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## What constitutes marketability?

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## Mr. Sells Honored

RECENT Bulletins of the American Institute of Accountants contained an announcement that an Elijah W. Sells scholarship has been established by a number of Mr. Sells' friends in the Institute. The income of the fund is to be devoted to a prize for which all candidates at the American Institute annual May examinations will be eligible, which prize will be awarded to the candidate receiving the highest grade.

There is an element of sentiment surrounding this act on the part of Mr. Sells' friends which is somewhat difficult to define and express. It is a formal manifestation of the love and affection in which Mr. Sells is held by the men with whom he was associated in Institute matters over a long period of years. Somewhat unique in that it honors with a foundation, contrary to the usual practice,

a person still living, the act is therefore the more marked in its significance.

Some idea of Mr. Sells' reaction to the announcement, which first came to his attention through the medium of the Institute Bulletin, may be gleaned from the following telegram which he sent to Mr. Edward E. Gore, President of the American Institute of Accountants:

"The paragraph in the Institute Bulletin April twenty-third relating to a scholarship in my name overwhelms me with pride and satisfaction personally and professionally. I wish I could express to you and the members of the council the deep gratitude I feel for the signal honor bestowed. It has sealed the personal affection for those whom I have held in highest esteem these many years and given me renewed professional inspiration for the cause in which we all have a mutual interest and great responsibility.

ELIJAH W. SELLS."

## What Constitutes Marketability?

BALANCE sheets frequently show an item described as marketable securities. They are usually differentiated from investment securities on the theory that they are not only readily saleable but might be sold without any detriment, in its relations of stock control or operating affiliations, to the company which owns them. Such securities are usually considered to represent surplus funds which are either not required or may not be utilized to financial advantage in the business. They are temporary investments which usually yield more than bank deposits, and still may be converted immediately into current funds, in the event that such funds are needed. For this reason the item of marketable securities usually appears in the balance sheet immediately after the cash, and in some instances, as evidence of their availability, is even combined with call loans.

In so far as these general theories are concerned all is smooth sailing. It is well that there should be a theory on which classification of items of this character is based. But when the accountant, whose duty it is to pass judgment on marketability, gets down to the point of specific securities, the task of deciding is not so simple. The question of marketability is quite apart from valuation, and has to do principally with the deciding whether or not the securities are properly included in the group of current assets. The best evidence of marketability is that the securities are listed on an exchange and traded in. Even inactive securities may be verified as to their marketability, as may unlisted securities traded in by brokers where bid and asked prices may be obtained. But the instances of supreme difficulty are those where securities are not listed, no bid or

asked prices may be obtained, and there is no evidence of a firm offer of purchase.

Notwithstanding all these facts, the owners may be strongly insistent in their opinion that such securities would find ready purchasers if offered for sale, because of the advantages, to certain groups of financiers or industrial operators, which possession of the securities would carry. There have been cases of this kind where corporation officials, anxious to have securities of this character included among the current assets, have insisted that the sale of the securities would not be detrimental in any way to the corporation holding them and without any evidence to support the contention that the securities, if offered, would find a ready market. Thus it sometimes happens that the decision must depend on opinion. The opinion of the public accountant must, of necessity, rest on evidence. If the evidence is not forthcoming his only course is to follow the conservative line of either excluding them from current assets or writing into the balance sheet in connection with the item a story which leaves no doubt in the mind of the reader as to what the item represents.

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### Book Review

Edie, Lionel D., and others. *The Stabilization of Business*. (New York, The Macmillan Company, 1923. 400 p.)

This is a timely book which is worthy of engaging the attention of every business man and of every individual who attempts to serve business men. Wesley C. Mitchell first states the problem of controlling business cycles in a very clear and readable way. Some of the factors which affect the cycle, such as labor, production, marketing, transportation and money, are then discussed in their relation to the cycle by several well known economists, among whom are Fisher, Com-

mons, Seligman, and Andrews. What they say, call it theory if you will, is made understandable to the man of average intelligence. The crowning glory of the book is found quite appropriately in the last chapter, where that apostle of good common sense, Henry S. Dennison, shows how some of the theory has been applied in the business enterprise of which he is the head.

The chapter by Edie, on co-ordination of production and marketing, is of particular interest to cost men. Full acknowledgment is accorded therein to cost data as a basic element in planning, controlling, and administering. But as the author points out, "To the extent that business informs itself ahead of time of the price turns, it is possible to retard or accelerate production in such a manner as to stabilize its profit margins."

The watchword of Dennison's discussion of the applied technique of stabilization is, "In time of peace prepare for war." Save your advertising money when times are booming; spend it when the decline begins. Check credits severely when the demand is heavy; be more lenient when business begins to tighten. Take something out of wages and profits when they are high to provide for unemployment when it comes. These are but a few of the practical suggestions which have the authority of successful use.

It may be truthfully said that the book is full of red meat from cover to cover. The contents are as intriguingly interesting as they are timely.

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Our office at Saint Louis will remove on or about July 1, 1923, to the Planters Building, Saint Louis, Missouri, where larger and better space will facilitate the conduct of our practice in that city.