41.3	38.6	37.1
Operating expenses:				
Employees' salaries and wages	10.9	10.4	9.7	10.1
Advertising	1.8	1.4	1.5	1.6
Store supplies			1.2	1.2
Bad debts		9.4	0.1	0.1
Occupancy expense	11.2		5.2	5.0
All other expenses			2.9	2.7
Total operating expenses	23.9	21.2	20.6	20.7
Net profits before deduction of proprietors' salaries and income tax ..	15.0	20.1	18.0	16.4

(Items expressed as percentages of net sales).

TOBACCO STORES

1. In 1946 tobacco stores operated on reduced gross margins and net profits as compared with previous years. With larger dollar volume inventories than in the previous years, the rate of stock turnover in 1946 was smaller at 10.8 times compared with 11.7 and 11.3 times in 1945 and 1944 respectively. (See Table 7, below).

2. Gross margins in rented tobacco stores generally decreased in ratio to net sales in 1946 over the different size classes while net profits declined from 11.9 per cent to 7.6 per cent. The rate of stock turnover ranged from 13.3 times in the smallest size rented store to 9.7 times per year in the largest size. (See Table 17, page 29).

TABLE 7. - OPERATING RESULTS OF TOBACCO STORES - 1944, 1945, 1946

Item	1944	1945	1946
Number of stores reporting	182	322	302
Average net sales \$	22,604	26,068	28,399
Inventory as per cent of net sales:			
Beginning inventory	7.2	6.9	7.3
Ending inventory	7.5	7.5	8.4
Stock turnover (times per year)	11.3	11.7	10.8
Gross margin	17.3	15.9	15.6
Operating expenses:			
Employees' salaries and wages	3.1	2.9	2.9
Advertising	(a)	0.1	0.1
Store supplies		0.3	0.4
Bad debts		(a)	(a)
Occupancy expense	5.6	3.6	3.5
All other expenses		1.0	0.8
		4.9	4.7
Total operating expenses	8.7	7.9	7.7
Net profits before deduction of proprietors' salaries and income tax	8.6	8.0	7.9

(Items expressed as percentages of net sales).

(a) Less than 0.05 per cent.

GENERAL DISCUSSION, TABLES AND CHARTS.

1. RESTAURANTS WITH LITTLE OR NO MERCHANDISE

Some merchandise, such as tobaccos and candy, is sold in nearly every restaurant with some carrying on a more extensive retail business than others. For the purpose of this survey, restaurants are divided in two classes. Those selling less than 20 per cent merchandise are included in this classification. Restaurants selling between 20 and 50 per cent merchandise are dealt with as the next kind of business in this bulletin.

Suitable reports were received from 382 independent unincorporated restaurants. When classified by size of business and occupancy basis there were too few owned businesses in the smallest and largest size class to allow publication of results.

Trends by Size of Business (Table 8, page 13)

Gross margins were irregular in trend, ranging from 33.0 per cent to 41.6 per cent of net sales over the different size classes. Net profits decreased in ratio with volume of business but increased in dollar volume from \$1,264 to \$10,561. With proprietors' salaries included in net profit, the number of proprietors with relation to the number of establishments should be considered when reviewing both the ratio and dollar volume of net profit. In some size classes it will be seen that there were, on the average, more than 2 proprietors to a restaurant.

Light, heat, and power formed a greater share of total expenses than in other kinds of retail trade, decreasing in ratio with business volume. Inventories were small in this kind of business showing some increase in dollar volume at the end of the year.

Table 8.--Restaurants - Operating Results Classified According to Amount of Annual Receipts and Occupancy Basis, Canada, 1946

Item	OWNED RESTAURANTS					RENTED RESTAURANTS				
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over
Number of establishments reporting.		11	21	13		17	50	139	95	21
Average net receipts		14,005	33,708	71,779		7,621	14,939	34,037	67,388	166,323
Average cost of goods sold		9,097	22,302	46,848		4,707	10,009	22,028	42,683	97,125
Average inventory beginning of year	SAMPLE	276	852	1,289	SAMPLE	169	326	560	1,218	3,635
Average inventory end of year ...		266	910	1,444		194	386	632	1,355	4,115
Stock turnover (times per year) ...		33.6	25.3	34.3		26.0	28.1	37.0	33.2	25.1
Average net profits		2,001	2,570	4,778		1,264	1,513	3,215	5,229	10,561
Number of working proprietors		12	30	21		20	59	240	200	58

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin		35.0	33.8	34.7		38.2	33.0	35.3	36.7	41.6
Operating expenses:										
Employees' salaries and wages ...		8.5	16.4	19.2		6.2	12.3	15.4	18.3	23.0
Advertising		0.3	0.1	0.3		0.1	0.1	0.2	0.2	0.4
Store supplies		1.5	1.1	1.1		1.1	0.9	1.0	1.0	1.6
Bad debts		0.1	-	-		0.1	0.1	(a)	(a)	(a)
Taxes and insurance	TOO	1.3	1.1	1.1	TOO	0.9	0.6	0.6	0.6	0.7
Rent		-	-	-		5.2	3.2	2.7	2.4	2.4
Light, heat, and power		3.1	2.4	1.8		3.9	2.5	2.2	2.0	1.7
Repairs and maintenance		1.3	1.5	1.2		1.5	1.0	1.2	1.4	1.4
Depreciation		2.1	1.2	1.2		0.7	0.8	0.9	0.9	1.3
All other expenses		2.5	2.4	2.2		1.9	1.4	1.6	2.1	2.7
Total operating expenses	SMALL	20.7	26.2	28.1	SMALL	21.6	22.9	25.8	28.9	35.2
Net profits before deduction of proprietors' salaries and income tax		14.3	7.6	6.6		16.6	10.1	9.5	7.8	6.4

(a) Less than 0.05 per cent.

