The Year in Review
Steamship Accounting
Coast to Coast
What's New In Reading
Tax News

By Grace A. Dimmer, CPA, National Pres. ASWA
By Marie Reynolds
By Hazel Brooks Scott
By Ruth C. Ford, CPA
By Tennie C. Leonard, CPA

AUGUST 1951

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AMERICAN WOMAN'S SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN SOCIETY OF WOMEN ACCOUNTANTS
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ANNUAL MEETING

The joint annual meeting of AWSCPA and ASWA will be held at the Hotel Washington, Washington, D. C. on October 5-7, 1951. Emphasis on current day accounting problems will be the theme of the meeting. *Important*! The ASWA call to the annual meeting and the proxy statement are shown on page 18. Please execute this proxy *immediately* and forward it to the National Secretary.

The tentative program for the Annual Meeting is shown below:

**Thursday, October 4**
7:00 P.M. ASWA Board meeting
8:30 P.M. AWSCPA Board meeting

**Friday, October 5**
8:30 A.M. Registration
9:30 A.M. Joint Business meeting and forum
7:00 P.M. Open House

**Saturday, October 6**
8:30 A.M. Chapter Presidents’ meeting
9:00 A.M. AWSCPA Business meeting
10:30 A.M. ASWA Business meeting
1:30 P.M. New AWSCPA Board meeting
6:00 P.M. Reception
7:00 P.M. Dinner

**Sunday, October 7**
9:00 A.M. New ASWA Board meeting
12:00 Noon Brunch

AWSCPA NOMINATIONS

In accordance with Section 1 of Article V of the By-Laws of AWSCPA, the nominating committee respectfully submits the following slate of officers and directors for the year 1951-1952:

President: Jean Colavecchio, Providence, R. I.
1st Vice Pres.: Helen F. McGillicuddy, Chicago, Ill.

2nd Vice Pres.: Rosemary Hoban, Detroit, Mich.
Secretary: Elinor Hill, Clifton, N. J.
Treasurer: Mary J. McCann, Kansas City, Mo.

SECOND INTER-AMERICAN CONFERENCE ON ACCOUNTING

AWSCPA and ASWA members have been invited to participate in the Second Inter-American Conference on Accounting at Mexico City in November.

The conference will stress the social responsibility of the accounting profession in the economic development of the world today. It will open with sessions of the official delegates on Friday and Saturday (November 9-10). Registration and a reception are scheduled for Sunday, November 11, and the general conference will begin on Monday. In addition to four technical sessions, the program includes various social events and sightseeing tours. The conference sessions will be held at the Hotel del Prado. Technical papers from U. S. accountants will be welcome. Hotel reserva-

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**THE WOMAN CPA** is published bi-monthly in the interest of accounting and the progress of women in the profession.

While all material presented is from sources believed to be reliably correct, responsibility cannot be assumed for opinions or interpretations of law expressed by contributors.

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tions are being handled by Aguirre's Guest Tours, 5 de Mayo 18, Mexico 1, D.F.

Members planning on attending the Conference should notify Helen Lord, AWSCPA/ASWA National Office at 342 Madison Avenue, New York 17, New York.

PERSONAL

Congratulations to Margaret A. Scios and Margaret I. Kelly of the New York Chapter, who can now add those three initials “CPA” after their names.

Rose Van Geyt won first place for the year 1950-51 in the Gershon Smith Trophy Contest conducted by the New York Chapter of NACA. This is an individual member competition to promote keener member participation in chapter activities. With the exception of the officers and directors, every member of the 1600 membership is eligible to compete. This year is the first time the award has gone to a woman.

Dora Stanger of Philadelphia, speaking before the Farm Club of Chester County, explained how social security affects farm and domestic help.

Ruby K. Roach of the District of Columbia Chapter served as assistant to the chairman of the Federal Bar Annual Convention held in Washington, D. C., in May.

Helen F. McGillicuddy, C.P.A., of Chicago spoke to the Lake Shore Chapter of the National Secretaries Association on “Business Mathematics and Accounting” and to the Accounting Club of DePaul University School of Commerce on “Pay Roll Accounting.”

A picture of Harriet R. Hahn, Terre Haute’s only woman certified public accountant, appeared recently in The Terre Haute Star under the heading of “Local Woman at Work.” The write-up about her mentioned her affiliation with AWSCPA and ASWA.

