

# GREAT NORTHERN RAILWAY LINE.

GREAT NORTHERN RAILWAY CO.  
MONTANA CENTRAL RAILWAY CO.  
EASTERN RAILWAY CO. OF MINNESOTA  
WILLMAR & SIOUX FALLS RAILWAY CO.  
DULUTH, WATERTOWN & PACIFIC RAILWAY CO.  
SEATTLE & MONTANA RAILWAY CO.  
FAIRHAVEN & SOUTHERN RAILROAD CO.  
NEW WESTMINSTER SOUTHERN RAILROAD CO.

ACCOUNTING DEPARTMENT.

PRESIDENT'S OFFICE,  
RECEIVED  
OCT 20 1897  
GREAT NORTHERN RY.

Oct. 19, 1897  
ST. PAUL, MINN.

Mr. J. J. Hill,

In a revised Classification of operating Expenses which the Northern Pacific Ry. are about issuing, they provide for charging to Operating Expenses certain items (such as increased weight of metal used in relaying) that we charge to "Additions and Improvements", and direct that a statement be prepared of the "Betterments" so included in Operating Expense charges.

I understand from Mr. Gray that it is the intention, when making up the Operating Expense statement, to deduct the cost of these Betterments from the charges shown by the books, in order that the figures shown on the Operating Expense statement may be compared with those of the G.N.Ry. It seems to me that this idea is wrong. The Operating Expense statement will never agree with the books. Any conclusions drawn from the Operating Expense statement will, therefore, be valueless. When items are put into Operating Expenses and then taken out, there is no check to see that only the proper amount is deducted, and it will be a very easy matter to deduct too much and so make a misleading statement.

I think that the Northern Pacific should adopt our Operating Expense" and "Additions and Improvements" accounts in toto. There is nothing to prevent their making monthly entries, transferring from "Additions and Improvements" to "Fund for Betterment and Enlargement" of such items as the trust permits being paid for out of that Fund. The balance left in "Additions and Improvements" will represent the

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cost of actual improvements not capitalized. They are not Operating Expenses in any sense of the word, but should be charged direct to Income, in making up the accounts at the end of the year.

I call the matter to your attention as I fear that comparisons which may be made from sheets prepared as above mentioned, will not be altogether satisfactory.

Wm. H. H. Hill