2. RESTAURANTS WITH MERCHANDISE

Restaurants falling within this classification are those whose merchandise sales formed 20 to 50 per cent of total receipts. Commodities sold were mainly tobacco products, confectionery, soft drinks and groceries.

A total of 232 reports suitable for tabulation were received from independent unincorporated restaurants of this type. When classified by size of business and occupancy there were too few with receipts over \$100,000 and in the owned class with receipts less than \$10,000 to allow publication of their results.

Trends by Size of Business (Table 9, page 15)

With the exception of rented establishments with receipts less than \$10,000, gross margin ratios in 1946 increased with business volume, ranging from 27.0 per cent to 33.4 per cent of net receipts. Net profit ratios diminished with expanding business.

Salaries, while smaller in proportion than for restaurants selling little merchandise, followed the usual trend of greater ratio in the larger businesses. Heat, light, and power accounted for a greater share of expenses than in most retail trades, decreasing in ratio with business expansion. Rent followed the same trend, ranging from 4.9 per cent in the smallest to 2.1 per cent in the largest size restaurant. As in the other type of restaurant, partnerships form a good share of the reporting establishments, and the number of proprietors in relation to restaurants should be kept in mind when comparing either the ratios or dollar volume of net profits.

Table 9.--Restaurants With Merchandise - Operating Results Classified According to
Amount of Annual Receipts and Occupancy Basis, Canada, 1946

Item	OWNED RESTAURANTS					RENTED RESTAURANTS				
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over
Number of establishments reporting.		18	26	9		10	45	80	33	
Average net receipts \$		14,741	32,512	70,253		6,977	15,129	32,663	70,399	
Average cost of goods sold \$		10,757	23,312	47,374		4,659	10,700	22,366	46,860	
Average inventory beginning of year \$	SAMPLE	1,042	1,252	2,323	SAMPLE	218	604	864	1,974	SAMPLE
Average inventory end of year ... \$		1,041	1,270	2,940		191	664	948	2,235	
Stock turnover (times per year) ...		10.3	18.5	18.0		22.8	16.9	24.7	22.3	
Average net profits \$		1,461	2,505	3,924		1,202	1,749	3,249	5,782	
Number of working proprietors		20	41	19		11	57	130	76	

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin		27.0	28.3	32.6		33.2	29.3	31.5	33.4	
Operating expenses:										
Employees' salaries and wages ...		5.7	11.7	17.9		3.6	6.4	11.9	14.8	
Advertising		0.1	0.2	0.3		(a)	0.2	0.2	0.3	
Store supplies		1.0	0.8	1.1		0.9	1.0	0.8	1.3	
Bad debts		(a)	(a)	(a)		0.1	0.1	0.1	0.1	
Taxes and insurance	TOO	1.2	0.9	1.4	TOO	0.9	0.7	0.5	0.7	TOO
Rent		-	-	-		4.9	3.1	2.4	2.1	
Light, heat, and power		3.1	2.3	2.0		3.2	2.6	2.0	1.9	
Repairs and maintenance		1.7	1.6	1.3		0.5	1.2	1.1	1.3	
Depreciation		1.4	1.4	1.1		0.3	0.7	0.9	1.0	
All other expenses		2.9	1.7	1.9		1.6	1.7	1.7	1.7	
Total operating expenses	SMALL	17.1	20.6	27.0	SMALL	16.0	17.7	21.6	25.2	SMALL
Net profits before deduction of proprietors' salaries and income tax		9.9	7.7	5.6		17.2	11.6	9.9	8.2	

(a) Less than 0.05 per cent.

3. 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 sold but the sale of coal formed the major proportion of the businesses included in this study.

Reports from 272 unincorporated and 50 incorporated dealers were suitable for tabulation. Distinction was made between dealers who operated their own delivery equipment and those who contracted their delivery to outside truckers.

Trends by Size of Business - Unincorporated (Table 10, page 18)

The results of 239 unincorporated distributors maintaining their own delivery system are shown in this table. Both gross margin and net profit decreased in ratio with sales volume. The maintenance of delivery service effected salary expense to result in a fairly similar ratio in all size classes; store supplies, which included gas and oil, also registered only slight change over the different sizes of business. The other expense items reflecting delivery expense were repairs and depreciation where there was only a moderate decline in ratio as business volume increased. Inventories at the end of 1946 were considerably improved from the first of the year and the rate of stock turnover generally lessened with business volume. These results are further illustrated in Chart No. 1, page 17.

Comparison of Unincorporated and Incorporated Distributors by Type of Delivery (Table 11, page 19)