Edna Woodward of Des Moines has been appointed Manager of the Iowa Safety Congress.

While on a business trip to Alaska this spring, Pauline A. King of Seattle met Isabel Mason, C.P.A., another Seattle member, who has been living there.

Florence B. Minor, C.P.A., has been elected a director of the Washington, D. C., Chapter of NACA, the first woman in Washington to serve on the board.

In April Jennie M. Palen, C.P.A., and Alice H. Aubert, C.P.A., of New York Chapter were heard on Station WINS in a panel on “Career Clinic.” Alice Aubert also appeared on a panel at the New York State Society meeting in a discussion of “Depreciation as Applied to Institutional Property of All Kinds.”

NEW AWSCPA MEMBERS


Doris Mae Heidler, 3627 Cummings Road, Cleveland Heights 18, Ohio. Employed by The John P. Cochran Co. Studied at Western Reserve University and Northwestern University. Degree: B.B.A.

Mary Hough, 1522 S. Michigan Ave., Chicago, Ill. Employed by David Himmelblau & Co., studied at Northwestern University. Member of Delta Mu Delta and Epsilon Eta Phi.


M. Edwina Meyers, 7745 Indiana Avenue, Chicago, Illinois. Employed by Peat, Marwick, Mitchell & Co. Studied at Northwestern University and University of Chicago. Degree: B.S.


Virginia Murphy, 4412 W. Altgeld Street, Chicago, Ill. Employed by Price, Waterhouse & Co. Studied at Northwestern University.

Florence L. Palumbo, Seneca Falls, New York. Self-employed. Studied at Syracuse University. Degree: B.S.


Dorothy M. Whitia, 111½ South Prienda Avenue, Whittier, Cal. Employed by Hails, Moreton and Tomaso. Studied at University of Kansas. Degree: A.B.
THE YEAR IN REVIEW

ASWA—by GRACE A. DIMMER, National President, 1950-1951

The Thirteenth year of the American Society of Women Accountants was completed June 30, 1951. We will review the results when we meet at our Annual Meeting to be held in Washington, D. C. on October 6, 7, and 8th, 1951.

A summary of our activities is submitted herewith for the information of members who may not be able to attend the Annual Meeting.

During the year our New Chapter Development Chairmen, Marion Frye of Cleveland, Ohio and Vera Jean Bobsene of Los Angeles, California, have added six new chapters to our Roster, namely: Lansing, Michigan; Pittsburgh, Pa.; Syracuse, New York; Kansas City Missouri; Sacramento and Oakland, California, making a total of 32 chapters located from Coast to Coast, and a total membership of over 1600.

Our membership chairman, Louisa Davis of Indianapolis, Indiana has had a busy year screening the many applicants for membership.

Much as we are anxious to grow in numbers, we are more interested in providing worthwhile technical programs and study groups for our members. Through our Program Chairman, Grace Highfield of Columbus, Ohio, chapters have been advised of technical subjects best suited to the problems of the membership, also a complete survey was made of the most popular topics for study groups. This plan has been in effect for several years, but each year finds the committee more efficient in assisting new chapters to prepare the year’s technical program.

The Public Relations and Advisory Committees under the chairmanship of Marguerite Gibb of San Francisco, California were very active this year. Schools and colleges were sent reprints of an article entitled “The Progress of Women in Public Accounting” written by member Mary Lanigar of Palo Alto, California. She also consulted with Chapter Presidents in an advisory capacity and kept them informed on national matters.

As usual two Spring Conferences were held in May and June of this year. The May Conference was in Muskegon, Michigan, May 25th to 27th and the June Conference in Hollywood, California, June 9th and 10th.

These conferences were unusually well attended indicating the interest of the members of getting together to exchange ideas and discuss chapter and personal problems. No official action is taken at the Spring Conferences but they provide an excellent forum of discussion which aids the National Board Members in formulating policies for the Society.

Excellent speakers are provided at our conferences and our own members submit papers on timely subjects.

Our Society has had much favorable publicity due to the caliber of the meetings held.

To stimulate competition among chapters for planning advance programs for the year, Study Groups and special activities, the American Woman’s Society of Certified Public Accountants has again offered an award consisting of a Silver Trophy and $50.00 to the A.S.W.A. Chapter obtaining the greatest number of points.

