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Announcements; George Shillinglaw

American Institute of Accountants

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The Journal of Accountancy

SECTION 301—IMPOSITION OF TAX

Section 301, Article 714: Computation of tax on
income from government contracts.

22-20-979
O. D. 532

In 1919 a corporation derived a profit in excess of \$10,000 from government contracts, but sustained a net loss on other operations. Held that it may deduct the amount of such loss in ascertaining its net income subject to tax. If the amount of the excess-profits credits exceeds the company's total net income from all sources for 1919 no tax will be imposed upon the portion of its net income for that year which was derived from government contracts.

Since the company's net income included an item of net profit from government contracts in excess of \$10,000, it will be required to supply fully all of the data called for by the supporting schedules of form 1128-S.

Missouri Society of Certified Public Accountants

The annual meeting of the Missouri Society of Certified Public Accountants was held in St. Louis, June 11, 1920. The following officers were elected for the ensuing year: President, Edward Fraser, Kansas City; first vice-president, Victor Stempf, St. Louis; second vice-president, A. G. Saxer, St. Louis; secretary, F. A. Wright, Kansas City; treasurer, E. H. Wagner, St. Louis; directors, F. A. Smith, Kansas City; F. C. Belser, St. Louis; F. H. O'Connell, St. Louis.

There were thirty members of the society in attendance at the business meeting and about forty present at the banquet held in the evening at the Glen Echo country club. At the morning meeting F. A. Thornton, of St. Louis university, spoke on the "*Economic Trend of the Day.*"

Delaware Society of Certified Public Accountants

At the annual meeting of the Delaware Society of Certified Public Accountants, June 8, 1920, the following officers were elected: President, Will-A. Clader; vice-president, William H. Van Hekle; secretary, Clifford E. Iszard; treasurer, Peter T. Wright. All the officers and T. Whitney Iszard were elected members of the executive committee.

Society of Incorporated Accountants and Auditors

The council of the British Society of Incorporated Accountants and Auditors has unanimously elected William Claridge president and George Stanhope Pitt vice-president of the society for the ensuing year.

Marwick, Mitchell & Co. announce the opening of offices in the Kenyon building, Louisville, Kentucky, under the management of R. W. Barton, and in the Kennedy building, Tulsa, Oklahoma, under the management of W. G. Haitch.

Richter & Co. announce the opening of offices in Farmers Bank building, Pittsburgh, Pennsylvania.

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The auditor should use the values thus obtained on the inventory of unsold lots and of the equities of those sold under contract.

There may be a difference of opinion as to how much profit the concern may be allowed to take on the lots already sold. The two extreme opinions are that all the cost of a lot should be collected before anything is credited as profit, and that the difference between cost and selling price is all profit, provided a reserve is set up to cover cost of collection. The best plan is to spread the profit over the entire time—that is, to consider that proportion of total profit on a lot as earned which the amount paid on the lot bears to its total selling price.

One other point that the auditor would have to cover would be occasioned by the existence of a mortgage on the entire tract. In such a case there would undoubtedly be a provision requiring the setting aside of a certain proportion of all cash received from sales to be applied on payment of the mortgage until it was entirely paid. The auditor should see that this provision had been observed.

Question No. 12:

In auditing the books of a corporation you find record of the ownership of stocks and bonds, some of which are in hand, some are deposited with bankers or others for safe keeping, and others are lodged as security for loans. State what kind of evidence you would require in each case, specifying particularly in the case of stocks and registered bonds, if not registered in the name of the corporation, what you consider necessary to protect your client's interests.

Answer to Question No. 12:

For those in hand I should require ocular inspection. I should also visit the banks holding the securities merely for safe keeping, and request that I be allowed to inspect them. As for those which are held as security for loans, I should be satisfied with a statement signed by an officer of the bank that the securities were in the bank's possession as collateral for loans, describing the loans.

The treatment of the securities not registered in the name of the corporation would depend upon the purpose for which they were held. If only for temporary speculation it would be sufficient if the stocks were registered in the name of a well-known broker and endorsed by him to make them negotiable. This is the customary method on the stock exchange. If the securities were held as a permanent investment I should require that they be transferred so as to be under the sole control of my client.

George Shillinglaw

We announce with regret the death of George Shillinglaw, of Cedar Rapids, Iowa, which occurred June 13, 1920. Mr. Shillinglaw was a member of the American Institute of Accountants, was prominent in the accounting profession in Iowa, and was a certified public accountant of that state.