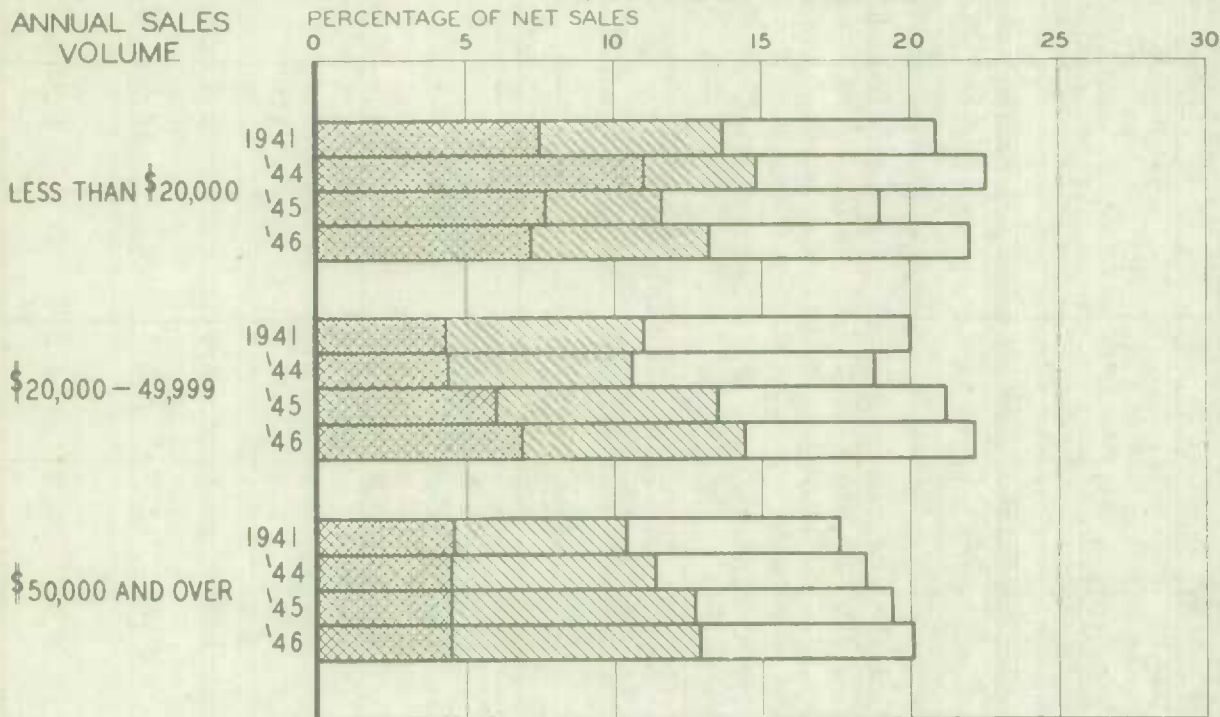
With salaries paid to all firm members included in expenses, incorporated firms showed greater salary expense and smaller net profit ratios than unincorporated businesses. No other significant difference appeared in the operating ratios of the two types in 1946. Incorporated firms were, on the average, larger and turned their stock over more often during the year.

Distributors who operated their own delivery trucks maintained a slight advantage in both gross margin and net profit. The maintenance of a delivery system effected their salaries, supplies, taxes and insurance, repairs, and depreciation. The increases in these items of expense were offset by a delivery expense of 7.7 per cent in unincorporated and 7.3 per cent in incorporated firms whose delivery was contracted.

