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American Woman's Society of Certified Public Accountants

American Society of Women Accountants

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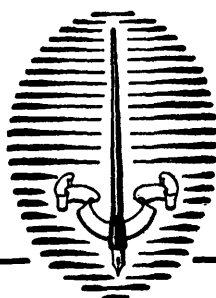
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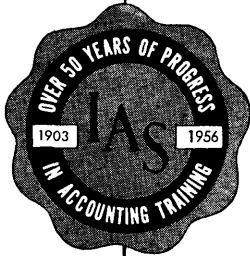
AUGUST

1956

Official Publication

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

The IAS STUDENT



Particularly in the field of adult education, a school is dependent for its good name upon the accomplishments of its students.

- We are proud of the continuing success of thousands of IAS students both in business and in public accounting practice. The chief purpose of this message is to acknowledge their achievements* with respect and appreciation.
- IAS students in general are exceptionally well qualified to pursue effectively a study program designed for adult education. They are mature; a recent survey showed an age range of 18 to 59, an average of 31 years. Most are married and hold responsible office jobs.
- Many are college graduates; 7,641 college graduates enrolled with IAS during the five years 1951-55.
- The very fact that a man has completed a comprehensive home-study course indicates ambition, self-reliance, willingness to work hard, and self-discipline. Sincerity of purpose is clearly demonstrated in that each student pays his own fee.
- Qualities like these are not common today. That IAS men and women students possess them to a marked degree helps to explain why so many of our former students are found among the leading accountants throughout the United States and Canada.

*For one example, more than 1,900 of those who passed CPA examinations during the five years 1951-55 had obtained all or a part of their accounting training from IAS.

The school's 24-page catalogue is available free upon request. Address your card or letter to the Secretary, IAS

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EDITORIAL

EDITOR'S MAILBOX

Change of Address

Much of our mail is still being sent to Quantico, Va. Will all bulletin editors, award chairmen, and contributors to our publication please note that we now have a new address: 601 E. Colorado, Urbana, Illinois.

Congratulations

To Chapter #50—Chattanooga, Tennessee. A hearty welcome to the members of the new chapter. We are glad to have you with us.

To Mary W. Augburn, C.P.A. and Perry S. Mansfield, C.P.A. on the formation of a partnership for the practice of accountancy under the firm name of Augburn, Mansfield & Company, CPA's, in Muncie, Indiana.

IN THIS ISSUE

Corinne Childs reports on the progress of AWSCPA during 1955-56 in this issue. On another page, you will meet the new AWSCPA officers for 1956-57 and learn a little about your new president. Herewith, we present a few facts about your other new officers.

Lee Ella Costello, C.P.A., 1st Vice-President, has served the Society as Director for two years and as 2nd Vice-President during 1955-56. Lee Ella has a B.B.A. degree, received her CPA Certificate in 1944, and was one of the first women to go into private practice in Texas. She is a partner in the accounting firm of Bernard Rosmarin & Company, Houston, Texas, and is a member of the American Institute of Accountants, the Texas Society of Certified Public Accountants and ASWA.

Mary J. McCann, C.P.A., 2nd Vice-President, has served AWSCPA as Secretary, Treasurer and Director. She helped establish the Kansas City Chapter of ASWA

and served as its President. Mary received her B.S. degree from the University of Kansas and was the first woman granted a CPA certificate in Kansas. She is employed on the staff of Touche, Niven, Bailey & Smart. Mary is a member of Beta Gamma Sigma, the American Institute of Accountants, and the Kansas Society of CPA's.

Katherine E. Pfeifer, C.P.A., Secretary, has served the Society as Director and Chairman of Legislative Committee. She is a charter member of Cleveland Chapter of ASWA and has served that society in many offices. Katherine attended Spencerian Business College and Fenn College and is employed on the staff of the Cleveland office of Lybrand, Ross Bros. & Montgomery. She obtained her CPA certificate in Ohio in 1946. Katherine is a member of the American Institute of Accountants and the Ohio Society of CPA's.

Gertrude E. Norman, C.P.A., Treasurer, has served the Society as Director and Chairman of Education Committee. A graduate of Iowa State College and John Marshall Law School, Miss Norman was admitted to practice law in the State of Illinois and received her CPA certificate in California. Gertrude is in the tax department of Ernst & Ernst, Los Angeles. She is a member of the Los Angeles Chapter of
(Continued on page 18)

• 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 can not be assumed for opinions or for interpretations of law expressed by contributors.

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AWSCPA—THE YEAR IN REVIEW

By CORRINE CHILDS, C.P.A., National President, 1955-56

The conclusion of the 1955-56 AWSCPA administrative year and the beginning of the 1956-57 year leave little time for reflection on the activities of the past. We are happy over the accomplishments of the year, but we would be remiss if we did not admit that many things remain to be done by our successors.

Elizabeth Sterling, First Vice-President, also served as editor of the *AWSCPA NEWS*, our membership newsletter which was begun this year. As Research Chairman, Elizabeth has done further work on the compilation of our list of all women successful C.P.A. candidates in the United States.

Lee Ella Costello has been Second Vice-President and Membership Chairman. She and her committee members have conducted an extensive membership campaign which has brought us 49 new members, including many women who have been C.P.A.'s for a number of years but have not previously been affiliated with AWSCPA.

Mary J. McCann, Secretary, has been of great assistance in handling an unusually large number of matters requiring Board approval in the nine meetings held by mail during the past year. She will complete our yearbook and annual report immediately after the annual meeting in Seattle.

A special word of appreciation should be expressed to Elizabeth, Lee Ella, and Mary Jo, who served on the Executive Committee and who rendered valuable assistance in determining policy on numerous occasions during the year.

Our Treasurer, Genevieve Michel, handled finances with the utmost efficiency and rendered a number of special reports in connection with our financial affairs and a proposed readjustment of cost allocations to *The Woman CPA*.

Elinor Hill, immediate Past President, has continued to devote much time to AWSCPA—she served as Chairman of our Nominating Committee, which proposed a promising group of nominees to serve during the ensuing year; as Chairman of the Policy and Procedure Committee, she is currently making revisions of the officer's manual, which she completed two years ago as Research Chairman.

The duties of AWSCPA Award Chair-

man were assumed by Gertrude Hindelang, who has worked with the ASWA Award Committee in handling reports of the ASWA Chapters during the year. The revised AWSCPA Award rules and regulations have been submitted for approval and will be available to Chapters immediately after the beginning of the 1956-57 administrative year.

