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Announcements

American Institute of Accountants

Year	Debit sinking fund	Credit sinking-fund interest	Credit cash	Balance of fund
4	6,902.73	939.89	5,962.84	25,700.58
5	7,247.87	1,285.03	5,962.84	32,948.45
6	7,610.26	1,647.42	5,962.84	40,558.71
7	7,990.78	2,027.94	5,962.84	48,549.49
8	8,390.31	2,427.47	5,962.84	56,939.80
9	8,809.83	2,846.99	5,962.84	65,749.63
10	9,250.32	3,287.48	5,962.84	74,999.95
	$74,999.95	$15,371.55	$59,628.40	

Each year an entry would be made debiting surplus and crediting sinking-fund reserve the amount shown in the "debit-sinking fund" column.

(c) There should be two reserves. The depreciation reserve is an accounting necessity to put an expense on the books; the sinking-fund reserve does not provide for an expense and it should be set up by a charge to surplus as an appropriation or earned surplus which is temporarily unavailable for dividends, instead of by a charge to profit and loss as an expense. The sinking-fund reserve is simply a device for the benefit of the bondholders, to give the sinking fund instead of dividends first claim on the assets provided by earnings and an exclusive claim against a portion of those assets. Without the reserve the company could pay dividends to the full extent of the profits, with the result that the sinking-fund contributions and the dividends would cause an impairment of working capital. The depreciation reserve is necessary to determine the true profits; the sinking-fund reserve makes a portion of these profits unavailable for dividends until after the maturity of the bonds.

The depreciation reserve will be closed out when disposition of the assets has been made, which may or may not be in ten years, depending on the accuracy of the estimate of the life of the machinery. The difference between the cost and the realized value of the assets will be charged to the reserve, the balance of which will then be closed to surplus.

The sinking-fund reserve will be closed out at the end of ten years when the bonds are retired. It will be transferred to surplus, where it will again be available for dividends, the bondholders being no longer interested in the dividend policy and the working capital of the company.

Touche, Niven & Co. announce the removal of their Cleveland office to 1052 Hanna building.

Price, Waterhouse & Co. announce the removal of their offices in New York from 54 William street and 6 West 48th street to 56 Pine street.

Pangborn & Pangborn announce the removal of their office to 253 Broadway, New York.

The set-up of type is very good, the entries being well differentiated and set apart by the use of bold-faced type, capitals, italics, etc. Capitalization has been reduced to a minimum, thus eliminating emphasis of the non-essentials, being restful to the eye and making for easy consultation.

Any review of the *Index* would be incomplete which fails to comment on the references to depreciation. This subject is generally recognized as having received more attention at the hands of writers than any other. Yet it is doubtful if any one without seeing the references brought together realizes the extent to which the treatment of this subject has gone. Three hundred and thirty-eight pages of the *Index* are required to list the references to depreciation, depletion and obsolescence.

This statement is, perhaps, subject to slight qualification, as the compilation goes further than the mere listing of titles and authors and gives the rates of depreciation for the various classes and items of physical property mentioned by the various authors. This, in itself, is a matter of great convenience and is only one more evidence of the many useful characteristics of the *Index*.

Words are inadequate to express the value which this volume holds for the accountancy profession. It is beyond the limit of the most profound imagination to conceive its full usefulness. Only by daily and intensive use will it be possible to realize what treasures of information the book contains.

The author of the *Index* has performed a great service. It should be officially recognized, not only by the American Institute of Accountants, but by the American Library Association, of which, no doubt, Miss Miltimore is a member. Hers is an achievement worthy of decoration.

John Raymond Wildman.

Correspondence

Claims for Refund of Tax on Stock Dividends

Editor, The Journal of Accountancy:

Sir: I have read with interest *Some Accounting Anomalies of Tax Laws* by F. W. Thornton, appearing in the June issue. In discussing the question of tax on stock dividends Mr. Thornton says that "there seems to be some basis for a claim * * * although no such claim has been made within my knowledge." Many of your readers will be interested to know that such claims have been made and will be vigorously pressed. A full discussion of the matter and the proper method of making a claim appear on pages 604 and 605 of my *1921 Income-tax Procedure.*

Sincerely yours,

Robert H. Montgomery.

Marcus A. Muller announces the removal of his office to 217 Broadway, New York.