OPERATING RESULTS OF COAL AND WOOD DISTIBUTORS

GROSS MARGIN=NET PROFIT + SALARIES + OTHER EXPENSES

OWNED STORES



RENTED STORES

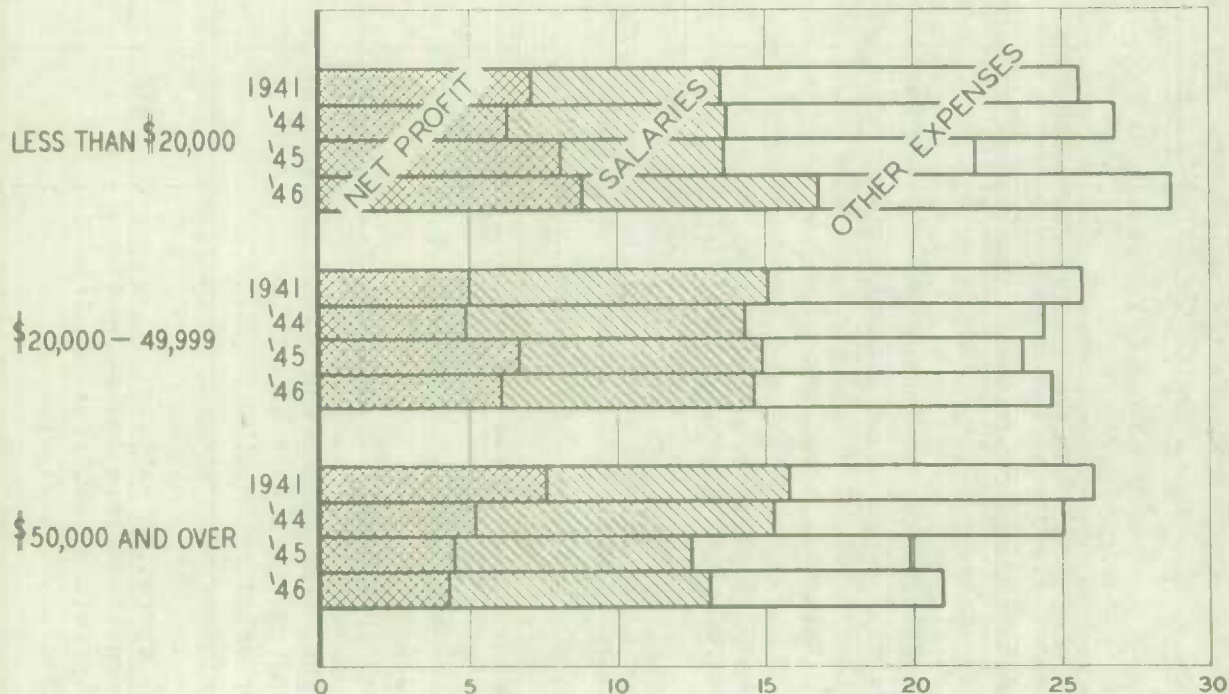


Table 10.--Coal and Wood Distributors - Operating Results of Unincorporated Distributors Classified
According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED PREMISES					RENTED PREMISES				
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over
Number of distributors reporting ..		18	62	39	30		11	37	17	16
Average net sales		16,500	35,418	71,760	172,176		14,788	32,528	71,333	143,504
Average cost of goods sold		12,878	27,539	57,108	137,923		10,595	24,497	54,874	115,003
Average inventory beginning of year	SAMPLE	627	1,124	2,828	7,085	SAMPLE	514	1,381	3,069	4,994
Average inventory end of year ...		633	2,120	4,965	11,345		661	2,342	4,974	11,244
Stock turnover (times per year) ...		20.4	17.0	14.7	15.0		18.0	13.2	13.6	14.2
Average net profits		1,145	2,467	3,407	7,372		1,250	1,983	3,305	5,858
Number of working proprietors		19	76	47	37		11	42	23	21

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin		22.0	22.2	20.4	19.9		28.4	24.7	23.1	19.9
Operating expenses:										
Employees' salaries and wages ...		6.9	7.5	8.2	8.6		8.3	8.5	9.9	8.2
Advertising		0.2	0.2	0.3	0.3		0.3	0.2	0.3	0.3
Store supplies		2.6	2.4	2.1	2.1		2.8	2.7	2.3	1.9
Bad debts		0.1	0.2	0.2	0.1		0.1	0.1	0.2	0.2
Taxes and insurance	T00	1.3	0.9	0.8	0.8	T00	1.8	1.2	1.0	0.8
Rent		-	-	-	-		1.5	1.0	0.7	0.4
Light, heat, and power		0.5	0.3	0.3	0.2		0.6	0.4	0.2	0.2
Repairs and maintenance		1.2	1.3	1.2	1.2		2.0	1.7	1.2	0.8
Depreciation		1.0	1.0	0.9	0.7		0.8	0.9	0.8	0.8
All other expenses		1.2	1.5	1.7	1.6		1.7	1.9	1.9	2.2
Total operating expenses	SMALL	15.0	15.3	15.7	15.6	SMALL	19.9	18.6	18.5	15.8
Net profits before deduction of proprietors' salaries and income tax		7.0	6.9	4.7	4.3		8.5	6.1	4.6	4.1

Table 11.--Coal and Wood Distributors - Comparison of Unincorporated and Incorporated Firms by Type of Delivery, Canada, 1946

Item	UNINCORPORATED		INCORPORATED	
	Own Delivery	Contract Delivery	Own Delivery	Contract Delivery
Number of distributors reporting	239	33	34	16
Average net sales	\$ 64,413	\$ 100,758	\$ 166,627	\$ 168,485
Average cost of goods sold	\$ 50,825	\$ 79,911	\$ 130,749	\$ 138,012
Average inventory beginning of year	\$ 2,488	\$ 2,768	\$ 5,266	\$ 3,733
Average inventory end of year	\$ 4,339	\$ 3,581	\$ 8,514	\$ 5,667
Stock turnover (times per year)	14.9	25.2	19.0	29.4
Average net profits	\$ 3,225	\$ 4,474	\$ 4,081	\$ 3,253
Number of working proprietors	289	40	-	-

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin	21.1	20.7	21.5	18.1
Operating expenses:				
Employees' salaries and wages	8.4	4.4	10.6	5.2
Advertising	0.3	0.3	0.4	0.5
Store supplies	2.2	0.7	2.5	0.5
Bad debts	0.1	0.2	0.1	0.1
Taxes and insurance	0.9	0.3	0.8	0.3
Rent	0.2	0.3	0.3	0.4
Light, heat, and power	0.2	0.1	0.2	0.1
Repairs and maintenance	1.2	0.3	1.4	0.3
Depreciation	0.8	0.3	1.1	0.3
All other expenses	1.8	1.6	1.7	1.2
Contract delivery	-	7.7	-	7.3
Total operating expenses	16.1	16.2	19.1	16.2
Net profits before deduction of income tax (1)	5.0	4.5	2.4	1.9

(1) For unincorporated firms this ratio includes proprietors' salaries.

4. DRUG STORES WITHOUT SODA FOUNTAIN

For the purpose of business operations, drug stores were separated as between those not operating and those operating soda fountains. Usable reports were received from 576 unincorporated and 50 incorporated drug stores without soda fountains.

When classified by size of business and occupancy there were too few unincorporated owned stores with sales over \$100,000 and rented stores with sales less than \$10,000 to allow publication of results.

Trends by Size of Business - Unincorporated (Table 12, page 21)

Gross margins and net profits were irregular in trend over the size categories tabulated. Rented stores obtained wider margins, but increased expenses more than balanced this advantage to net smaller profits than owned stores. Similar to most other trades, inventories of merchandise were greater at the end of 1946 than at the beginning and stock was sold and replaced more often in the larger stores.

Unincorporated and Incorporated Stores Compared (Table 13, page 22)

While proprietors' salaries of unincorporated stores are included in net profit, all executive salaries of incorporated firms are included in salary expense. Aside from these items, incorporated firms realized wider gross margins and paid considerably more rent than did unincorporated stores. Their stock however, was not turned over as rapidly as in the unincorporated type of store.

5. DRUG STORES WITH SODA FOUNTAIN (Table 14, page 23)

Satisfactory reports were received from 193 unincorporated firms in this classification. There were sufficient stores falling into only two size of business groups to warrant publication of results. No definite trends by size of business can be established on this limited size range. The results, however, are shown in table 14.

