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## Twenty- Five Years Ago - in the Woman CPA: Tax News

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**INDIVIDUAL INCOME TAX BILL OF 1944**—This bill is an answer to the universal demand of the citizens of the Nation to simplify the methods which the government uses to collect Income Taxes. That the proposed bill is the right answer is open to question. The bill is only an amendment to the Internal Revenue Code, and like most amendments only further complicates and confuses. It was rushed through in such haste to satisfy the demands of the voters at home, that there was not sufficient time to make a study of the entire tax structure, and give it the thorough overhauling it was in need of. The voters at home may learn that what seemed to them to be a step toward simplification involves more computations than in former years.

The writer is inclined to agree with a recent article in *Taxes*, a Commerce Clearing House publication, that there can be no real simplification of collecting income taxes unless the taxpayer is willing to forego many of his constitutional and legal deductions. If we are to expect the government to figure our taxes for us, then we must pay for the privilege. The less we do for ourselves and throw upon government employees, the more controlled we shall become. When people cease to act and think for themselves, the opportunity to do so shall be withdrawn from them. It is surely not asking too much of the law makers to prepare a tax bill which would be comprehensible to the average man or woman, that would provide a form that would ask for the gross income, ordinary deductions, and provide a graduated percentage, one figure not two or three, to use to arrive at the amount of the tax due.

From "TAX NEWS" by Alberta R. Crary, Whittier, California

June, 1944

of cash shortage. The possibilities of leasing equipment rather than purchasing it should be investigated. The lease expense will usually be higher but one would not have to contend with obsolescence or idle equipment with a flexible and well-planned lease arrangement. The technical aspects of equipping the new enterprise must be left to others to advise, but accountants can assist the new business with cash flow and profit and loss projections.

#### *Location*

Oftentimes the location of a new business is a major factor in success or failure of a new business. The market, the availability of labor, the labor climate, and, last but not least, the various state, county and municipal taxes must be considered.

#### *Accounting System*

In addition to the decisions made to this point, the decision for a good accounting system is still required. There are three factors for a good accounting system.

- (a) It must be simple. A cumbersome system invites short-cuts and by-passing of the controls that are basic to an effective system.

- (b) It must be workable with the quantity and quality of the company personnel.
- (c) It must be understood by the persons working with it on a day-to-day basis and by management through the reports produced. Only if these conditions are met will the accounting system serve its purpose.

#### **Business Climate**

Properly used, the balance sheet and the profit and loss statement are like a barometer. They tell the business climate very accurately and indicate fair weather ahead as well as storms in the making. Let's look at some of the potential trouble spots and danger signals where a good accounting system can help management make the right decisions.

#### *Cash*

First, and of singular importance, is cash. Even though the business is on the accrual basis, are bills being paid currently? Are discounts taken? Discounts take a direct route into net profit, and there are many businesses where discounts make the difference between making a profit, breaking even or losing money.