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Announcements

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The council approved an application for permission to form a California chapter of the Institute.

Upon reference by the chairman of the board of examiners to a report dealing with the question of reciprocity between state boards of accountancy, prepared by a special committee of state examiners, it was resolved that the report should be printed in pamphlet form and distributed to all members of the Institute and to all other members of state boards of accountancy not members of the Institute.

The Colorado Society of Certified Public Accountants

At the annual meeting of the Colorado Society of Certified Public Accountants held September 19, 1923, the following officers and directors were elected: T. R. Young, president; L. C. Linck, first vice-president; F. H. Bentley, second vice-president; George Best, third vice-president; W. J. Thompson, treasurer; J. L. Butler, auditor; T. J. Witting, secretary. The directors are as follows: George Best, W. H. Sprenkel, Clem W. Collins, Louis C. Linck, Ralph B. Mayo, T. R. Young, T. J. Witting, T. H. Redington and F. H. Bentley.

Bert Claude Braman

Bert Claude Braman, member of the American Institute of Accountants, certified public accountant (New York) died September 23, 1923. Mr. Braman had been a member of the American Institute of Accountants since its foundation and was a member of the American Association of Public Accountants which preceded the Institute.

Sparling & Clark announce that Edward P. Tremper has been admitted to partnership in the firm, and that the practice hereafter will be continued under the name of Sparling, Clark & Tremper, with offices in the Central building, Seattle, Washington.

It is announced that the firm of Williams, Benetz & Bourgeois has been reorganized, and will continue practice under the firm name of Thomas A. Williams & Co., with offices in Carondelet building, New Orleans, Louisiana.

J. H. Jorgenson and Lloyd P. Luckham announce the formation of a partnership under the firm name of Jorgenson & Luckham, with offices at 821 Market street, San Francisco, California.

G. Harvey Porter announces the opening of an office in the Lexington building, Baltimore, Maryland.

Samuel W. Webster announces the opening of offices at 136 Liberty street, New York.

If, on the other hand, the Maryland tax is a legacy tax and not an estate tax, the sum in controversy was properly collected.—*New York Trust Co. v. Eisner* (256 U. S. 345). (T. D. 3267.)

The decision by the highest court of Maryland directly deciding this question and construing the statute imposing such collateral inheritance tax would be binding upon this court. Is there any such decision?

In discussing this question the learned district judge, in his opinion overruling the demurrer to the declaration herein, says:

> In the case at bar each side has argued that the court of appeals of this state has interpreted the act in the sense for which it contends, and each quotes language which, if standing alone, might sustain its position. That each is able to do so is perhaps the best proof that the attention of that high court never had been drawn to the precise point now at issue, in such sense, at least, as to call for its definite determination.

We have examined the cases decided by the court of appeals of Maryland and referred to in the briefs of counsel and have reached the conclusion that no decision upon this point has been really made.

The Pennsylvania statute upon the subject of collateral inheritance tax is believed to be the first that was passed by any state in America. This statute was enacted in 1826.

In 1884 the legislature of the state of Maryland in substance and effect adopted the Pennsylvania statute.

In the case of *Jackson v. Myers* (257 Pa. 104) the supreme court of Pennsylvania decided that the collateral inheritance tax of Pennsylvania is not levied upon the inheritance or legacy but upon the estate of the decedent, holding that what passes to the legatee is simply the portion of the estate remaining after the state has been satisfied by receiving he tax.

An examination of other cases in that state shows that this case only follows the previous holdings on this subject.

The question presented herein for decision was directly presented to the circuit court of appeals of the third circuit in the case of *Lederer v. Northern Trust Co.*, supra, and that case held that under the Pennsylvania statute and the decisions of the court of last resort in the state of Pennsylvania such tax was an estate tax and not a legacy tax, and that the plaintiff therein should recover from the collector the amount so paid under protest.