Gertrude Norman, Education Chairman, is presently preparing an informational pamphlet on women C.P.A.'s, which is based upon a survey questionnaire which was returned by 361 women C.P.A.'s, including a number who are not now members of AWSCPA.

The Legislation Committee, with Katherine E. Pfeifer as Chairman, has had a very busy year. Early in the year we were advised that as a result of the efforts of prior years' Legislation Chairmen, the General Accounting Office had removed its blanket restriction against the employment of women accountants. Efforts for similar action by other Federal government agencies have been unsuccessful; therefore, our committee has increased its activity urging passage of the Equal Rights Amendment. Also, it has conducted a survey among State Federations of Business and Professional Women's Clubs in connection with the need for an amendment to the U. S. Code to eliminate the present discrimination against qualified women in civil service appointments and promotions. As a result of its efforts, this matter will be presented for action this month at the Biennial Convention of the National Federation.

Frances Tinsley, Public Relations Chairman, has continued the work previously started on our public relations activities, including preparation of a supplement to the Bibliography published by us last year and the publication of an article "Making Good in a Man's Field—Accounting" in the May 1956 issue of *Charm Magazine*. In addition, Frances has revised the complimentary mailing list of *The Woman CPA*.

Miss Beatrice C. Langley has continued as the supervisor of our national headquarters in Chicago and has done much to make the work of your officers and directors move smoothly.

Margaret W. Tuma, Editor of *The Wo-*
(Continued on page 19)

AUTOMATION

By L. J. WEIGLE, Assistant Comptroller, The Carter Oil Company, Tulsa, Oklahoma

There is probably no topic more discussed in industry today than automation, and I doubt if there is any that is more misunderstood. It is rather surprising how often the layman is inclined to let his imagination supply many answers, both possible and impossible, thus creating his own conception of science fiction.

Automation, contrary to popular belief, is not just a collection of instruments or control gadgets to be used in a regular process. Automation is a concept. It appears in many forms, and in some cases its identity is nearly lost because it seems the natural or economic thing to do in a particular process. The word "automation" is a new word denoting automatic operation, and the process of making things automatic. The origin of the word is humble, indeed. John Diebold, editor and associated publisher of *Automatic Control* magazine, in writing an article for the *Harvard Review*, found the word "automatization" both awkward to pronounce and difficult to spell, so he coined the new word. Mr. D. S. Harder, Vice-President in Charge of Manufacturing of the Ford Motor Company, is also credited with having used the word for some time to describe the automatic handling of materials and parts in and out of machines. In any event, the new word has given a terrific boost to the field of automatic control. Automation is somewhat of a hypnotic catchphrase, similar to past expressions such as "mechanical", "assembly line", "electrical", "technology" and "electronics." We should not lose sight of the fact that changing names from time to time doesn't alter the aim of "accomplishment with least effort."

When we hear references to automation, it is well to remember that we have some good examples of it around us every day. In our homes we have: alarm radios, record players with automatic changers, thermostats for cook stoves and furnaces, and air-conditioners. Outside our homes: the street lights come on and go off automatically at a certain time each day; electric traffic signals are operated automatically; radar-controlled speed enforcement systems are in effect. In business buildings, we accept as standard equipment such things as automatic elevators, automatic fire control sprinkler systems and burglar-alarm sys-

tems. The "electric eye" door-opener at many super-markets is no longer a novelty.

General Business Application

Many of the recent advancements in the field of automation have been made possible by electronic tubes. Television—probably the most widely known electronic device—is currently being used and developed for business purposes. Banks on the west coast are using television between branch and home offices to verify customer signatures. Some prisons are using TV as an automatic monitor to help guards and others to keep tab on what's happening throughout the prison. You are probably familiar with the automatic, electronic telephone-answering devices. The completion of a long-distance telephone call through straight dialing is also an electronics-inspired innovation.

The oil industry has readily recognized and generally accepted automation as a logical advancement in the use of automatic controls. In a modern pipe line system, one man, sitting in a small control room, directs the flow of millions of barrels of crude oil and products. Without moving from his chair, he can punch appropriate buttons to cut off a stream of oil, or re-route its flow. An oil refinery is probably the best example of automation in the industry. Crude oil is received through a pipe line and its flow through the refinery is directed by pre-set controls. Operating conditions are likewise automatically controlled, and final delivery of the finished product—perhaps even packaged—is accomplished with little or no direct manual handling.

Automation's Impact

My purpose in stressing these examples is to emphasize that the electronic tube has paved the way for a series of new developments in automation. While its possibilities are far-reaching, it couldn't be as far-reaching as some of the fantasies it has hatched. I am reminded of the recently popular New York stage play "The Desk Set," starring Shirley Booth. The theme of this play deals with an "electronic brain" that is installed in an office over the weekend, and its acceptance by the people it is to replace. The reason the theme of the play is not

considered too far-fetched might be attributable in part to the "magic brain" publicity accorded Remington-Rand's Univac computer during the presidential election of 1952. You will recall the Univac predicted an Eisenhower landslide while political commentators doubted there would be anything like a landslide. As a result of its prediction, Univac was hailed as something akin to the supernatural.

Congress has explored automation's impact. With a Congressional Committee as the nation's sounding-board and automation as the motivating factor, labor leaders and industry experts openly aired the whole field of automation. Although no immediate conclusions can be drawn from their testimony, it is quite likely that an important achievement will be the separation of fact from fiction. Obviously, of primary concern are the matters relating to probable displacement of personnel, stability, and growth of the nation's economy. Labor leaders and industry recognize that automation is here to stay and that its effect on people depends to a large degree on the speed of its development and the opportunities for relocating displaced personnel.

Office Automation

As accountants, you are vitally interested in the role of automation in business offices, particularly accounting. Our scientific laboratories' greatest contribution to office equipment in recent years has been the introduction of the electronic principle. The substitution of vacuum tubes for the usual gears, wheels and moving parts will have far-reaching effects. These tubes can transmit and hold information in electric impulse form and carry out arithmetical functions faster than mechanical equipment. The field of electronic equipment is a tremendously complex and rapidly changing field, and has been referred to as a revolutionary idea. I prefer to think of it as an evolutionary process. To illustrate, let's go back in our memories to the player piano. You remember it made music when air was pumped through the holes punched in the music roll. The old piano roll combined with electric current and the typewriter became the basic feature of our modern automatic typewriters. The punched card machines likewise use an electrical impulse through a hole in a card. The present-day electronic computer, an integral part of so-called electronic accounting equipment, was initially designed for engineering, mathematical and scientific computations. Without it the atomic bomb and guided missiles would have been delayed many years.