Due to the rapid increase in chapters and membership, the award chairman, Vivian Warner of Muskegon, Michigan, has had a tremendous job in compiling the credits due each chapter and final results will be tabulated for the Annual Meeting to be held in Washington, D. C. on October 5, 6, 7th.

A special Constitution and By-Laws Committee was appointed this year under the chairmanship of Paula Reinish of Grand Rapids, Michigan, for the purpose of reviewing and recommending changes in our Constitution and By-Laws. The proposed changes were discussed at both the Muskegon and Hollywood Conferences and have been submitted to the membership for final approval.

Our Treasurer, Virginia Wood of Atlanta, Georgia, has done an excellent job at preparing a budget for the year 1950-51. As we increase in numbers our financial problems change, and the need for a carefully prepared budget becomes more apparent.

Adrienne Munroe, our Secretary of Detroit, Michigan, has had an unusually heavy load this year due to the increased membership and the proposed changes in the Constitution and By-Laws.

When we are able to employ a full time Executive Secretary many of the routine duties of the National Officers can be assumed by her, thereby leaving the officers free to promote the interests of the Society and its members.

Our publication The Woman C.P.A. is
COAST-TO-COAST

HAZEL BROOKS SCOTT, Los Angeles, California

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This timely book was released June 13, 1951, and is an authoritative presentation of the field of controlling prices. Dr. Hirsch was chief economic consultant to Office of Price Administration during World War II, and Mr. Casey is a member of the New York Bar. The authors believe "that the problems which occurred under OPA price ceilings will recur under OPS." They have analyzed and presented (1) price control techniques for various types of industry, (2) kind of cost pressures experienced and which are likely to develop again, (3) kind of relief obtained by industry, and (4) illustrations of special relief sought and the reasons for success or failure of the applications.

For purpose of understanding the problem, the authors analyze the factors which have caused today's inflation, and the outlook for stabilization. Various price control techniques are discussed and the pattern which is evolving from the freeze orders. Ceilings for retailers and wholesalers are divided into three classes, applying to different groups: Dollars and cents margins; percentage margins; and storewide over-all margins. For manufacturers, there are five techniques varied to the industry: (1) Fixed price schedules, (2) base period prices plus increase in direct costs, (3) customary percentage markup, (4) margin ceiling, and (5) pre-Korean prices plus adjustments for increases in direct cost of labor and material.

The authors outline the specifications and requirements of the general price freeze, what classes of industry are presently covered by it, what classes have been covered by specific regulations, and the classes of business which may be covered by future orders.

Regulation CPR22 for manufacturers is covered in detail with practical advice as
to selection of base period, how to determine base period prices, adjustments for increased labor and material costs, options available to existing and new companies, and new products or lines. The importance of accounting records as related to general and specific phases and options is stressed. Work sheets for trial computations are illustrated.

Price controls relating to other types of business are covered carefully:

1. Controls of farm products and processed farm products are discussed as to background of parity pricing and passing on the increases by “pass-through regulation.”
2. Wholesalers, jobbers, and brokers are governed by margin controls differing as to various categories. Possibilities of relief are discussed.
3. Retailers are covered by regulations applying roughly to eight categories. The immediate steps which should be taken to comply with regulations are outlined, and records which should be prepared and retained are illustrated.
4. Also described are regulations applying to services and foreign trade and the status of military contracts.
5. Trade practices and how they affect and are affected by price ceilings are discussed.

We, as accountants, will be most interested in the chapters on accounting and record requirements, describing the effect of accounting practices, the financial reports essential, costs which are recognized and those which will not be recognized for price determination and other phases in which good accounting and records are a factor.

Throughout the book the authors emphasize hardships which may be realized, cost pressures which may develop, and the relief which is available, and later a chapter is devoted to the subject. This chapter outlines the OPS relief policy, grounds for relief, types of relief available, and how to apply for relief. The data required for the application and an illustration of a relief application are features of this chapter. Also given are suggestions relative to dealing with OPS, applications for adjustment of ceilings, petitions for amendments, how to file a protest, and which method to use in each situation.

Policies of enforcement as related to the innocent or willful violators are projected from pronouncements of OPS officials, interpreted from OPA experience.

This manual should be of great interest to management, accountants, and attorneys alike. It is a practical down-to-earth reference book on the subject which is important to business at this time with the likelihood of price controls for the next several years.

**INSURANCE AGENCY ACCOUNTING**

By Ernest Lawrenson, Prentice Hall, Inc.