Upon the authority of that case and under all the circumstances and conditions surrounding this case we hold that the proper construction of the collateral inheritance statute of Maryland makes such tax an estate tax and not a legacy tax, and therefore the judgment below is affirmed.

B. F. McMorris and John C. McDavid announce the formation of a partnership under the firm name of McMorris-McDavid & Co., with offices at 1533 Boatmen's Bank building, St. Louis, Missouri.

Frank L. Wilcox and N. A. Flood announce the formation of a partnership under the firm name of Wilcox & Flood, with offices at 709 Liberty National Bank building, Waco, Texas.

Roy T. Bell, Charles S. Alverson and Ralph F. Mateer announce the formation of a partnership under the firm name of Roy T. Bell & Co., with offices in the Wick building, Youngstown, Ohio.

> this expense of advertising must be charged off as an operating expense during the year in which it was incurred, or whether it can be carried as a deferred asset and charged off over a period of years.
>
> "It is held that the expenses of such advertising campaign are deductible as a business expense only in the return for the year in which such expenses were paid or in the year in which liability therefor accrued, if the books of the company are kept on an accrual basis."

WM. W. JOHNSTON.

Springfield, Massachusetts.

Robert G. Severance and Edgar G. Lucker announce the opening of an office under the firm name of Lucker & Severance, with offices at 1051 Ellicott Square, Buffalo, New York.

Marwick, Mitchell & Co. announce that John Watt has been admitted to partnership in the firm and will continue at the Pittsburgh office of the firm as resident partner.

Price, Waterhouse & Co. announce the removal of their Los Angeles offices to the A. G. Bartlett building, 215 West Seventh street.

F. A. Morrison & Co. announce the opening of an office at 237 Tube Concourse building Jersey City, New Jersey.

J. H. Wren & Co., Norfolk, Virginia, announce that Stewart A. Steen has become a member of the firm.

Kinard & Olcott announce the removal of their El Dorado, Arkansas, offices to 16 Marks building.

Goldenberg, Rosenthal & Co. announce the removal of their offices to Widener building, Philadelphia.

Charles Gale announces the removal of his office to 294 Washington street, Boston, Massachusetts.

W. S. Dent announces the opening of offices in the Foster building, Denver, Colorado.

Samuel C. Hyer announces the removal of his office to 150 Nassau street, New York.

Elias A. Penzell announces the opening of an office at 276 Fifth avenue, New York.

If we wish to be consistently conservative, we should prohibit the taking up of losses on sales by a subsidiary to a parent or the taking up of profits on sales by a parent to a subsidiary, and should insist upon showing profits on sales by a subsidiary to a parent and losses on sales by a parent to a subsidiary. This, to my mind, is a logical requirement if we adopt as our guiding principle that the consolidated statement is to reflect only those intercompany transactions which are favorable to the minority holders and not those favorable to the parent or majority holders. However, there seems to be no good reason for attempting to curb manipulation through any rule of this kind—in the first place, because it would not be an effective deterrent, and then it necessitates an understatement of the book value of the majority holdings.

In regard to the second point made by Mr. Sunley—that the adoption of the principle suggested would, in cases where the parent company was the seller, result in losing sight of the accounting unity of the enterprise—I must confess that I fail to see why this is so any more than when the parent is buyer. The consistent recognition of minority interests in intercompany transactions is the most accurate viewpoint obtainable. It disregards the fact of separate corporate entities as far as the stock interests of the parent company are concerned, endeavoring to treat the equity of the parent in each subsidiary as part and parcel of the consolidated undertaking. It seeks to eliminate the equity of the minority in each and every bona-fide transaction.

Perhaps Mr. Sunley himself adopts a somewhat strict legal point of view in contending that an actual liquidation or judicial approval is necessary before a sale can be considered closed. However, he does not insist upon this position when the parent is buyer but only when it is seller.