Since there is a limited market for the equipment in these particular areas, the manufacturers of the computers looked for additional markets.

Because accounting involves the processing of considerable data, the manufacturers looked here for possible business applications of their equipment. There are now ten or more manufacturers of electronic data processing equipment which can handle various phases of accounting operations.

One problem facing the manufacturers as they strive to expand their market is that the computer—the core unit of electronic data processors—was designed to make complex computations and arrive at a relatively short answer. In contrast to this, accounting generally involves simpler mathematical computations and voluminous source information, plus an output of detailed printed information. Because of this, computers built for scientific work have had limited use in accounting.

Another market-limiting factor is cost. The cost of this equipment has been so great that only a few very large organizations have found it feasible or economical. Manufacturers of the equipment have posted rental fees ranging from \$6,500 to \$27,000 monthly and selling prices of from about \$175,000 to more than \$1 million. The variations in prices and in rentals presumably represent the differences in versatility of the equipment.

The primary justification for bringing electronic equipment into the business office depends upon economic factors. To this end, the manufacturers are directing their attention toward producing low-cost electronic equipment which the average and small size business needs and could use. How long it will take them to achieve this objective is anybody's guess.

New Characteristics

As yet there are few real experts in the field of office automation—so beware of those who profess to be. Most of the numerous technical differences which distinguish electronic equipment from all prior types of mechanical office machines are significant only to the engineer. Accountants and office administrators should be concerned with the methods and the end results. From an operating viewpoint, there are two major characteristics of this equipment which are quite new.

Follow through—The most important of these new characteristics is the ability of electronic equipment to go through a series of operations in sequence without the help

of a human operation to guide it through each step in a particular process or computation. For example, in one continuous operation, a more or less standardized set of electronic equipment can:

1. Figure the regular pay of employees, add any overtime, and extend the gross pay.
2. Compute and deduct withholding tax, social security tax (if any), and then subtract any voluntary payroll deductions.
3. Punch cards for preparing payroll checks.
4. Determine new balances of employee savings bond accounts and indicate bonds to be purchased.
5. Develop new year-to-date figures.

Obviously, to perform this under a manual system requires human motivation for each step, whereas the electronic follow-through characteristic makes it possible to automatically perform each function step-wise to arrive at the end result.

High speed—The second distinguishing characteristic of electronic equipment is its high speed of operation. Perhaps too much has been written about this particular feature, although it is the fastest automatic equipment yet developed. Many operations which manually have required days or weeks can now be performed in a matter of minutes or hours.

Mechanical Brain Idea

We've heard quite a bit of hocus-pocus about electronic equipment being endowed with a magical brain. This expression has probably done more to publicize and stimulate advancement in office automation than anything else. Some of the mysticism probably arises from hearing or reading such expressions as: The equipment "receives instructions," "is told" what to do—that it has a "memory drum" and can "think." Obviously, these expressions personify an inanimate object. They are used merely because electronic equipment can be adapted to perform a sequence of operations which heretofore only the human mind could handle.

Overly simplified, here is what those expressions refer to: Someone—say the accountant—makes an outline of the data needed and the steps involved to arrive at the end result. Such an outline, with appropriate explanations, is then given to an electronics technician familiar with a given brand of equipment to be used. The technician adjusts the equipment so that it can process the data. The combined work of the

accountant and the technician is frequently called "programming."

Nomenclature

Perhaps it will be more informative and helpful in understanding a complex subject if we drop anchor at this point and discuss some of the basic features of electronic equipment: (1) an input device, (2) a storage system, (3) an electronic computer, (4) a control unit, and (5) an output unit.

As with any other mechanical system, an electronic data-processing system must have a method whereby the original data is transferred in a form the system can handle. This is accomplished by an input device which might be actuated by a deck of tabulating cards, but is probably a manually operated keyboard. Connected to this keyboard is a mechanism which receives the coded data and transcribes it on tapes or cards. (Magnetized plastic tapes are by far the fastest medium for the system to handle.)

Data received from the input device is stored until the computer is ready for it. By using cathode ray tubes (similar to TV picture tubes), magnetized drums (or cylinders) and magnetized tape, it is possible to retain a mass of information. With this built-in storage, it isn't necessary to provide for temporary filing, separate cross-references and other manual handling. The system also stores instructions which specify: what the machine should do; where it will find the data to be processed; where it will find the next instruction. Hence the expression, "memory unit."

The heart of the electronic data-processing system is its central processing unit—the computer. It is the monster that makes the electronic system unique. As needed during the processing routine, the computer receives data and instructions; directs them into and calls them out of the storage unit. It performs the arithmetical operations of addition, subtraction, multiplication and division, and has the further ability (found only in a limited degree in mechanical systems) to make comparisons between numbers or other characters and to take the action called for by the result. It also directs the processing operations within itself and controls the flow of inbound and outbound information. This is the "Brain" or point at which decisions are made. All these functions can be performed with fantastic speed.

Since I referred to the computer as the heart of the electronic data-processing system, then the control unit might be called the nerve center. By observing control signals and manipulating various control keys, one person can direct the entire operation

of the system. That is—after the process has been thoroughly “programmed” and “de-bugged.”

The final stage in processing is writing out the results. This can be done in readable report form, or can be stored on a tape or card for future use. If a printed report is desired, a printing mechanism will receive the electronic signals and translate the code into numbers and letters in the prescribed format.

Why automate?

We are living in a marvelous age. It is getting to be more and more an electronic age. It has been said that as far as the future is concerned, not even atomic energy overshadows electronics. Let's bring our discussion a little closer to home. As accountants, you are wondering how all this “automation” and “electronics” affects your offices.

We have all seen the evolution from pick-and-shovel methods of ditch-digging to the use of automatic ditch-digging equipment. Why was this done? Basically, it was motivated by economic factors. Bringing automation or electronic equipment into your business office likewise depends, to a large degree, on economic factors. However, as in the ditch-digging example, there are other inherent advantages that should be considered; more flexibility for enlarging the scope of information needed by your management; expansion of operations without corresponding increases in personnel; earlier availability of results; shifting of laborious and repetitive tasks to mechanical devices, thus overcoming some of the limitations and undesirable features of a manual system. The industrial giants are now triggering around trying to adapt and “de-bug” accounting procedures to fit electronic equipment; while the manufacturers of such equipment are predicting when it will be economical for small companies to start using it. Does this mean that smaller companies should wait and do nothing until electronics are marketed in economy-sized packages?

