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Announcements

American Institute of Accountants

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consolidated, and later subdivided. The purchase of a number of shares can be earmarked by the certificate and it is an enormous convenience to keep the purchase separate. Yet it is possible and consistent when new shares are declared to attribute them ratably in subdivision of those already issued. They are not so entered on the books, it is true, but the books are not kept in accordance with the underlying doctrine of *Eisner v. Macomber,* supra, in any event. At least the earlier certificates need not lose their separate identity because new shares are filiated to them in proper proportion.

An illustration will make clear what I mean. Suppose a man has certificate A for 100 shares bought at $100, certificate B for 100 bought at $150, and certificate C for 100 bought for $200. Suppose further that a stock dividend of 50 per cent. is declared and he gets one certificate D for 150 shares without paying anything. If he sells certificate A, he would be deemed to sell not the whole of his first purchase but only two-thirds of it and he could credit himself with only $6,666. If he sold certificate B, he would credit himself with $10,000, and if certificate C, with $13,333. If he sold certificate D, he could credit himself with $15,000, made up of $3,333 from his first purchase, $5,000 from his second, and $6,666 from his third. If, on the other hand, he sold only a part of certificate D, some arbitrary rule of apportionment must be adopted allocating the shares sold among his purchases. The most natural analogy is with payment upon an open account where the law has always allocated the earlier payments to the earlier debts in the absence of a contrary intention. Accordingly, if all the new shares were not sold at once, I think the first sales should be attributed to the first purchases still remaining unsold when the stock dividend was declared. I do not see that this method will result in confusion in its application, and it carries into effect the underlying theory of *Eisner v. Macomber,* supra.

The tax at bar was not computed quite in this way because all the purchases before the declaration of the stock dividend were brought into hotchpot. This I think was inconsistent with the theory of the identity of the shares involved in each purchase. It must, therefore, be recalculated, which the parties have kindly consented to do if they are told the rule. The credits will be computed as follows: Upon each certificate held on March 1, 1913, two-thirds its value on that day, i. e., $230; upon each certificate bought at $100, $66⅔; upon each certificate for stock dividend shares if issued against any specified earlier certificate the same credit per share as the shares of that certificate. If the certificate of new shares is not so earmarked, or if but one certificate was issued for the new shares, then credit will be allowed of two-thirds the value of the shares on March 1, 1913, until half the number of shares have been sold which the plaintiff held on March 1, 1913, and retained the stock dividend.

The formal disposition of the demurrer will depend upon this calculation. If the tax is less than that collected, the demurrer will be overruled and the plaintiff will take judgment for the difference; if it is greater or the same, the demurrer will be sustained and the complaint dismissed with costs.

Idaho Association of Certified Public Accountants

At the annual meeting of the Idaho Association of Certified Public Accountants held December 3rd and 4th, the following officers were elected: Norman H. Young, president; Charles E. Folsom, vice-president; J. W. Robinson, secretary-treasurer; directors, Clarence Van Deusen, James Munro, Edwin A. Wilson and John Ewald.

Reports for the past year were read and minor amendments to the by-laws were made. A resolution was adopted, to be forwarded to the Idaho senators and representatives, asking their favorable consideration of senate bill No. 2531, the purpose of which is to establish a board of examiners for the District of Columbia.

of the American Institute of Accountants; A. P. Richardson, secretary of the American Institute of Accountants; Waldron H. Rand of Boston; Lewis G. Fisher of Providence and J. Edward Masters of Boston.

It was resolved that the next New England regional meeting should be held at Boston in June, 1922. The selection of the date was left to the committee on arrangements.

Marion Douglas

Marion Douglas, member of the American Institute of Accountants, certified public accountant of Texas, died at Galveston, Texas, December 8, 1921.

Mr. Douglas was president of the Texas Society of Certified Public Accountants, was formerly a member of the state board of accountancy and for many years had been prominent among the accountants of Texas.

Eugene B. Toomey, W. B. Jernigan and Leslie Abbott announce the formation of a partnership under the firm name of Toomey, Jernigan & Co., with offices at 342 Madison avenue, New York.

Lennox Nairn and Stanley W. Park announce the formation of a partnership practising under the firm name of Nairn & Park, with office at 56 Pine street, New York.

Morris J. Root announces the opening of offices at 610 Lafayette building, Philadelphia.

P. Dalziel announces the opening of offices at 802-803 Herald building, Calgary, Alberta, Canada.

Chester P. Child announces the removal of his office to 17 East 42nd street, New York.

Richard C. Mounsey announces the opening of an office at 918 Green building, Seattle Washington.

Vollum, Fernley & Vollum announce the removal of their offices to 112 South 16th street, Philadelphia.

Walter W. Ruble announces the opening of an office in the Mountain Trust building, Roanoke, Virginia.

Marwick, Mitchell & Co. announce that they have opened an office in the Merchants National Bank building, Indianapolis, Indiana.

Shmerler & Wolfe announce the removal of their office to 522 Fifth avenue, New York.

Rodger & McLeod announce the opening of offices at 204 Wilder building, Rochester, New York.

of course, the reserve remains at the same approximate amount year after year, and is of no practical use except as a concrete reminder that the railroad property ***subject to depreciation has depreciated fifty per cent.*** But it will be a long time before that point is reached in American railroading or in other utilities. As long as additions and extensions are made, so long will the day of perfect equilibrium be postponed. When the day comes that we have all the railroads we can possibly use, and no improvements can be made in equipment, it will be time enough to discuss the question of dispensing with the reserves and the provisions in the rates for them. At that time also directors whose hearts are wrung at the picture of consumers required to pay for depreciation incurred in their behalf may turn these reserves over to the stockholders in part return of their investment and make new rates based on the lessened (depreciated) value of their property. These new rates will then of necessity contain a provision for actual renewals and replacements only. But not before. Meanwhile the railroads should be allowed to make provision in advance for inevitable future replacements not only as a matter of "good business judgment," as Judge Morrow said, but also in order that they may maintain good service for the public.

We must apologize to our readers for dealing at such length with this survival of the dark ages of accounting, but, when names of such standing are appended to an attack on depreciation as an element of cost at this late day, it behooves us to take notice. Depreciation is a fact with which we must reckon, and a proposal to allow the largest industry in America to dispense with proper provision for it should be strenuously opposed by all advocates of honest and scientific accounting.

W. H. LAWTON.

EXCESS-PROFITS DUTY AND CORPORATION PROFITS TAX, by ROGER N. CARTER. *Gee & Company,* London. 138 pp.

Part of this book is taken from the author's larger work, *Guide to Income-tax Practice,* and it includes the new tax of 1920 on corporation profits. The purpose is to bring the practice and procedure up to date in view of the changes in the laws in the annual finance acts, and we assume the author also refers to the constructions placed on obscure or ambiguous clauses of the laws by the courts. Most of the contents are citations from court decisions.

Of course, the book is mainly for English accountants, but it will be useful to American firms with foreign offices, and also it should be valuable in furnishing citations from English decisions in cases arising under our own excess-profits-tax laws which are very similar to the English.

Full sections of the acts relating to the excess-profits duty and corporation-profits tax are given, and there is a good index.

W. H. LAWTON.

Whitfield, Whitcomb & Co. announce that Williams Cairns has become associated with them at 5 Central building, Seattle, Washington.