Added to the rapidly growing list of books on accounting for specialized fields of business is this one for insurance agents. The insurance agent has a triple fold need for proper records; accounting for profits which is common with all business, and, in addition, accounting for premiums and commissions for each insurance company and for expirations of policies. Mr. Lawrenson covers the whole field, illustrates forms, outlines procedures and with all keeps his system simple, avoiding duplication of work in furnishing the maximum of information. The detailed instructions on handling every phase of the bookkeeping should make it possible for a person with no experience to handle the system. He even gives a few hints to the Agent as to service he may perform for his customers which will help him build his business.

**SALT LAKE CITY SPECIAL**

Some revenue agent in Salt Lake City must have been getting very poor service from Pullman porters. Within three months time, the Tax Court has been called upon to decide the tax liability of two Pullman porters, both working out of Salt Lake City. Each was charged with taxes on estimated tips.

Judge Van Fossan, who rendered both decisions, apparently has fared better at the hands of the porters since he decided in favor of Henry Dumas, who appeared as his own counsel, as well as in favor of Ernest Turner, who retained counsel.

We wonder how many Salt Lake City porters paid the tax rather than appeal to the courts. We wouldn’t blame them if they all requested runs other than those out of Salt Lake City.

**ALL THIS—AND S.A. TOO**

Dr. Alfred G. Buehler, Professor of Accounting at University of Pennsylvania and President of Tax Institute, Inc., expressed his appreciation, at a recent Tax Institute luncheon, for the subscription to The Woman C. P. A. sent him by the Philadelphia Chapter of ASWA. Dr. Buehler recommended highly the official publication of AWSCPA and ASWA saying that not only does it have tax appeal but also sex appeal.
Many excellent papers are presented by members at the
Annual Meetings and at the Regional Conferences. From
time to time, these papers will be presented in “The Woman
C.P.A.” so that all readers will be able to enjoy the benefits
which will come from the reading of these papers.

Marie Reynolds, President of the San Francisco Chapter
of ASWA presented “Steamship Accounting” at the 1951
West Coast Regional Conference. She is well qualified to
speak on this subject as she is employed as an auditor for
the American President Lines, San Francisco, California.
Previously, she was accountant at City College at San
Francisco. It is indeed a pleasure to present this paper to
the readers of “The Woman C.P.A.”

STEAMSHIP ACCOUNTING

By MARIE REYNOLDS

The Steamship industry has two main di-
visions—subsidized and non-subsidized. It
is important that you keep in mind what
each includes, so that you may more clearly
understand their effect on the accounting
problems of a Steamship Company.

Unsubsidized Steamship Lines include pri-
marily, coastwise and intercoastal lines, but
also some lines running to foreign ports.
The Subsidized Steamship industry is
wholly composed of “off-shore” or “deep
sea” lines, operating to foreign ports. After
their routes are approved as essential in
the foreign trade of the United States, and
their contracts are approved, these lines are
paid an operating-differential subsidy, to
compensate them for the extra costs im-
posed on them by law. These extra costs in-
clude the use of American citizens in their
crews, and “only articles, materials and
supplies of the growth, production and man-
ufacture of the United States—except in
case of emergency—when necessary to pur-
chase supplies or equipment in some foreign
port in order to complete her voyage.”

Subsidy is the grant of financial aid by
a Government. It is the amount given above
the charge for services, and a company re-
ceiving a subsidy must be able to guarantee
regular service. Subsidies have taken vari-
ous forms. At one time, it was a flat pay-
ment per annum for maintenance of cer-
tain transatlantic service, and in 1936,
before the passage of the Merchant Marine
Act, it was a so-called “Mail Pay” which was
measured by the combination of miles cov-
ered, and the vessel speed. This far ex-
ceeded reasonable compensation for the ton-
nage of mail hauled. The Merchant Marine
Act of 1936 was passed in order to foster
the development, and encourage the main-
tenance of an adequate and well-balanced
Merchant Fleet, including vessels of all
types, to provide shipping service on all
routes essential for maintaining the flow of
the foreign commerce of the United
States at all times. This was deemed neces-
sary in order that we would have a Mer-
chant Marine capable of serving as a Naval
and Military Auxiliary in time of war, or
National Emergency. At these times, we
need safe, suitable vessels constructed in
the United States and staffed with trained
and efficient United States citizens.