No, nor am I suggesting that each of you establish electronics as your goal. It is not the answer to all your problems. I believe that all companies, large and small, owe it to themselves and to their future to keep abreast of the developments that are being made in the field of office improvements and to take advantage of them as they become practical for their own particular situation. You cannot sit back and await the arrival of new developments and improvements in

office techniques and equipment, pick them off, and immediately put them to work in your business. Each individual company and each problem is different. The answer in each case will be the result of individual study which can be started now and completed over a period of time.

Course of Action

Problems have a way of getting solved, when someone begins to think about them; thinking produces ideas and stimulates imagination. Investigating the usefulness of ideas is a basic form of research and has never been reserved for professional researchers who have large sums of money for experiments. Without research or investigation on the individual office level, many of us would never know whether we could use the products made possible by the million-dollar type of research.

Accountants on all levels of responsibility would do themselves, their companies and their profession a valuable service if they spent more time and effort improving and modernizing their present accounting plant. Modernization and improvement begin with efficient procedures and may or may not proceed to elaborate electronic-brain type equipment. The degree of automation is not itself a measure of accounting efficiency—a grossly inefficient accounting system can have considerable automation.

Drawing on my personal experience and from the work I am currently doing in the field of electronics and mathematical techniques, I offer certain observations which may be contradictory to some of the published comments you've read.

The transition to electronics should not be from manual methods directly to electronic data processing equipment. Converting to punched cards first will largely achieve any contemplated savings. The machine limitations and demands imposed by punched card procedures will flush out many of the weaknesses of basic records and routines. Without such conditioning, a transition from manual methods to electronic data processing machines can result in a chaotic condition. Don't run pell-mell from manual methods to the complex data processing systems.

Develop a healthy attitude toward improving your office procedures. Take time to study and revise what you are doing, even though you consider your present system adequate. I would like to particularly stress the word *attitude*. In *Spiritual and Moral Values in Business*, Professor Erwin H. Schell of M.I.T. said, “When our attitude is

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THE ACCOUNTANT AND THE CHURCH

By MARGARET GILLMAN, Glendale, California

To each of us is given a talent. What better place is there to share our knowledge and our talent than in the church? We know the accountant needs the church, but are we aware that the church needs the accountant.

The job of the Minister and the Session is to keep the church a spiritual organization which runs smoothly, is inspirationally beautiful, and gives spiritual help. In order to accomplish this there must be a Board of Trustees behind the scenes to look after the business matters. The church treasurer should be a trained accountant. By keeping a good set of books which are complete in detail and up to date, a good accountant in this position can give the Board something to work with. The Treasurer is the intermediary between the Board of Trustees and the Congregation. The financial reports inform the Congregation of the physical operation of the church and should instill a feeling of faith that all is well. When there is this feeling, the spiritual side is free to grow.

The Budget is probably the most important item of church finance. In most businesses, it is a flexible and adjustable guide to operating as efficiently as possible with the expected income at hand. In a church, it is more or less final and governs everyone involved. It is prepared with much thought and care. The Treasurer's records for the past several years are studied in detail, and each Department is given a chance to ask for certain items to be included in the budget. Naturally, each Department is most concerned with its own needs, and often asks for more than is possible. The Budget Committee, including the Treasurer, attempts to estimate the expected income and fix the budget somewhere near that goal. Once the Budget is adopted by the Congregation it becomes the ruling factor for the ensuing year. Each month, as the Treasurer prepares the report of Receipts and Disbursements, she also includes comparative figures of the Budget. The Boards will study this item for item to be sure all are "within" the Budget. On the other hand, in the fall of the year, there is a rush to spend that which is in the Budget and there are frequent requests as to

just how much is left in the Budget. Balancing the Budget seems to be a matter of faith. It is considered carefully and prayerfully before it is adopted, and then, there is faith that it will "balance."

There is no accurate method of determining expected receipts. Pledges may be increased after a particularly good sermon on "Giving," but all members do not wish to pledge. Some want it known how much they give. Others request a plain envelope. Some want an accurate record of every nickel donated and will request a statement at the end of the year. Others really do not care. Dear Mrs. Smith will drop a five dollar bill into the plate and somehow expect the Treasurer to keep a record of her donation. Mr. Jones will carefully write a check to the church, but in no way mention whether it is to be divided equally between Benevolence and Current Expenses or possibly be for the new Printed Sermon Fund which was mentioned in church two Sundays ago. A good percentage of members do pledge a certain amount each year and keep these pledges faithfully. There are numbered envelopes available for those who will use them and a place on the outside to designate what the money is to be used for. A memo ledger is carefully kept of these individual receipts in order that it may be referred to at any time and to assure those who want a record kept that it is being done.

An Accounts Receivable account would be impractical and unsatisfactory. I understand that some churches do send out quarterly "reminders", but such procedure would not be accepted in our church. The Congregation would feel that this is far too commercial a procedure.

The books of the church are double entry, usually a combination of Cash Receipts and Disbursements, numerous restricted Funds, and the Property Account. The Receipts and Disbursements statement is used the most. Receipts consist of cash received, broken down into items such as Pledges, Loose Offering, Youth, Benevolence, and Special Gifts. This statement has four columns and shows the current month actual, the monthly budget, and Year to Date actual and Yearly

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*"Introducing"—1956-57 National Officers of the
American Woman's Society Certified Public Accountants*



ELIZABETH STERLING, C.P.A.
ATLANTA, GEORGIA
President

Mrs. Sterling has served AWSCPA as director, secretary, 2nd vice-president and 1st vice-president successively. She attended Oglethorpe University, and holds a BCS degree in accounting from the University of Georgia. Mrs. Sterling and her husband are partners in the firm of Sterling and Sterling, CPA's.

She is a member of Atlanta Chapter of ASWA, Delta Mu Delta, the Soroptimist Club of Atlanta, and has just finished a term as Bulletin Editor and Trustee of the Georgia Society of CPA's.

**THE
PRESIDENT'S
MESSAGE**

The program of the American Woman's Society of Certified Public Accountants has three primary objectives. To provide an effective medium through which the first objective, greater interest of women in accounting and in the higher attainments of the profession, might be accomplished, the American Society of Women Accountants was formed. Let us pledge our continued close cooperation with ASWA. As individuals we will benefit by joining the ASWA chapter in our own city, or, if there is not one, by providing the spark needed to start one.

Much progress has been made toward our second objective of a more enlightened public opinion concerning the ability of women in the accounting profession. During the past year new opportunities have come to women. Though much has been accomplished, there is much to be done. Public relations is everybody's job.

The final objective of our threefold program is perhaps the most important—increased numbers of women as members and active participants in the programs of technical accounting organizations. I hope the time will come when we can boast of 100% membership in both State Societies of CPA's and in A.I.A.