Table 12.--Drug Stores Without Soda Fountain - Operating Results of Unincorporated Stores
Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES					RENTED STORES				
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over
Number of stores reporting	15	63	79	26			56	208	106	14
Average net sales per store \$	7,060	15,582	31,785	65,991			14,894	33,628	66,283	139,184
Average cost of goods sold, per store	\$ 5,291	\$ 11,479	\$ 23,673	\$ 48,237			10,793	24,725	47,890	99,267
Average inventory beginning of year	\$ 1,855	\$ 3,929	\$ 6,430	\$ 8,548	SAMPLE	SAMPLE	3,577	6,177	11,156	20,049
Average inventory end of year ... \$	2,044	4,287	7,322	9,409			4,035	7,003	12,724	22,281
Stock turnover (times per year) ...	2.7	2.8	3.4	5.4			2.8	3.8	4.0	4.7
Average net profits per store ... \$	1,183	2,251	4,051	8,756			1,971	4,089	8,222	15,741
Number of working proprietors	15	65	84	27			58	219	119	17

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin	25.1	26.3	25.5	26.9			27.5	26.5	27.8	28.7
Operating expenses:										
Employees' salaries and wages ...	0.9	4.3	6.0	8.0			5.0	7.1	8.4	10.2
Advertising	0.3	0.5	0.5	0.5			0.7	0.6	0.8	1.4
Store supplies	0.7	0.7	0.7	0.7			0.8	0.7	0.7	0.6
Bad debts	0.1	0.2	0.1	(a)			0.1	0.1	0.1	0.1
Taxes and insurance	1.5	1.4	1.2	0.9	TOO	TOO	1.1	0.6	0.6	0.7
Rent	-	-	-	-			2.8	2.1	1.9	1.9
Light, heat and power	2.0	1.3	0.9	0.6			1.0	0.7	0.4	0.3
Repairs and maintenance	0.5	0.6	0.8	0.5			0.5	0.4	0.4	0.3
Depreciation	0.8	0.9	0.8	0.7			0.4	0.4	0.4	0.4
All other expenses	1.5	2.0	1.8	1.7			1.9	1.6	1.7	1.5
Total operating expenses	8.3	11.9	12.8	13.6	SMALL	SMALL	14.3	14.3	15.4	17.4
Net profits before deduction of proprietors' salaries and income tax	16.8	14.4	12.7	13.3			13.2	12.2	12.4	11.3

(a) Less than 0.05 per cent.

Table 13.--Drug Stores Without Fountain - Operating Results of Unincorporated and Incorporated Rented Stores Compared, Canada, 1946

Item	UNINCORPORATED			INCORPORATED		
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over
Number of stores reporting	208	106	14	13	27	10
Average net sales per store \$	33,628	66,283	139,184	36,782	69,158	149,699
Average cost of goods sold, per store \$	24,725	47,890	99,267	26,242	47,495	90,976
Average inventory beginning of year \$	6,177	11,156	20,049	7,044	14,827	24,867
Average inventory end of year \$	7,003	12,724	22,281	8,862	16,716	27,393
Stock turnover (times per year)	3.8	4.0	4.7	3.3	3.0	3.5
Average net profits per store \$	4,089	8,222	15,741	1,788	5,752	19,084
Number of working proprietors	219	119	17	-	-	-

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin	26.5	27.8	28.7	28.7	31.3	39.2
Operating expenses:						
Employees' salaries and wages	7.1	8.4	10.2	15.3	14.6	16.7
Advertising	0.6	0.8	1.4	0.6	0.8	1.1
Store supplies	0.7	0.7	0.6	0.6	0.6	1.1
Bad debts	0.1	0.1	0.1	0.1	0.2	0.1
Taxes and insurance	0.6	0.6	0.7	0.7	0.6	0.6
Rent	2.1	1.9	1.9	2.6	2.8	3.1
Light, heat, and power	0.7	0.4	0.3	0.8	0.6	0.5
Repairs and maintenance	0.4	0.4	0.3	0.5	0.5	0.4
Depreciation	0.4	0.4	0.4	0.4	0.4	0.5
All other expenses	1.6	1.7	1.5	2.2	1.9	2.4
Total operating expenses	14.3	15.4	17.4	23.8	23.0	26.5
Net profits before deduction of income tax (1)	12.2	12.4	11.3	4.9	8.3	12.7

(1) For unincorporated stores this ratio includes proprietors' salaries.

Table 14.--Drug Stores With Soda Fountain - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES		RENTED STORES	
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$20,000 to \$49,999	\$50,000 to \$99,999
Number of stores reporting	28	18	70	56
Average net sales per store \$	31,878	70,934	35,910	67,158
Average cost of goods sold, per store \$	24,057	53,457	27,449	50,009
Average inventory beginning of year \$	5,135	9,396	5,931	8,751
Average inventory end of year \$	5,544	10,003	6,520	9,747
Stock turnover (times per year)	4.5	5.5	4.4	5.4
Average net profits per store \$	3,906	6,806	3,572	6,297
Number of working proprietors	31	21	77	66

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin	24.5	24.6	23.6	25.5
Operating expenses:				
Employees' salaries and wages	5.6	8.1	6.2	9.2
Advertising	0.4	1.2	0.5	0.5
Store supplies	0.7	0.9	0.8	0.7
Bad debts	(a)	(a)	0.1	0.1
Taxes and insurance	1.2	0.9	0.6	0.7
Rent	-	-	1.9	1.7
Light, heat and power	0.9	0.7	0.9	0.6
Repairs and maintenance	0.8	0.6	0.6	0.5
Depreciation	1.2	1.0	0.6	0.5
All other expenses	1.5	1.6	1.4	1.6
Total operating expenses	12.3	15.0	13.6	16.1
Net profits before deduction of proprietors' salaries and income tax	12.2	9.6	10.0	9.4

(a) Less than 0.05 per cent.

