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Announcements; George Shedden

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the value of the depreciable property at the time of such acquisition. Where the lessee of real property erects buildings, or makes permanent improvements which become part of the realty and income or loss has been returned by the lessor as a result thereof, as provided in article 48, the capital sum to be replaced by depreciation allowances is held to be the same as though no such building had been erected or such improvements made.

(T. D. 3064, September 4, 1920)

Income tax

Deductions allowed—Depletion—Article 211, regulations No. 45, amended

Article 211, regulations No. 45, is hereby amended to read as follows:

ART. 211. *Computation of allowance for depletion of gas wells.*—On account of the peculiar conditions surrounding the production of natural gas it will be necessary to compute the depletion allowance for gas properties by methods suitable to the particular cases in question and acceptable to the commissioner. Usually the depletion of natural gas properties should be computed on the basis of decline in closed or rock pressure, taking into account the effects of water encroachment and any other modifying factors. The gas producer will be expected to compute the depletion as accurately as possible and submit with his return a description of the method by which the computation was made. The following formula, in which the units of gas are pounds per square inch of closed pressure, is recommended: The quotient of the capital account recoverable through depletion allowances to the end of the taxable year divided by the sum of the pressures at the beginning of the year, plus the sum of initial pressures of new wells and less the sum of the pressures at the time of expected abandonment (which quotient is the unit cost), multiplied by the sum of the pressures at the beginning of the taxable year, plus the sum of the initial pressures of new wells and less the sum of the pressures at the end of the tax year equals the depletion allowance.

Smith, Brodie & Lunsford announce the opening of offices at 2107-2109 Woolworth building, New York.

McLaren, Goode & Co., San Francisco, announce that Norman Loyall McLaren has been admitted to partnership.

Spragg, Lotz & Smith announce the opening of an office in the Central Savings Bank building, Canton, Ohio.

Edward R. Burt & Co. announce the opening of an office at 603 Union Trust building, Cincinnati, Ohio.

Walter M. Finlay announces the opening of an office in the Finlay building, Greenville, South Carolina.

Lingley, Baird & Dixon announce the opening of an office at Eldon Street House, Eldon street, London, E. C., England, under the direction of Baker, Sutton & Co.

60% to Brown and 40% to Smith, and that any profits realized by the sale of the business should be divided equally, they should have, and probably would have, made such an agreement. Instead, they agreed to a 60% and 40% ratio for the division of profits without qualifications.

When partners thus clearly state their desire to share profits in a certain ratio, it would seem that an accountant ought to feel bound to divide the profits in accordance with the agreement. It is this respect for a contract which Mr. Ratterman refers to when he states that "too often accountants are bound by the conventions of their profession." Although Mr. Ratterman is an attorney, he does not seem to feel the same obligation to abide by the terms of a contract. Some unrevealed evidence has convinced him that while the partners say 60% and 40% they mean 60% and 40% part of the time and 50% and 50% the rest of the time. He is "concerned about Smith's not getting a square deal"; he wants Smith to have 50%, although Smith agreed to take 40%. Presumably the partners themselves are the best judges of what constitutes a square deal. Judged by this standard, how square a deal would Brown get if Mr. Ratterman succeeded in giving him 50% instead of 60%?

In one paragraph Mr. Ratterman makes a distinction between ordinary profit and extraordinary profit, and quite properly classifies the profit on the sale of goodwill as an extraordinary profit. He concludes the paragraph thus: "Where partners agree to engage in business as partners, and to divide all profits on a certain basis, such agreement relates to ordinary and not speculative profit." In other words, all does not mean all; it means a portion.

(*To be concluded in November*)

George Shedden

George Shedden, member of the American Institute of Accountants, certified public accountant of Washington, died suddenly at Walla Walla, Washington, August 19, 1920. Mr. Shedden was a member of the firm of Shedden & McAdam. He was born in Glasgow, Scotland, in 1856, and came to America when seven years of age. He was educated in Boston, Massachusetts, and later returned to Scotland, where he was graduated from the university of Edinburgh. He had resided for twenty years in Tacoma, and was prominent in the accounting profession. For fourteen years he had served as a member of the state board of accountancy, and was secretary and treasurer at the time of his death.