I thank you for the honor you have given me and I especially thank you for the capable officers and directors elected to serve with me. We pledge our best efforts to justify your expression of confidence in us to advance the interests of our Society and to continue the program of progress so ably advanced by our predecessors.



LEE ELLA COSTELLO, C.P.A.
HOUSTON, TEXAS
First Vice-President



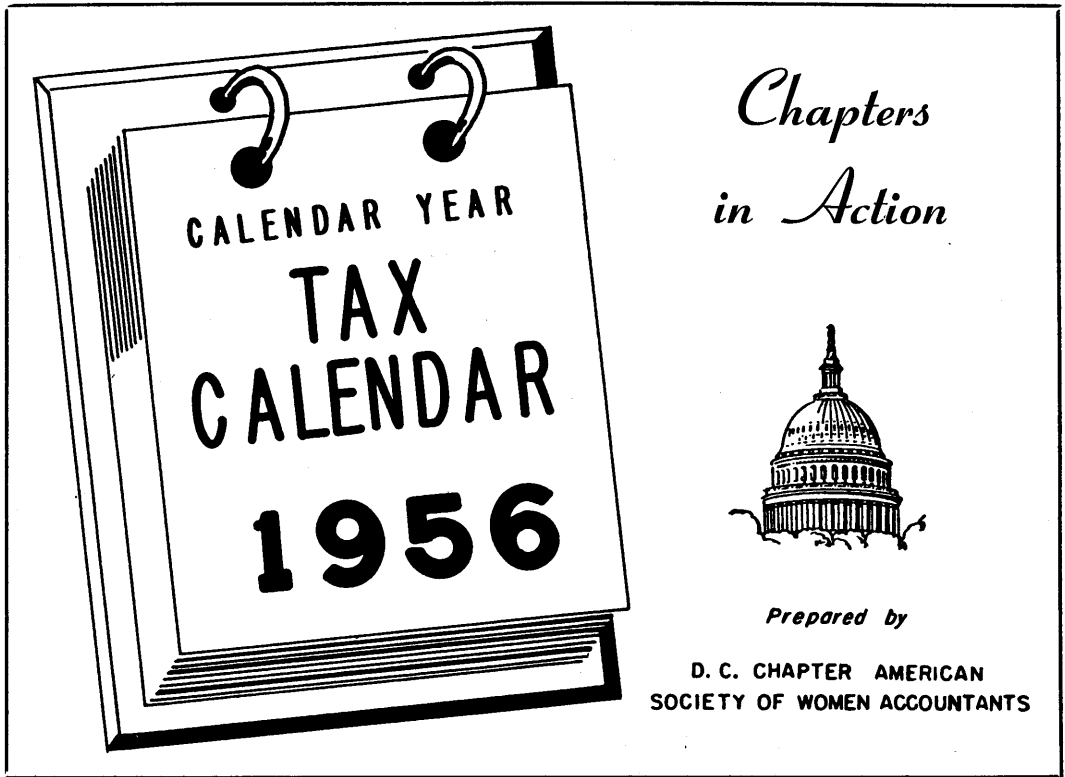
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CLEVELAND, OHIO
Secretary



GERTRUDE E. NORMAN, C.P.A.
LOS ANGELES, CALIFORNIA
Treasurer



It is logical that the District of Columbia Chapter should have been one of the first ASWA chapters to issue a tax calendar. We who practice and work here deal with the affairs of firms and people who must comply not only with the Federal Internal Revenue Code but also with the tax laws and regulations of one or more of three other jurisdictions that impose taxes on the business organizations and residents of the greater Washington area.

In 1950, our chapter made its first attempt to compile a "ready reference" source of due dates of tax returns required by the Federal Government, the Government of the District of Columbia, the Commonwealth of Virginia and the State of Maryland. This resulted in a Tax Calendar covering the calendar year 1951. The public interest in our first Tax Calendar was encouraging and continued demand has merited its publication as an annual chapter project since that year.

We hope to make our mailing list for the tax calendar more extensive, however, during 1956, we distributed it to the following categories of persons:

1. D. C. chapter members.
2. Officers of ASWCPA and ASWA.
3. Chapter presidents.
4. Financial editors of various Washington newspapers.
5. Presidents of various professional, mercantile and banking associations in the greater Washington area.
6. Better known C. P. A.'s in the greater Washington area.
7. Miscellaneous persons upon request of chapter members.
8. Individuals that helped us get the civil service restrictions on woman accountants lifted.

The production of our calendar is very simple. From the national tax services we compile a list of all official data of interest to District, Maryland and Virginia taxpayers. This information is incorporated in booklet form in such a manner that District, Maryland and Virginia dates appear in chronological order on one page while federal dates appear in the same order on the page facing the one on which the District and state dates appear. After each date appears the name and, if necessary, a brief description of the tax return due together with any additional information that may be necessary.

In addition to the foregoing the federal page contains a calendar for the current month on which all official dates are marked by shading. Thus, when the calendar is opened to any month the user has before him on one flat surface a complete list of Federal, District, Virginia and Maryland tax dates, all referenced to a monthly calendar. At the end of our tax calendar are listed in like manner the monthly and quarterly District and state tax requirements for specific industries. To this we add a title page listing our chapter officers and a note, "If any date falls on Saturday, Sunday or a legal holiday, the return or tax is due on the next business day."

The chief reasons why the D. C. chapter continues to publish its Tax Calendar are: In terms of public service it is a useful document to the business and professional people of our community; In terms of public relations it emphasizes that the American woman is rapidly establishing herself in the accounting profession; In terms of the accounting profession it reminds our clients that tax practice is inherently a part of that profession and that "tax conscious clients" and "tax informed accountants" are essential to good business management.

—Wilhelmina T. Loomis

TAX NEWS

By LOUISE A. SALLMANN, C.P.A., Oakland, California

One way of taking a vacation from one's job of Tax Editor is to secure the permission of another more ambitious writer of tax news to use his material. The perfect opportunity presented itself in the June 22, 1956, edition of the *East Bay Motor Car Dealers, Inc., Oakland, California Bulletin*. The article reads as follows:

Important Tax Decision Favors Motor Car Dealers

Ray Meyer of Wallace & Meyer (Ed. note, your tax editor's employers) has called our attention to the most important tax decision from the dealers' standpoint to come out of the courts in quite some time. The dealers have been waging a losing battle in the tax courts in their attempt to defer recognition of finance income until collected from the financing agencies.