6. JEWELLERY STORES

A total of 344 unincorporated and 40 incorporated jewellery stores submitted usable reports. When classed by size of business and occupancy there were too few unincorporated owned stores with sales over \$100,000 to allow publication of results. The incorporated stores came within the rented class in the three largest sizes of business.

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

Gross margins decreased in ratio from the smallest size store to the middle range then increased toward the largest size class. An increasing ratio of total expenses was balanced by an opposite trend in ratio of net profit, where the range was from 25.0 per cent in the smallest size store to 14.7 per cent in the larger categories. Expressed in dollar volume, net profits were smaller in the lowest size class and rose from \$1,368 per store to \$23,089 in the largest size. In all size and occupancy classes stock on hand at the end of 1946 was greater than at the beginning of the year. The rate of stock turnover increased from 1.2 times in the smallest size store to 2.7 times per year in the largest.

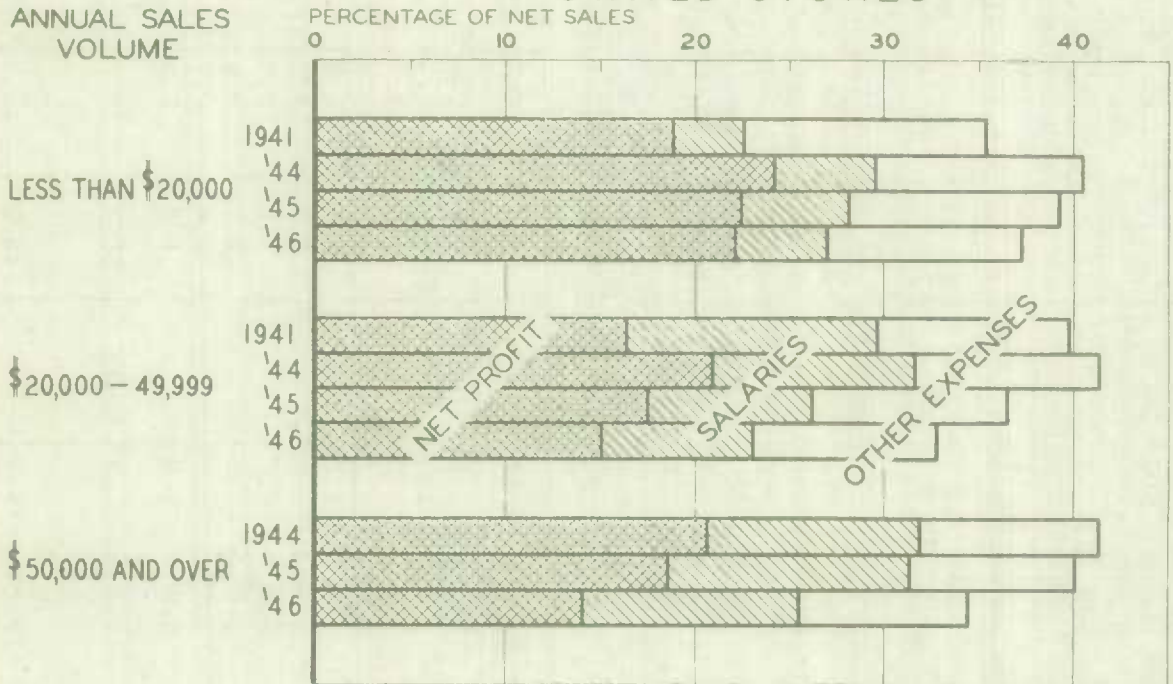
Comparison of Unincorporated and Incorporated Stores (Table 16, page 27)

Three sizes of rented stores are compared in Table 16. Except for the largest class, incorporated stores obtained wider gross margins than unincorporated. Net profit ratios of incorporated stores are smaller because executive salaries are included in salary expense while proprietors' salaries of unincorporated stores are included in net profit. Incorporated businesses paid more for rent but replaced their stock fewer times during the year than the unincorporated type of store.