The Steamship Company then is granted
an operating-subsidy to offset the excess of
costs because of the American Standard of
Living over the comparative costs of for-
eign flag competing vessels. The Steamship
Company is also granted a differential-sub-
sidy to offset the cost of vessels built in
the American Yards by American Workers.
It is then, merely a subsidy to the Ameri-
can Workers.

These subsidized lines have certain ac-
counting problems not shared by the non-
subsidized lines, however, all accounting problems of the non-subsidized lines are shared by the subsidized lines.

I would like to point out a few of the accounting problems of a subsidized Steamship Company. I am employed by the American President Lines, and although the problems here presented are general to all Steamship Companies, the methods of my company are the basis used. American President Lines is one of the few Steamship Companies which combines domestic business with subsidized foreign business. Today it carries intercoastal cargo and passengers, as well as foreign cargo and passengers.

Steamship accounting, like that of other industries, has the Operating Statement Accounts, and the Balance Sheet Accounts. First I will take the differences of the Operating Statements Accounts.

Accounting for vessel operations is based on the “Venture”. The voyage is the accounting unit. The voyage is termed the period of time elasping from a given port, back usually to the same port, and it ends with the discharge of the homebound cargo. For practical reasons, the end of the voyage is taken as midnight on the day on which discharge of cargo was finished, or that day on which the crew is paid off from foreign articles, whichever is later. The Operating Statement reflects only the results of the completed voyages, during the accounting period, and no allowance is made for the income or expenses of voyages commenced before or during the period, but terminated even as little as one day after the close of the period.

The basic unit of the income statement is the “voyage profit”. This is net profit of a voyage after vessel and voyage expenses, but before depreciation, mortgage interest, advertising, overhead, taxes, charter hire.

Vessel expenses are the direct costs of operating the vessel and include wages, fuel, lubricants, repairs, expendable equipment, stores, water and provisions. Voyage expenses consist of stevedoring, cargo checking, loss and damage claims, port charges, vessel insurance premiums accruals, canal tolls, brokerage and other direct expenses, that are not actually a part of the operating of the vessel itself.

The Maritime Commission, through its General Order 1922, has promulgated a complete system of numbered accounts to which all subsidized lines must adhere in rendering their quarterly and annual reports to the Commission. The Steamship Lines engaging in coastwise and intercoastal traffic in competition with railroad and truck lines, is under the jurisdiction of Interstate Commerce Commission, and must render accounts to them also. The Interstate Commerce Commission requires full clear accounting reports covering every phase of the intercoastal and coastwise lines.

The Pegboard form of report is convenient for voyages accounting, because it makes consistent comparison between different voyages of the same vessel or similar vessels, readily possible.

Although it sounds logical that subsidy-earned would be deducted from the specific vessel expense accounts on which the subsidy was calculated, it has been found more convenient to calculate voyage profits on actual revenue and gross expense, and then to add to the voyage profit, thus calculated, the amount of the subsidy. This shows the new amount of voyage profit after subsidy.

The chief charges against voyage profits are depreciation, general and administration expense, advertising and interest expenses and taxes. Depreciation, according to the Merchant Marine Act of 1936, is figured at 5% of cost less a small arbitrary residual value. The residual value is 21½% of the original costs. This brings the average depreciation rate to about 4½%.

General and administration expenses, and advertising and interest accounts, are similar to those accounts in other industries. The only difference might be the case of a Steamship Company having mortgages against a vessel. The interest cost of the mortgage is not included in computing the voyage profits of the vessel. This is sound, because for no reason related to earning power one vessel may be heavily mortgaged and another lightly.

Steamship Company taxes differ greatly from those of manufacturing or trading companies. Deep Sea vessels, because of their location, are not subject to property tax. The Merchant Marine Act of 1936 states that, “The earnings of any contractor receiving an operation-differential subsidy under authority of this Act which are deposited in the contractors (Capital and Special) reserve funds—except earnings withdrawn from the Special Reserve Funds and paid into the contractors general fund or distributed as dividends or bonuses—shall be exempt from all Federal Taxes.”

Negotiations with the Treasury Department have watered down this tax benefit to a form of tax deferment. For this reason, you may see tax charges in Steamship Company statements at times lower than you would otherwise expect.
Because our vessels enter many ports in various countries, we have considerable difficulties with income taxes in foreign countries. Perhaps the saving Grace is the fact that the American Steamship Company, doing business in a foreign country, may deduct from their United States income taxes the amount actually paid in income tax to a foreign country, providing such tax does not exceed the amount that would otherwise have been payable on the same income to the U. S.

