Board for these purposes, and the Board decided to undertake the discounting of notes and bills with the object of providing the necessary accommodation on the best possible terms. It was, however, decided to restrict the discounting business so as not to make a larger sum than £100 available for any individual farmer by this means, as it was thought that in the case of the larger loans the proper course for the applicant to adopt was to make an application for an advance under Part II or Part III upon the security of his stock and chattels.

Up to the present nine dairy companies have concluded arrangements with the Board to discount promissory notes or bills given by their suppliers and endorsed by those companies. The procedure is similar to that which is followed in cases where companies make application for the acceptance of their guarantees under Part III of the Act, which has been explained in an earlier portion of this report. Evidence of the financial position of the company is obtained, and the Board fixes a limit to which it will discount notes or bills for it. The subsequent procedure with the Board is, however, more simple, as there are no stock or chattels to be valued and no documents of security over these or other assets to be prepared.

There is evidence that this method is commending itself to dairy companies desirous of assisting their suppliers to secure accommodation for the purchase of fertilizer, and it seems likely that it will be resorted to extensively in the future. It also has advantages from the point of view of the Board, as the work involved is comparatively light and the Board is amply protected from loss, not only by reason of the dairy companies assuming full responsibility for the notes or bills by their endorsements, but also from the fact that, in view of this liability, the dairy companies are not likely to tender notes or bills for discounting unless they are well satisfied with the financial standing of the farmer whose signature appears upon them. Moreover, it may be expected that the companies will require deductions from the borrowers' milk cheques to be set aside during the currency of the notes or bills to meet the amounts payable on their maturity.

FINANCE AND ACCOUNTS.

22. In view of the probable rapid growth of the Board's business, the importance of establishing the accounts on a sound basis was early recognized, and steps were taken to have a complete accounting system designed by the Board's accountants. All necessary books of account and statistical records have been provided for, and the system adopted is one which, while essentially simple and economical in the early stages of the business, when the volume will naturally be comparatively small, is capable of indefinite expansion to cope with the requirements of the future.

In designing the accounts the principle of decentralization has been kept in view. Clients find it a great convenience to have all details of their transactions available locally, and such an arrangement, in addition to proving a source of satisfaction to clients, leads to a more expeditious completion of the business. Accordingly provision has been made for all accounts in connection with the investments made in each district to be kept at the office of the district board. A proper system for the keeping of the district accounts has been established, and full instructions have been prepared for the guidance of district officers.

In order to facilitate the transfer of funds between the accounts of the central Board and district boards, the Board approached the Bank of New Zealand and was fortunate in being able to make arrangements for such remittances to be made free of exchange. This will save the Board all expenses in connection with such remittances, the exchange on which would have been considerable, and liable to increase with the growth of the business.

Regular returns have been provided for to keep the Head Office fully advised of the progress made in respect of applications for loans up to the stage when settlement will be required. Remittances will be made from Head Office only when funds are actually required, so that there will be no large sums of money lying idle at different points.

Temporary investments of the Board's funds pending the granting of loans have been arranged for, and the funds will remain in these temporary investments until actually required for the completion of loans granted to applicants. These