Says Meyer: "The Shoemaker-Nash case, the leading case against the auto dealers, was tried in the third circuit court. Now we have a new case tried in the fourth circuit court—the Blaine-Johnson case—in which a decision was handed down in favor of the dealer.

"In handing down the favorable decision the judges of the fourth circuit court commented:

"The general principles which must control our decision have been authoritatively stated by the Supreme Court. It is the right to receive and not the actual receipt of an amount which determines its accrual. When the right to receive an amount becomes

fixed, the right accrues. Until the right to an amount becomes accrual through fixation of the right to receive, the taxpayer is under no obligation to return it as income. These principles have been applied by other courts and by this court to postpone the accrual of various types of reserves where the taxpayer's right to receive the money is dependent upon some contingency."

Meyer states the Commissioner has not yet acquiesced in this favorable court decision, and he may now ask the Supreme Court for a final ruling to settle the disagreement between the third and fourth circuit courts. In the meantime, Meyer suggests that dealers who have paid income tax deficiencies under the Shoemaker-Nash ruling consult their accountants and attorneys to consider a move to recover under this new decision; and those dealers who have been paying income tax on finance reserves await developments before changing their procedure."

This decision not only gives hope to automobile dealers but to other business entities which were forced to return to poor accounting methods in their treatment of deferred income by the repeal of Section 451 of the 1954 Revenue Code.

* * *

SEE YOU IN SEATTLE IN SEPTEMBER!!

The stage is set for action.

The cast includes us all.

May few find need to pay no heed
To a grand convention's call.

A LOOK AT INTERNAL CONTROL

By GEORGE C. SPARKS, JR., C.P.A.

It has been conservatively estimated that American business losses through fraud and employee dishonesty in the past year amounted to \$500,000,000. Probably it would be a safe guess that several times this amount is lost annually through the simple process of waste and mishandling of goods. This means then, that costs running into billions of dollars a year are being incurred by American business as a direct result of some weakness in control, or perhaps even the complete lack of controls,

At a time like the present where we pride ourselves on efficiency and production it must come as quite a shock to find so much potential profit slipping right out from under our noses. However, it is actually a direct result of the growth of our economy as a whole. Perhaps, if we point out the simple parallel between the development of the machine age, as we know and accept it, and the growth of the business unit itself, we can see the reason for this.

As machines are improved the individual laborer contributes less and less to the actual construction of the product and becomes more of a machine watcher or tender. Likewise, as the business unit grows the owner, of necessity, must take a less active part in all of the activities and step back to a point where he can watch, being forced to delegate many of his functions to subordinates. The more powers he delegates the more he must resort to being a watcher or controller of others.

Only fifty years ago, an outstanding accounting scholar of the day visualized internal control as having only three essential elements, namely:

1. Division of duties
2. Use of bookkeeping proofs
3. Rotation of personnel

Today we find that most ideas as to what "internal control" encompasses are far broader in scope. The American Institute of Accountants' Committee on Auditing has given us the following definition:

"Internal Control comprises the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies."

Currently there is really nothing in the

way of a business function that doesn't fall within the modern scope of internal control. Budgets are as important as the rotation of personnel; labor turnover and time study records offer possibilities for control equal to the use of bookkeeping proofs; and purchase and sales controls give advantages the same as the division of duties does.

Why is it that many successful business men today will fire an employee who slips a \$10 bill out of the cash register without a moment's hesitation; and yet, admit with a wry smirk that his salesman's expense or "swindle" sheets cost him from \$25 to \$50 a week more than they should, saying simply that there is nothing he can do about it? Or, what about the owner who exercises air-tight control over his cash and merchandise yet allows employees to take company trucks and automobiles home without even considering the impact that many long weekend trips will have on his profit picture? Perhaps the answer to these riddles lies in the word "education"—not from the standpoint of the three R's—but rather education as to the meaning and value of internal control in today's business picture. The last war saw many slipshod and poorly designed business practices develop which today's fiercely competitive economy will end. What form this ending will take depends to a large extent on how well you and I do our jobs.

Why do I say that? Simply because we as accountants (public or private) are probably the best prepared individuals connected with the business organization to point up these deficiencies, whatever form they might take, and to educate employers or clients as to the benefits to be realized by eliminating them completely. The catch, however, is that too often we become so engrossed with proving our work out to a mathematical certainty that we fail to realize just what is going on around us. The old cliché is certainly applicable here and "we are often too close to the forest to see the trees."

Basically, I feel that today most businesses have a reasonably good control system in operation—at least most progressive managements are cognizant of the need for controls of some kind. Assuming that an average company does incur a loss or turn up some fraudulent activity we immediately ask then—"Why did it happen?" The

answer might be one of several.

You might say the system did just what it was supposed to do.

Many times we have heard the president or some other representative of top management explode with indignant wrath when told of a fraudulent act being discovered in his company. Usually it runs like this, "What! Well I want you to completely revise the whole system and set it up so that won't happen again!"

With a bit more reflection on the subject that same executive might very well realize that his system of internal control, if responsible for the culprit being exposed, actually was adequate all the time. In fact it is very likely that it accomplished exactly what it was designed to do—that is, to reflect the unusual or the irregular act which led to the disclosure of fraud. The important point to keep in mind is that there might well be a great deal more to worry about where everything checks out perfectly each day, since the reason for such perfection could easily be an inadequate system of control which allows things to slip by unnoticed.

Your second answer as to why it happened might be to the effect that the controls are and always have been present, but the personnel in charge of carrying them out either didn't realize what they were supposed to be doing or else their work was being done in a negligent haphazard manner.

For instance, a client of ours operates a number of retail outlets throughout this area. Close checks of sales records are made by tying in closely with the regularly submitted cash register readings. In fact, we even found it worth while a few years back to insist that the register tapes accompany the reported readings. All cash must be deposited as soon as possible after the day of receipt and a duplicate deposit ticket submitted in support thereof. All disbursements are made by the main office and all bank statements are received and reconciled by the main office. On the surface everything is controlled—yet, on two occasions in the past several years we have picked up discrepancies that disclosed managers using company funds, through the simple expedient of testing deposits and the dates on which actually made. They were using the time-work plan of withholding deposits an extra day or two and using the money for their own purposes. Invariably though they became victims of their own poor bookkeeping. As the deposit would lag behind further and further it would become confused with and be made after that of a later day's

sales. When this happens, there can be little doubt that manipulation is taking place.

Here an office employee was reconciling the bank accounts monthly and had even been instructed to look for just such instances. The moral is that even if the controls exist they are no better than the efficiency with which the personnel applies them. Or, if you are on the other side of the fence, perhaps the moral is that you should hire a good accountant to keep up with your defalcations.