After arriving at net income, there are still two items on a subsidized Steamship Company’s Operating Statement which are peculiar to such a statement.

The first is debits and credits to the surplus on account of transactions of former years. Under the Maritime Commissions General Order 22 it is required that the subsidy accrued, and subsidy recapture accrued, be adjusted almost indefinitely for even small items, and therefore, surplus adjustments are prevalent in subsidized Steamship Company’s reports. I might mention here that subsidy recapture is a repayment of subsidy to the Government. The Merchant Marine Act implies that if a Steamship Company can earn more than 10% per annum on its “capital necessarily employed” in the subsidized operations, the subsidy is not really needed, and one-half of any such excess must be paid back to the Government. Since the war, this repayment is deducted before the subsidy recapture is paid by the Government.

The other item found in the surplus account, is the amount carried to subsidy recapture, if the earnings from subsidized operations are more than 10% on “Capital necessarily employed”; and an amount carried into surplus from subsidy recapture liability if such earnings were less than 10% and if there is previous provision for subsidy recapture on which to draw.

Subsidy recapture is computed cumulatively and settlement occurs at the end of every ten years during the life of the operation-differential subsidy contract.

Now we come to the Balance Sheet Accounts. Because transportation generally is not provided on credit terms the accounts receivable of a Steamship Company are substantially less than that of a typical manufacturing company. They consist mostly of interline accounts, subsidy earned and Government bills of lading unaccomplished.

A subsidized operator will have a Capital Reserve Fund on the Balance Sheet. Into this fund go all earned depreciation on subsidized vessels and the proceeds of all subsidized vessels sold or lost. From this fund replacement vessels are purchased and existing vessels are reconstructed.

Another asset peculiar to the Balance Sheet of a subsidized operator is the Special Reserve Fund. This fund consists of all earnings in excess of 10% on “Capital necessarily employed” in subsidized operations. Part of such earnings are held for settlement with the Maritime Commission and the remainder of the fund is available to reimburse operation losses. Disbursements from this fund can only be made on the Maritime Commission’s approval.

The capital asset usually reflects owned vessels as the major item. A conservative useful life of 20 years is used in calculating depreciation.

Unearned insurance premiums do not differ from that account on other Balance Sheets, but it is likely to be much larger in comparison. This is due to the extensive policies carried on vessels. The value of individual steamships are large and the risk of loss as well as liability, are substantial, so it is wise to be fully protected.

The liability side of the Balance Sheets will show large balances for tickets sold but not yet honored, both for voyages not yet commenced, and for those commenced but not terminated. Most freight is prepaid so there will be freight money received on voyages commenced, but not terminated. Wages and repairs are not determined until the end of the voyage, and stevedoring and other costs accrue as the voyage proceeds. The accounts often show deferred revenue in excess of vessel and voyage expenses. It is almost true to say that a large part of our net working capital is supplied by our customers.

Small inventories of stores are maintained because the vessels are generally supplied directly from the wholesale dealer. Hence, credit terms are short and payments prompt, making accounts payable small.

Now let me tell you a little about steamship accounting methods and procedures. Certain procedures typical of steamship accounting are as follows:

1. No customers accounts are kept. Instead, bill of lading and ticket stock are basis of collection of revenue. The freight cashiers and the issuers of passenger tickets are held responsible for revenue collection. This is controlled by bills of lading showing tonnage and rates, and passenger manifests showing individual ticket numbers and space assigned.

2. No ledgers for trade accounts pay-
able are kept, but the respective accounts are charged directly from a copy of the voucher check used in paying invoices.

3. Bills of Lading are analyzed to show commodity shipper, the consignee, port of loading and port of discharge, freight rate and office, and tonnage. This is done by a punched card system.

4. Every Steamship Company must deal in foreign exchange, but they have been able so far to require payment of freight and passenger revenue in U. S. Dollars, or in stable currency.

