

Less—	£	£
Transfers for debt-reduction.. .. .	588,868	
Transfer of Bank of New Zealand shares to special account .. .. .	750,000	
Instalment of purchase price of C long-term mortgage shares in Bank of New Zealand	58,594	
Temporary transfers to other accounts ..	26,000	
Sundry charges and expenses of raising loans ..	13	
	—————	1,423,475
Balance, 31st March, 1927 .. .. .		£3,681,466

The balance was held as follows :—

	£
Cash .. .. .	1,807,285
Imprests outstanding .. .. .	180,591
Investments .. .. .	1,693,590
	—————
	£3,681,466

The transfers for debt-reduction and other purposes shown above are not included in the year's expenditure, but represent an appropriation out of the surplus and the balance carried forward from previous years.

#### Reparations.

The reparation-moneys referred to above, do not represent the whole amount received on account of reparations during the year, which, in fact, totalled £558,466. Of this amount, however, £100,000 was received from the Public Trustee as Liquidator of Ex-enemy property in New Zealand, which sum will later have to be set off against the total that would otherwise be received from Germany. It was decided at the outset to apply all reparations received to the repayment of war debt, and a section was accordingly enacted in the Public Revenues Act, 1926, authorizing such moneys to be credited direct to Loans Redemption Account. The £39,307 referred to above is the amount which came to hand in 1926-27 prior to the coming into operation of this Act.

#### Bank of New Zealand shares.

The transfer of Bank of New Zealand shares was made in terms of section 8 of the Finance Act, 1926, with the object of collecting all the shares together in one account. It is merely a book entry transferring to the Bank of New Zealand Shares Account the preference B shares purchased in 1923 and 1925 and since held as an investment of the Ordinary Revenue Account. The further amount of £58,594 for Bank of New Zealand shares represents the first instalment on the 234,375 C long-term mortgage shares allotted to the New Zealand Government in terms of section 6 of the Bank of New Zealand Act, 1926.

#### Balance of Ordinary Revenue Account.

It is often assumed that a large balance at the beginning of a year constitutes a case for reducing taxation, but this balance has been decreasing steadily since 1920, and the balance carried forward on the 1st April, 1927, £3,681,466, after the further depletions which will take place this year for unemployment and other purposes, will leave available only the normal amount required to finance the year's transactions without borrowing on the security of Treasury bills. In view of the fact that the large bulk of the revenue comes in during the last months of the year it was at one time necessary to borrow in anticipation of revenue at an increased cost to the taxpayer. The existence of a liquid balance, so long as it can be maintained, avoids such charges and is undoubtedly more satisfactory finance. When any of this cash is not required in the Ordinary Revenue Account it can always be profitably employed in temporarily financing loan accounts, which postpones borrowing and effects a further saving.

#### SURPLUS AND TAXATION.

#### Surplus and taxation.

Sundry statements have appeared in the press of late to the effect that surpluses should not be used for public-works and debt-reduction purposes, but be applied to relief of taxation. The application of the surpluses of good years to public-works and debt-reduction purposes has the effect of keeping down the debt charges, and at times obviates the necessity of increasing taxation.