A third, and very common-sense answer as to why a loss took place might well be that changes in procedures or lines of responsibility have been made without consideration being given to changing corresponding controls.

One company employing door-to-door salesmen required all charges for work to be calculated in the store office by the manager or the office clerk and that payments were to be made directly to the store.

One of the salesmen showed considerable enthusiasm for his job and an eagerness to do more work than was expected of him. First, he volunteered to prepare the job tickets and invoices for his work. Next, he offered to put through the charges in the office, and finally, assumed the responsibility for collection. The office clerk was only too pleased to be relieved of some of her duties. However, it will be seen that the net result was the placing of the entire accounting and collections routine in the hands of the salesman. Before long he began to charge less than the correct amounts to accounts receivable, but collected in full from the customers. The difference went into his own pocket.

Unfortunately for the salesman, one of the customers came into the office to pay his account. When it was discovered that the charge against him in the accounts receivable ledger was lower than his copy of the invoice, investigation soon revealed fraud.

The controls were sufficient in this case; they were simply not being maintained.

Another case involved a large department store where credit slips for return of merchandise required the department buyer's signature. Due to infrequent returns and the resalability of the merchandise this procedure was relaxed in a department handling household equipment in order to permit several senior sales clerks to approve these credits.

Shortly after the change small increases began to be noticed in the ratio of returned sales. When the inventory shrinkage figures

began to show a slight increase also, interest was stirred enough to cause investigation.

The examination included contact with customers whose names were shown on the return slips, and it was immediately discovered that some of the names were fraudulent. The fraudulent slips were traced to one of the senior clerks. When confronted with the facts, he confessed to originating and approving completely fraudulent returns over a considerable period. Credit slips were originated by him when no merchandise was returned, and the proceeds had been collected in cash. The total amount of loss was over \$50,000 due to a relaxing of controls over returned merchandise without a compensating change to offset an obvious weakness.

Many times the answer as to why a loss is suffered is simply that no appreciable measures can be taken to offset the possibility of them happening. This arises more often than not where the possibility of loss is realized but it is accepted more or less as a "calculated" risk on the part of management.

I have in mind a very recent case in which I confronted the management of a small variety store chain with the fact that one of its stores was showing a constant declining gross margin on sales. When the subject was first presented the margin had dropped from a respectable 37.5% to about 36% and management simply attributed it to a wave of shoplifting and possibly lower markups on purchases. Since the neighborhood was of questionable character that explanation seemed feasible. To make a long story short, it took a loss from operations to jar management into taking concrete action. As long as a profit was being realized no one seriously thought there was anything too wrong. Even then it took a month or more before a break developed which led to disclosure of what was happening, and that break was a clerk under-ringing a sale a mere 50 cents. A floor man caught the under-ring, took the girl back to the office and before it was over with got a substantial background of what was happening. By quick action and cooperation of a shopping service, they were able to round up twelve clerks that were involved—all confessing to stealing through the following methods:

1. Under-ringing sales, the cash being picked up by another girl from the register at an opportune time.
2. Slipping merchandise into their stockings and undergarments when behind the counter.

3. By use of accomplices that would pose as customers and receive possibly \$5.00 or \$6.00 worth of merchandise in a bag for only \$1.00. At a later time they would get together and split the gains.

When all the smoke cleared, losses approximating \$25,000 were determined—much more than the so-called "calculated risk" was expected to amount to.

Another situation that is difficult to build real controls around is the route salesman operation where promotion "deals" are made whereby the purchase of a given quantity entitles the customer to a free carton of goods. Oftentimes the salesman is tempted to keep the "free" merchandise to sell later and pocket the receipts. The best protection against this is widespread publicity and activity by sales supervisors. Usually, the supervisors will call on the larger customers and, in addition, they may ride the routes to assist the salesman at the time of the "deal."

Very often the finest system of control is rendered worthless where personal friendships and old time acquaintances are involved. For example, I read of this case some time ago:

The thief in this situation was accounts receivable clerk and since all receipts were by check he was also responsible for making deposits. This failure to establish close control over the checks as well as to separate the duties of cashier and accounts receivable clerk proved to be the weakness of the system. The checks would be stamped with the special endorsement "Pay to the order of X bank, XYZ Corporation," and this was felt to be protection against anyone shorting the receipts. However, our thief had his methods too, and when he would make a deposit a fairly large check would be presented separately to the bank teller and he would ask for cash. The explanation in this particular case was that the company needed cash for black market purchases which could not show on the books. Being well known, his explanation was accepted not only at the original bank but at a second bank when the account was changed over. In all, the fraud amounted to about \$166,000, covered a period of time of over three years, involved two banks, survived several independent audits, and was only discovered when a new teller questioned the validity of the transaction.

Another case based on personal relationships involved a company operating grain elevators in small rural communities. One of its part-time managers was also a town official and well respected in his community.

A shortage in inventory led to investigation that turned up the following facts: The manager was authorized to purchase grain at prices set by the company and all shipments had to be by order of the home office. For reasons of simplicity inventories were only taken when the quantities were low. Our friend, the manager, had operated in this manner—he approached a number of farmers with the offer, purportedly from the company, that if they would accept a 90-day note in payment for the grain they would get 5c more a bushel. Many accepted the proposition and proceeded to issue the notes on the “Company.” It was found that much of this grain was taken in as cash purchases on the books with abstractions of cash following. Also it was later discovered that the manager was selling direct to some itinerant truckers that happened by on a cast-and-carry basis and pocketing the proceeds.

This was a unique case since it involved notes payable, something rather new in the field of fraud. The whole thing was really possible because in the eyes of the local people the manager *was* the Company and they were all friendly with him and trusted him.

In concluding, it would be well to point out that internal control is not in itself an end product, but merely a means toward a desirable end—namely a profitable operation. Like all other elements of a business enterprise, it is valued almost solely on its contribution toward the final net profit.

It has been said that if enough time and effort are spent and enough records kept that any accounting record can be balanced out perfectly. The mere fact that such perfection is possible often leads us to the erroneous conclusion that it is both desirable and necessary.

Finally, if there is anything to be gained from a discussion of internal control it should be that in order to establish an effective system you need more than just technical knowledge and training. Without a sense of relative values, a feeling for the welfare of the business and an understanding of how people work and think you are very likely doomed to failure before you even start.

* * *

(Continued from page 8)

right, our abilities reach a maximum of effectiveness and good results inevitably follow.” A most significant quotation, and appropriate under most any circumstance. Remember it, and apply it to your own situations.