5. Home office concentration of accounting work is intense, due to the very large number of domestic and foreign branches and agents, vessel purser, and connecting lines. Nearly all bookkeeping and auditing is performed at the home office. Needless to say, it is quite a task to fit all these reports together to provide a complete story of voyages terminated during the month. Each voyage account is composed of transactions in perhaps 15 to 30 calls at 10 to 25 different ports, in nearly as many different countries. The problem of assembling promptly the voyage revenue, expenses and other related data in a Round-World voyage of say 25 ports of call, is enough to keep any accountant on his mettle. Estimates of revenue must be furnished to the various departments within a few days after termination of the voyage, and all voyages terminated within the month, must have the revenue computed for the closing, by the middle of the following month.

6. Crew payrolls require a large staff of specially trained crew payroll accountants. These payrolls are complicated because of the additions to the basic wage. Additions include overtime, area bonuses, penalty wages, slop chest charges, and earned vacation credits, as well as the usual tax deduction and withholding. It is necessary to make almost immediate payoffs when the last port of call of a voyage is reached and the purser always needs help to complete the crew payroll.

7. Operation-differential subsidy, construction-differential subsidy, recapture of former and refund of the latter, Capital Reserve Funds, Special Reserve Funds and Construction Reserve Funds are peculiar to the Steamship industry, and all require an understanding of the Merchant Marine Act of 1936.

The Steamship industry is a service industry, and is vital to the needs of our Nation. The size, strength and soundness of the Steamship industry depends in part on the wisdom of its management, including those charged with the keeping and interpretation of its accounts.

**TAX NEWS**

**Tennie C. Leonard, C.P.A., Memphis, Tennessee**

The Tax Court Needs an Accountant

One source of difficulties in the practice of income taxation is the difference between the accounting concept of income and income as sometimes determined by the Commissioner of Internal Revenue. J. K. Lasser and Maurice E. Peloubet published an interesting article on that conflict in the Tax Law Review of March 1949.

As an illustration of the difference between the Commissioner's idea of what is income and what business men and accountants believe to be income, there is the Sullenger case (11 TC 1076) where the Commissioner attempted to disallow, for income tax purposes, the deduction of amounts paid for merchandise in excess of O. P. A. prices. The Tax Court in that case held that the Commissioner had exceeded his authority, that the 16th amendment to the constitution provided for the taxation of income, and income is what remains after the cost of the goods sold has been deducted from the sales price.

We suggested (*The Woman CPA*, February 1949) that the decision in the Sullenger case might result in permitting the deduction of wages paid in contravention of wage stabilization regulation where the wages paid were a part of the cost of goods sold.

Now the Tax Court, in Weather-Seal Mfg. Co., 16 TC No. 158, denies that wages paid may be considered a part of the cost of goods sold. The Court is unable to see any distinction between the cost of goods sold, which is a deduction from gross sales before arriving at gross income, and any other expense which is a deduction by legislative grace, from gross income which is subject to taxation, if the cost or expense is compensation for personal services.

The opinion of the Tax Court, which is of more interest now that price and wage ceilings are with us again, cites in its contention that there is nothing "sacrosanct" about the cost of goods sold, the case of American Pitch Pine Export Company, Inc., 8 TCM 976, in which an incorrect inven-
torily was changed by the Commissioner, thereby changing the cost of goods sold.

Another case relied upon by the Court to justify the taxation of gross receipts rather than gross income, is that of Majestic Securities Corporation v. Commissioner, 120 Fed (2d) 12, affirming 42 BTA 698, in which the cost basis for purposes of computing the profit on sales of securities was held to be less than the price paid by reason of the fact that the price was more than market value and the Commissioner's presumption, which was not overcome by proof, that the excess payment was made for the purpose of helping the prior owner of the securities.

To us those cases are not very persuasive that the Tax Court should change its determination, as announced in the Sullenger case, not to permit the Commissioner to violate the taxpayer's constitutional rights by taxing his gross receipts rather than his gross income. The Tax Court in the Weather-Seal case considered, as it refused to do in the Sullenger case, that payments were contrary to public policy, and in the former cited the case of Thomas B. Lilly v. Commissioner, 188 Fed (2d) 269, affirming 14 TC 1066, where an optician's kickback payments to doctors, though not unlawful, were held to be non-deductible because contrary to public policy. We understand from Randolph Paul, "than whom there is no whomer" in income tax circles, that he is asking the Supreme Court to review the decision of the Fourth Circuit Court of Appeals in the Lilly case.

It is probably too much to hope that the Supreme Court may sometime have the opportunity and the inclination to straighten out the Tax Court on the distinction between gross receipts and gross income.

