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Announcements

American Institute of Accountants

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Thereafter and on May 9, 1923, petitioner filed plea to the return and answer of the respondent, the details of which, however, do not here require statement, as there seems to be no particular controversy between the parties as to the facts in the case, the real point of controversy being as to the correct legal conclusions to be drawn from such facts.

Following the filing of the above plea the respondent, May 21, 1923, filed motion to strike out petitioner's said plea, and each and every paragraph thereof, upon divers grounds not necessary here to be specially noted, and also demurred to the plea or pleas as being bad in substance for the reasons:

1. That the same admit the material averments of the answer and allege no facts in avoidance thereof.

2. That it appears affirmatively therefrom that petitioner elected to file its 1918 return on the basis of its fiscal year ending June 30, 1918, and that under section 212-b of the revenue act of 1918 (40 Stat. 1057), respondent is vested with discretion to withhold or grant his approval of a change in such accounting period.

3. That it affirmatively appears therefrom that petitioner has been guilty of such gross laches in seeking to enforce his alleged right to file amended returns that he is thereby barred of any right to the relief sought by him in this proceeding, if any such right ever existed.

The cause came on for oral argument before the court on June 1, 1923, the same, by agreement of counsel, being limited to the demurrer above mentioned, it being conceded that if said demurrer be well founded as a matter of law, judgment of dismissal of the petition would follow.

The court has carefully considered the questions involved in the case, not only as developed by the oral arguments of counsel, but also, and in addition to those arguments, it has given careful thought and study to said questions and has reached the conclusion that the demurrer of respondent is well founded, and that the same should be and is *sustained*.

A. A. HOEHLING, *Justice*.

June 11, 1923.

It is announced that Albert T. Bacon & Co., Chicago, have succeeded to the practice conducted by the late Frederick F. Judd.

Hoenig & Hoenig announce the opening of an office in the American Mechanics building, Trenton, New Jersey.

Lovejoy & O'Donoghue announce the opening of a branch office in the Second National building, Akron, Ohio.

William M. Raphael announces the removal of his offices to 151 Fifth avenue, New York.

Kaiser & Seiden announce the removal of their offices to 110 East 42nd street, New York.

Joyce & Mattis announce the removal of their offices to 100 East 42nd street, New York.

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that in preparing the consolidated balance-sheet of one large holding company, certain intercompany profits in inventories are carried to the balance-sheet without any reservation whatsoever. At first glance that sounds like accounting heresy. But the attendant circumstances are these: When a certain subsidiary is in the market for certain materials it sends out bids to all manufacturers including several of its affiliated companies. It buys from the lowest bidder regardless of whether that bidder is in the combination or not. These bids are all on file ready for the accountant's inspection, so that he may know that the sale is in nowise influenced.

This leads us back to the purpose underlying the elimination of intercompany profits in inventory. The purpose is to prevent manipulation of profits through affiliated companies. In practice this may be safeguarded against in many ways. In handling accounting problems, the solver of the problems demonstrates his knowledge of the existence of such a situation by eliminating (or not eliminating) the profits in the most logical manner consistent with the stated facts. Where the problem is silent as to attendant circumstances, there is much to be said in favor of eliminating all intercompany profits remaining in the inventories. It seems to the writer, however, more sound to eliminate all of the profits only when those profits are in the parent company's surplus. In addition to the reasons set forth in my article, the following reasoning appears to support this plan of procedure where no attendant circumstances are stated:

1. If the sale is made by the parent company to the subsidiary, the adding of an exorbitant profit will work to the advantage of the majority holdings and to the disadvantage of the minority holdings.
2. If the sale is made by the subsidiary to the parent company, the adding of an exorbitant profit will work to the disadvantage of the majority and to the advantage of the minority.

Since the majority is in control there is less likelihood of an exorbitant profit being added when the sale is made by the subsidiary to the parent; but if the profits are being manipulated it is likely to occur when the sale is made by the parent to the subsidiary. It is the writer's contention that the accounting student might indicate his knowledge of this difference by eliminating all of the profits in inventory when the parent sells to the subsidiary, and by eliminating only the majority's share of such profits when the subsidiary sells to the parent.

In actual practice, the accountant will, of course, guide his actions by the attendant circumstances which cannot (or, at least, usually are not) given in a stated accounting problem.

Yours very truly,

W. T. SUNLEY.

Chicago, July 9, 1923.

The governor of Massachusetts has appointed the following members of the board for the registration of certified public accountants authorized under the amended C. P. A. law of that state: Edwin L. Pride, chairman; Daniel B. Lewis, secretary; George L. Bishop, Patrick F. Crowley and James F. Fox.

Book Reviews

is to be deducted from the net income of the taxable year, but it is not so provided for in the form. An explicit ruling from the income-tax unit would be useful for our guidance next year.

W. H. LAWTON.

R. W. Boisselier

R. W. Boisselier, member of the American Institute of Accountants, certified public accountant of Missouri, died at St. Louis August 1, 1923. Mr. Boisselier had been in practice for many years and had been active in state and local society matters. He was the treasurer of the St. Louis chapter of the Missouri Society of Certified Public Accountants.

American Institute of Accountants—Minnesota Chapter

At a meeting of the Minnesota chapter of the American Institute of Accountants held at the Minneapolis club August 16th, the following officers were elected: Julius J. Anderson, president; J. E. MacGregor, vice-president; A. F. Wagner, secretary and treasurer. These officers with E. J. Bishop and Herbert M. Temple constitute the board of directors.

Society of Louisiana Certified Public Accountants

At the annual meeting of the Society of Louisiana Certified Public Accountants, held August 9, 1923, the following officers were elected: George A. Ruhl, president; Henry J. Miller, vice-president; George A. Treadwell, secretary; Curtis F. Scott, treasurer. These officers with G. R. Green, R. J. Le Gardeur and Thomas A. Williams constitute the executive committee.

Washington Society of Certified Public Accountants

At the annual meeting of the Washington Society of Certified Public Accountants held August 25, 1923, the following officers were elected: President, James M. McConahey; vice-president, William McAdam; secretary and treasurer, C. S. Cowan. These officers, with J. P. Robertson and A. S. Hansen, constitute the board of directors. Herbert W. McIntosh was elected auditor.

Morton & Berman announce the removal of their offices to 299 Broadway, New York.

Sol Hirsch announces the removal of his office to 151 Fifth avenue, New York.

Appel & Littell announce the removal of their offices to 52 Broadway, New York.