Acquire a good knowledge of what you are

doing; then go about acquiring a broader knowledge and background of methods and equipment available to small and large business offices. Visit other business establishments; attend appropriate courses of instruction, conferences and conventions. Form study groups and meet with fellow accountants for the mutual exchange of ideas. Utilize experienced methods people, accounting firms or consultants, and establish contacts with equipment company personnel who are always eager to explain possible applications of their type of equipment.

Train your staff to think in terms of simplified procedures. Encourage them to broaden their knowledge by providing opportunities for specialized training and job experience. Equipment manufacturers have set up various types of instruction courses beamed at teaching operators as well as those responsible for directing the work of others. Utilize this means of not only educating yourselves but also your employees and fellow-workers. Make your job easier by developing the skills and experience of as many of the people in your office as you can conscientiously justify.

The time for positive action toward improving your situation is now. Systems work is always easier to defer for good and valid reasons, and is usually done only as a result of necessity. Have you continued to use the same accounting procedures and equipment? Have you handled additional work loads by working faster or possibly adding more people? Sooner or later you are faced with a systems problem, as a result of expansion or retrenchment. The easiest way to approach such a problem is to exercise your best foresight and do some real forward planning. Delivery schedules on most equipment require time, possibly up to as much as one or two years. Pre-installation plans and the work of converting to a new or revised system also require time. It is not uncommon for accountants and office administrators to initiate a change for one, two or three years in the future. If you accept existing situations unquestionably, or wait for someone to hand you an improvement, you may have a long wait, as well as miss the pleasure of professional achievement.

You are all cognizant of the improvements that have been made, not only in the office equipment available to us today but also in the ways of doing things. I leave with you this thought, the basic problem confronting accountants is the same as it was fifty years ago. The accounting pattern is still one of debits and credits; invoices

are still rendered and financial-operating statements are prepared periodically. What is needed is a new look at the problem, a new approach for supplying the information management needs to operate the business. Electronics or some form of mathematical techniques may change the old accounting patterns.

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(Continued from page 9)

Budget. The net excess or deficit is shown and compared with the Budget and is of minor importance unless it is spectacularly out of line. Cash on hand or in the bank is included at the bottom of the page. This is the only answer many want to know.

The Funds are reported on individually as to receipts, disbursements, and balance on hand. Typical funds are: Library Fund, Memorial Fund, Organ Fund, Printed Sermon Fund, Building Fund, etc. The interest and enthusiasm in these Funds vary with the attention given them. Currently, we are engaged in a Building Fund to build a new sanctuary. Our goal is \$175,000. Most of this is pledged and should be in within three years, but you can be sure that every member, both young and old, is interested in the Building Fund report.

Youth has its own budget and set of books. However, all receipts, youth or otherwise go to the church first. Then a portion of the church budget is returned to the Youth for their Youth Budget.

The Benevolence of the church has its own budget and treasurer and is controlled by the Session. The Church Treasurer receives this money, separates it as best she can from the current expense receipts, and deposits it in the Benevolence Account for the Benevolence Treasurer to disburse. If a donation is marked, it must be restricted for that purpose without exception. Money given for Benevolence use must be spent outside our own church. It is used for Missions, both foreign and home, Radio and Television, Seminary Education, Pensions and a score of needs beyond the local church.

The Property Account is most important as an historical record. It contains the cost of all Assets purchased. It is valuable in case a loan is to be obtained at the bank. It is helpful in fixing the amount of insurance needed. One is amazed to see how even the personal property in a church adds up. The account adds to the continuity of the

church's progress over a long period of time.

Very few people in a church can remember all the assets or know about all the Funds. Therefore, it is important to prepare and have available a consolidated Balance Sheet of the church as a single Corporation. It should show the total Cash in the Bank, then in various columns, Cash for: Current Expenses, Youth Budget, Benevolence, Restricted, etc. It should list all of the different bank accounts: checking, savings, etc. It should list securities and properties held. As for Liabilities, it is important that the Boards know exactly how much is owing. Moneys held for special Funds and given for one purpose only, are shown as Restricted Surplus. And for the accountant, it assures her that when all the funds and reports are dovetailed together, her books are in balance and that they record the financial matters of one unit, her Church.

Church Accounting is complicated and important. Every nickel needs to be accounted for. In this day of growing church membership, the church needs the accountant more than ever before. It is a challenge worth accepting, and in the words of Barnstable Patriot, "Use the talents you possess, for the woods would be very silent if no bird sang except the best."

* * *

(Continued from page 3)

ASWA, the California Society of CPA's, the Woman's Bar Association of Illinois, and the Business and Professional Women's Clubs, Los Angeles. She is currently serving as member and secretary, Taxation Committee, Los Angeles chapter, California Society of CPA's.

THIS IS IT: LAST CALL TO CONVENTION!

The hearty hospitality that abounds in the Pacific Northwest is fully primed to spend itself in your interests when scenic Seattle greets you September 20-23 at the Annual Meeting of ASWA and AWSCPA.

A "must" to be remembered is the pre-convention salt water boat trip and salmon barbecue Wednesday, September 19.

Extra registration forms are available from Chapter Presidents.

CPA's who plan to remain for the AIA convention, September 23-27, may have their room reservations continued and cleared thru the AIA housing committee by promptly notifying Marguerite Gibb, CPA, 712 Securities Bldg., Seattle 1.

(Continued from page 4)
man CPA, has worked diligently to maintain the high standards of our official bi-monthly publication. An advisory board has been appointed to assist her in the review and evaluation of manuscripts submitted for publication. She and Miss Langley, who serves as Business Manager of *The Woman CPA*, have been gratified by responses to the increased number of pages in the magazine and by the addition of a new advertiser.

Many other members have served AWS-CPA as committee members and as reporters of activities of interest to women C.P.A.'s, and we would like to express our appreciation to all of them for their assistance and encouragement. In addition, Rosemary Hoban has served as Budget and Finance Chairman; Grace Highfield is completing her work as Chairman of our By-

Laws Committee; and Anne Long is now working on publicity releases for our incoming officers and directors.

No review of the activities of the past year would be complete without a personal word from the retiring President. The honor AWSCPA bestowed on me just one year ago carried with it many responsibilities and many extra hours of work; but the pleasure of serving and of realizing by first-hand experience the high calibre of our membership, to say nothing of the many, many achievements of our members, has been more than adequate compensation. This experience, coupled with the privilege of working closely with Grace Hinds, President of ASWA, has been most useful and interesting; and I shall be ever grateful for the opportunity of serving AWSCPA during the past year.

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