WE ALL MAKE 'EM DEPARTMENT

One of the better tax news services recommends investment in Florida citrus groves as a sure-fire way to build up for capital gains in six or seven years while taking advantage of tax deductions in the interim. A recent letter sent out by this service announces that the cost of clearing and conditioning land is a fully deductible expense. This will be news to the Commissioner who states rather dogmatically in Min. 6030, issued June 20, 1946, that among the "typical items which are required to be capitalized and to which the option does not apply are such preparatory expenditures as the cost of clearing brush, trees and stumps."

Now we would recommend the purchase of cut-over southern pine lands. The initial cost is small, there are few deductible expenses in development years only because there are few expenditures required, and the crop can be marketed as a capital gain (IRC Sec. 117 (k)) without selling the land.

MNookIN CASE AFFIRMED AND FOLLOWED

In this column, in October, 1949, we mentioned the case of the Estate of Samuel Mnookin, 12 TC 744, wherein the Commissioner included in the income for the taxable year the accounts receivable at the beginning of the year which had not been reported previously. The Tax Court held for the taxpayer and its decision has since been affirmed by the Circuit Court of Appeals for the Eighth Circuit.

A later and similar case, Robert G. Frame v. Commissioner, 16 TC No. 73, has been decided by the Tax Court, and again the Commissioner has not been permitted to tax income in a year subsequent to the year in which it was earned, simply because it was not taxed in the earlier year.

LOSSES BY THEFT

Losses by theft have been deductible from gross income ever since there has been an income tax law, but as countless taxpayers have discovered, such losses are difficult to prove since there are almost never any eye witnesses to the loss. One member of the U. S. Tax Court says the policy of the Court in demanding absolute proof of the theft amounts to virtual repeal of Section 23 (e) (3) of the Code, permits the deduction.

Mary Frances Allen (16 TC No. —) lost a diamond brooch having a fair market value of $2,400 while she was in the Metropolitan Museum of Art in New York City. It was established that she was wearing the brooch after her arrival there, and she did not have it when she was ready to leave, two hours later. In the interim she had mingled with a crowd of 5,000 people in six rooms. On the evidence the majority of the Court found she had not sustained the burden of proving theft, but three judges dissented and in the dissenting opinion, written by Judge Opper, it was pointed out that theft was the most probable of three possibilities: that the jewelry had dropped off and had never been found; that it was found by some person and not turned in; or, that it was stolen. Judge Opper pointed out that the Tax Court, in failing to be governed by the most probable solution has reversed its rule which has stood for 26 years.
Dear ASWA Member:

You are hereby notified that the regular Annual Meeting of the American Society of Women Accountants will be held at 10:30 A.M. on Saturday, October 6, 1951, at the Hotel Washington, Washington, D. C.

In accordance with the By-Laws, Article VIII, Section 1. The annual meetings of this Society shall be held at a time and place decided upon by the Board of Directors, provided, however, published in the official publication of the Society at least thirty days prior to the date set for the meeting. Section 3—QUORUM: The presence of thirty per centum of the total membership in person or BY PROXY, shall be necessary to constitute a quorum for the transaction of business. (b) For regular meetings any regular member in good standing may be named as proxy, provided however, that no member may represent more than five per centum of the total national membership.

You are requested to complete the following proxy and return it to the Secretary immediately, whether or not you plan to attend the meeting. If you are present in person, your proxy will not be used.

For your information, the following members constitute the National Proxy Committee: Grace A. Dimmer, Vera Jean Bobsene, Marguerite Gibb, Adrienne M. Munroe, Virginia K. Wood, Louisa Davis, Grace S. Highfield, Frances Sadauskas, Marion Kern and Elizabeth Brownlee.

If you prefer, you may name a member of your own chapter to act as your proxy, provided that she will definitely attend the meeting in Washington, D. C. in October.

Sincerely,

Adrienne M. Munroe
National Secretary, ASWA—1950/51
14193 Piedmont Avenue
Detroit 23, Michigan

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PR O X Y

KNOW ALL MEN BY THESE PRESENTS, that I, the undersigned, do hereby constitute and appoint any member of the National Proxy Committee or Agent for me, and in my name, place and stead, to vote as my proxy, at a meeting of the American Society of Women Accountants to be held at Washington, D. C., on the 6th day of October 1951, or at any adjournment or adjournments thereof, according to the number of votes I should be entitled to vote if personally present, with power of substitution.

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