I am fully in accord with the principle enunciated in the last paragraph of Mr. Sunley's letter—"that in actual practice, the accountant will, of course, guide his actions by the attendant circumstances." If a sale has been made by one affiliated company to another and the accountant has satisfied himself of the propriety of the transaction, which is his first duty, then his second duty is to state the results of that transaction in the most accurate manner possible. In my humble opinion, the accounting profession cannot go far wrong in approving mathematically exact statements if the "attendant circumstances" indicate no unfair manipulation, realizing that artificial rules intended to prevent dishonest practices can just as frequently be employed as a cloak for such acts.

Yours truly,

GORDON C. CARSON.

Savannah, Georgia, Oct. 8, 1923.

The firm of A. W. Wright & Co., consisting of A. W. Wright and Kurt W. Freund, announce the opening of an office at 303 Fifth avenue, New York, and also an office in Baltimore, Maryland.

Book Reviews

THE BUREAU OF INTERNAL REVENUE, ITS HISTORY AND ORGANIZATION, by LAWRENCE F. SCHMECKEBIER and FRANCIS X. A. EBLE. *The Johns Hopkins Press,* Baltimore.

Indignation brought about by one's transactions with the bureau of internal revenue seems to have eminent precedent. When the bureau's activities can cause an insurrection, as it did in the famous "whiskey rebellion" of 1794, it must not be expected that an ordinary citizen in 1923 can look with equanimity upon the depletion of his cash resources by this very busy bureau.

The monograph under review is crowded with the recital of many astonishing facts and figures, as well as solid information of invaluable character to every one who takes proper pride in his government and its instrumentalities. The satisfying thought arising in one's mind when reading it is that there can be no doubt of the authenticity of the facts which it sets forth.

When one realizes that the commissioner of internal revenue is charged with the duty of collecting about 78 per cent. of the government's ordinary receipts; that he is charged with enforcement of national prohibition and the regulation of traffic in narcotics as well as other extremely important duties, one wonders where can be found a man to assume such a staggering load of responsibility. However, wisdom, born of experience derived from a history dating back to the beginning of our government, has placed in the commissioner's hands a bureau of long standing, with many subdivisions and functioning fairly smoothly in carrying out the work with which it is charged. The monograph deals with this subject in an admirably comprehensive manner and is a credit to its authors, as well as to the Institute for Government Research which is responsible for its publication.

STEPHEN G. RUSK.

It is announced that the practices of Samuel Newberger and George W. Alexander have been merged. The practice will continue under the name of Samuel Newberger & Co., with offices at 38 Park Row, New York.

Morris Newmark and Elias Moss announce the formation of a partnership under the firm name of Newmark & Moss, with offices at 236 West 55th street, New York.

Isadore Amster announces the removal of his office to 1400 Broadway, New York.

Benjamin F. Garrett, A. Frank Harrison, Thomas D. Skinner and James E. Hammond announce formation of a partnership under the firm name of Garrett, Harrison, Skinner & Hammond, with offices in Orient building, 332 Pine street, San Francisco.

H. C. Crane & Company announce that Edward O. Harper has been admitted to partnership. The offices of the firm have been transferred to Shepherd building, Montgomery, Alabama.

Max Katz and William Lovey announce the formation of a partnership under the name of Katz & Lovey, with offices at 20 Broad street, New York.

William H. S. Jarvis & Co., Boston, announce that Frank J. McManus and Elwin MacLeod have been admitted to partnership in the firm.

Robinson, Kinney, Kling & Steen announce the opening of an office in the Anchor building, Roanoke, Virginia.

Wm. P. Kamps announces the removal of his offices to 30 North Dearborn street, Chicago, Illinois.

Herman A. Sarwin announces the removal of his office to 24 Branford place, Newark, New Jersey.

William Franzblau & Co. announce the removal of their offices to 233 West 42nd street, New York.

Cohn & Co. announce the removal of their offices to 24 Branford place, Newark, New Jersey.

Sudman Audit Co. announces the removal of its offices to 130 West 42nd street, New York.

Curtis Mechner announces the opening of an office at 200 Fifth avenue, New York.