OPERATING RESULTS OF JEWELLERY STORES

GROSS MARGIN = NET PROFIT + SALARIES + OTHER EXPENSES

OWNED STORES



RENTED STORES

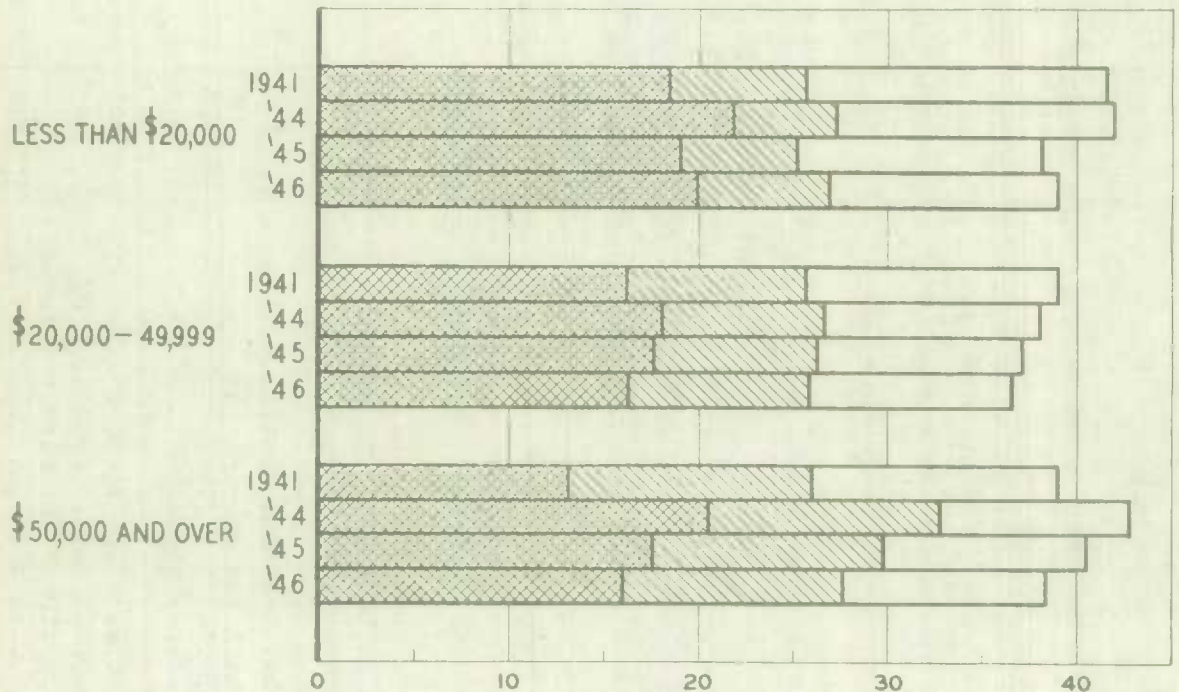


Table 15.--Jewellery Stores - Operating Results of Unincorporated Stores Classified
According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES					RENTED STORES				
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over
Number of stores reporting	12	22	22	16		18	69	127	43	13
Average net sales per store \$	6,293	15,176	31,470	67,019		7,001	15,071	31,935	67,484	146,782
Average cost of goods sold, per store	\$ 3,737	9,635	21,136	43,541		4,348	9,171	20,262	42,732	86,655
Average inventory beginning of year	\$ 2,683	5,385	8,583	14,444	SAMPLE	3,079	5,282	9,390	18,974	27,128
Average inventory end of year ... \$	3,533	6,644	11,897	20,056		4,223	6,835	12,524	24,722	36,212
Stock turnover (times per year) ...	1.2	1.6	2.1	2.5		1.2	1.5	1.8	2.0	2.7
Average net profits per store ... \$	1,575	3,253	4,769	9,889		1,368	3,000	5,200	10,850	23,089
Number of working proprietors	12	25	23	20		18	74	146	59	19

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin	40.6	36.5	32.8	35.0		37.9	39.1	36.6	36.7	41.0
Operating expenses:										
Employees' salaries and wages ...	3.4	5.2	8.0	11.2		4.8	7.2	9.5	9.6	14.8
Advertising	0.7	1.0	1.2	1.2		0.7	1.1	1.4	1.9	2.2
Store supplies	1.4	1.2	1.0	1.1		1.5	1.2	1.3	1.2	1.4
Bad debts	0.2	(a)	0.2	0.3		(a)	0.1	0.1	0.2	0.2
Taxes and insurance	1.9	2.0	1.4	1.2	TOO	1.1	1.2	0.8	0.9	1.0
Rent	-	-	-	-		4.4	3.5	2.3	2.6	2.3
Light, heat and power	1.4	1.2	0.9	0.7		1.7	0.9	0.7	0.6	0.5
Repairs and maintenance	0.6	0.7	1.0	0.5		1.0	0.8	0.6	0.5	0.5
Depreciation	1.3	1.2	1.1	0.8		0.4	0.7	0.5	0.5	0.3
All other expenses	4.7	2.6	2.9	3.3		2.7	2.5	3.1	2.6	2.1
Total operating expenses	15.6	15.1	17.7	20.3	SMALL	18.3	19.2	20.3	20.6	25.3
Net profits before deduction of proprietors' salaries and income tax	25.0	21.4	15.1	14.7		19.6	19.9	16.3	16.1	15.7

(a) Less than 0.05 per cent.

Table 16.--Jewellery Stores - Operating Results of Unincorporated and
Incorporated Rented Stores Compared, Canada, 1946

Item	UNINCORPORATED			INCORPORATED		
	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and Over
Number of stores reporting	127	43	13	9	12	19
Average net sales per store \$	31,935	67,484	146,782	38,922	71,240	194,242
Average cost of goods sold, per store \$	20,262	42,732	86,655	23,713	42,954	118,687
Average inventory beginning of year \$	9,390	18,974	27,128	12,481	21,262	42,273
Average inventory end of year \$	12,524	24,722	36,212	14,621	27,957	59,852
Stock turnover (times per year)	1.8	2.0	2.7	1.7	1.7	2.3
Average net profits per store \$	5,200	10,850	23,089	3,189	7,296	21,036
Number of working proprietors	146	59	19	-	-	-

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Gross margin	36.6	36.7	41.0	39.1	39.7	38.9
Operating expenses:						
Employees' salaries and wages	9.5	9.6	14.8	20.6	17.9	15.8
Advertising	1.4	1.9	2.2	1.2	1.9	3.1
Store supplies	1.3	1.2	1.4	1.3	1.2	1.2
Bad debts	0.1	0.2	0.2	0.3	0.2	0.1
Taxes and insurance	0.8	0.9	1.0	1.1	0.9	0.8
Rent	2.3	2.6	2.3	3.1	3.3	2.4
Light, heat, and power	0.7	0.6	0.5	0.6	0.6	0.5
Repairs and maintenance	0.6	0.5	0.5	0.2	0.3	0.7
Depreciation	0.5	0.5	0.3	0.4	0.4	0.4
All other expenses	3.1	2.6	2.1	2.1	2.8	3.1
Total operating expenses	20.3	20.6	25.3	30.9	29.5	28.1
Net profits before deduction of income tax (1)	16.3	16.1	15.7	8.2	10.2	10.8

(1) For unincorporated stores this ratio includes proprietors' salaries.

