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Announcements

American Institute of Accountants

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Income-tax Department

or individuals." This involves a narrowness of definition that can not be entertained in view of the obvious purpose and spirit of the act. The distinction is not between private and official, whether the latter be used in a military or an institutional sense. The word "private" as here used is the antonym of "public"—a private stockholder as distinguished from the general public—the supposedly beneficiary of the benevolent activities of an institution devoted exclusively to public betterment. Private pecuniary profit and gain is the test to be applied. This corporation was, and is, undeniably organized and operated for that purpose.

It does not detract, even in small degree, from the merit and worthy service of the plaintiff, as a valuable institution of learning, to hold, as we must, that it is not exempt from the tax imposed.

Plaintiff further contends that—

Even if it were liable to pay said taxes, they should not be collected for the year 1918 because it expended in the necessary furniture and fixtures the sum of \$13,086.68 and for buildings and other necessary improvement \$81,188.35, amounting in the aggregate to \$94,275.03, which amount was expended for the upkeep and expansion of the plaintiff's plant and for the comforts and necessities of said school.

To this claim the defendant answers that plaintiff, in its appeal to the commissioner of internal revenue in its claim for the abatement of said taxes and for refund, never at any time asserted or claimed that it had failed to take credit for any deduction in its said return of income for the year 1918, which it was entitled to take, in computing its net income for that year, under the act of congress, and that said claim was never at any time presented by the plaintiff to the commissioner of internal revenue for his consideration and decision thereon; further, that in computing its net income for the year 1918 plaintiff deducted, in its said return of income for said year, a reasonable allowance for the exhaustion, wear, and tear of the property used in its trade or business, including a reasonable allowance for obsolescence. These allegations of the answer are sustained by the testimony. The law provides for a reasonable allowance for exhaustion, wear and tear, etc., as conceded by defendant, and as claimed by plaintiff in its return and allowed by the collector and commissioner. It further provides that in computing net income no deduction shall in any case be allowed in respect of any amount paid out for new buildings, or for permanent improvements or betterments made to increase the value of any property or estate. It follows that this claim for deduction, in the sum of \$94,275.03, or any part thereof, can not be indulged.

It appearing that the grounds upon which plaintiff relies for recovery are untenable, and there being no dispute that the amount of the tax levied was correct, if plaintiff's contentions are not sustained, it follows that judgment must be entered for the defendant, and it is so ordered.

Howard F. Farrington announces the opening of offices in the Woolworth building, Watertown, New York.

Arthur Anderson announces the opening of an office in the National City building, 42nd street and Madison avenue, New York.

Mackay, Irons & Co. announce the removal of their office to 165 Broadway, New York, and the admission to partnership of Douglas H. Strachan.

Clinton H. Montgomery & Co. announce the removal of their offices to 1100-1107 Bitting building, Wichita, Kansas, and the opening of an office at 229 Frisco building, Joplin, Missouri.

Students' Department

- I. a contract with creditors, as in the case of a sinking-fund reserve;
 - II. an action of stockholders or directors, as in the case of a reserve for plant extensions, where the intention is to use the assets of the company for additions to fixed assets instead of dividends;
 - III. a conservative desire to provide for contingencies, as in the case of a reserve set up to provide for some possible future loss after having provided all reserves for regular, known operating expenses.
7. What should be the procedure in determining the value of stock on hand at the time of a fire, the financial books being intact and showing the amount of an inventory taken four months prior to the fire?

Solution. Apply the gross-profit method, determining from the records of prior periods the probable rate of gross profit on sales for the four months since the last inventory. Divide the sales for the four months by 100% plus the estimated rate of gross profit on sales. The quotient is the estimated cost of goods sold during the four months. Add the inventory shown on the books and the purchases for the period up to the fire. Deduct the estimated cost of goods sold. The remainder is the estimated inventory at the date of the fire.

Certified Public Accountants of Massachusetts, Inc.

At the annual meeting of the Certified Public Accountants of Massachusetts, Inc., held May 11, 1921, the following officers were elected for the ensuing year: George Lyall, president; Hollis H. Sawyer, vice-president; Frederic Bond Cherrington, secretary; Gerald Wyman, treasurer.

The foregoing officers, together with Robert Douglas, Stanley G. H. Fitch and Homer N. Sweet, comprise the executive committee. J. Chester Crandell was elected auditor.

M. R. Weiser & Co. announce the removal of their offices to 507 Fifth avenue, New York.

Shapiro & Shapiro announce the removal of their offices to 165 Broadway, New York.

Louis Rosenberg announces the removal of his offices to 150 Nassau street, New York.

Earl S. Clark & Co. announce the removal of their office to National City building, Madison avenue and 42nd street, New York.

Rothman & Moses announce the removal of their offices to 152 west 42nd street, New York.

Klein, Hinds & Finke announce the opening of a branch office at 36 State street, Albany, New York.