7. TOBACCO STORES

A store, to be included in this classification, must sell more than 50 per cent tobacco and smokers' sundries. Other merchandise sold includes magazines, newspapers, confectionery, and novelties. Usable reports were received from 302 unincorporated stores. When these were classified by size of business and occupancy there were sufficient owned stores in only two size classes and too few rented stores with sales over \$100,000 to warrant publication of results.

Trends by Size of Business (Table 17, page 29)

The gross margin ratios were confined between 14.4 per cent and 19.0 per cent with no definite trend over the different size classes. Net profits in rented stores decreased in ratio with sales volume. Expressed in dollar volume, these profits expanded with size from \$830 in the smallest size store to \$5,076 in the largest.

Salaries increased moderately with volume of sales from 0.3 per cent to 4.4 per cent while most other expenses diminished in relation to sales. Similar to most other kinds of retail trade, stock held at the end of 1946 was considerably greater in dollar volume than at the beginning of the year. The rate of stock turnover was less in the larger size stores than in the smaller.

Table 17.--Tobacco Stores - Operating Results Classified According to Amount
of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES				RENTED STORES			
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999
Number of stores reporting		16	26		21	73	124	29
Average net sales per store \$		15,348	29,346		7,004	15,400	30,540	66,784
Average cost of goods sold, per store \$		13,132	24,623		5,675	12,875	25,927	55,903
Average inventory beginning of year .. \$	SAMPLE	766	1,839	SAMPLE	426	1,181	2,140	5,342
Average inventory end of year \$		783	2,019		430	1,267	2,563	6,223
Stock turnover (times per year)		17.0	12.8		13.3	10.5	11.0	9.7
Average net profits per store \$		1,198	2,576		830	1,320	2,326	5,076
Number of working proprietors		17	27		21	76	135	35

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

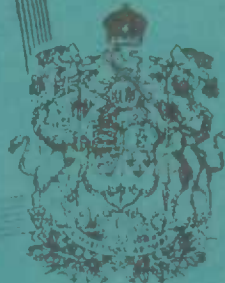
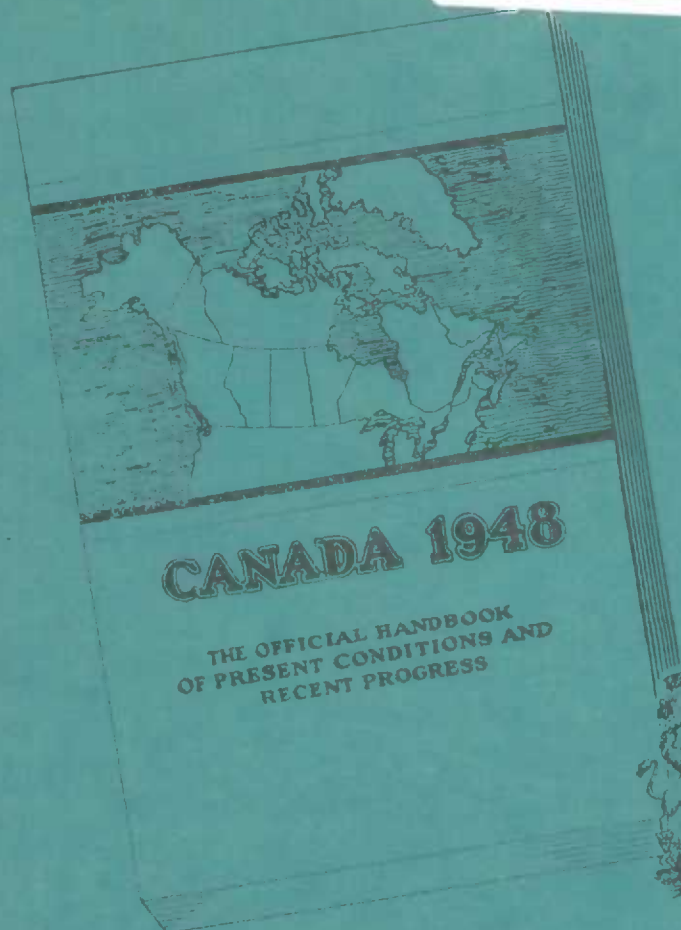
Gross margin		14.4	16.1		19.0	16.4	15.1	16.3
Operating expenses:								
Employees' salaries and wages		0.9	2.6		0.3	2.2	2.7	4.4
Advertising		0.1	0.1		(a)	(a)	0.1	0.2
Store supplies		0.5	0.5		0.4	0.5	0.4	0.3
Bad debts		(a)	(a)		-	(a)	(a)	(a)
Taxes and insurance	TOO	1.4	1.0	TOO	0.9	0.5	0.4	0.5
Rent		-	-		3.7	2.7	2.0	1.7
Light, heat, and power		1.0	0.8		1.0	0.8	0.5	0.3
Repairs and maintenance		0.6	0.6		0.2	0.3	0.3	0.2
Depreciation		0.8	0.9		(a)	0.2	0.2	0.3
All other expenses		1.3	0.8		0.6	0.6	0.9	0.8
Total operating expenses	SMALL	6.6	7.3	SMALL	7.1	7.8	7.5	8.7
Net profits before deduction of proprietors' salaries and income tax		7.8	8.8		11.9	8.6	7.6	7.6

(a) Less than 0.05 per cent.

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