

2-1919

## Correspondence; Bertram D. Kribben; George Alton Torrey

American Institute of Accountants

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## The Journal of Accountancy

The federal reserve bank should forward the original certificate of deposit to the treasurer of the United States, with its daily transcript, and transmit to the collector the duplicate and triplicate, accompanied by a statement giving the name of the taxpayer for whom the payment is made in order that the collector may make the necessary record and forward the duplicate to this office.

(T. D. 2783, Jan. 7, 1919)

### *Income tax act of October 3, 1913—Decision of the supreme court*

The appended decision (captions only) of the United States supreme court in the case of the *Gulf Oil Corporation, petitioner, v. C. G. Lewellyn, collector of internal revenue for the 23rd district of Pennsylvania*, is published for the information of internal revenue officers and others concerned.

#### 1. TAXABILITY OF DIVIDENDS FROM SUBSIDIARY CORPORATIONS.

Where a holding company owns all the stock of its subsidiary corporations except the qualifying shares of the directors, and the subsidiary corporations together with the holding company constitute a single enterprise, the accumulated earnings and surplus of the subsidiary corporations used by them as capital prior to January 1, 1913, do not become taxable income of the holding company when formally transferred to it as dividends.

#### 2. EFFECT OF THE DECISION.

Though the holding company did not itself do the business of its subsidiaries and have possession of their property as in the *Southern Pacific Company v. Lowe* (247 U. S. 330) (T. D. 2730), the principle of that case governs.

#### 3. JUDGMENT REVERSED.

The judgment of the circuit court of appeals (245 Fed. 1) (T. D. 2542) is reversed.

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E. J. Bishop announces that he has formed a partnership with Herman G. Brissman under the firm name of Bishop, Brissman & Co. with offices in the Globe building, St. Paul, and Wilmac building, Minneapolis.

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G. Charter Harrison announces that he has admitted Eric A. Camman into partnership under the firm name of G. Charter Harrison & Co., with offices at 31 Nassau street, New York.

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Sparrow, Harvey & Co. announce that Lewis C. Fuller has been admitted a member of the firm as of January 1, 1919. There is no change in the firm name.

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W. G. Adkins announces association with Herbert W. Adkins under the firm name of William G. & Herbert W. Adkins with offices in Chicago and Milwaukee.

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Edward P. Moxey & Co. announce the admission of Arthur T. Cameron, as member of the firm.

## *Students' Department*

However, if the partners prefer to leave the remainder of the profits in a surplus account, there is nothing to prevent their doing so. Unless the partners share profits equally, there would then be no indication in the accounts as to the amount of the interest of each partner.

It will therefore be apparent that the difference, which, as you say, involves the legal status, also affects the accounting procedure.

I cannot see that the information necessary for the determination of excess profits is more easily obtained by keeping a surplus account in a partnership. The surplus account is not a measure of the profits made: it is merely the remnant of profits not divided. The measure of profits made is the net credit balance of the profit and loss account, when every item has been included. This is what must be dealt with in preparing the income tax report. The amount is not affected by the action taken with it, whether credited to the partners' drawing accounts, to their capital accounts or to surplus.

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### Harvard School of Business Administration

Owing to the fact that numerous students received their discharge from government service too late to take advantage of the regular session, the Harvard graduate school of business administration will conduct a special session from January 27 to August 30, 1919, inclusive. The session will be divided into two halves, the first to extend from January 27 to May 10, inclusive, and the second from May 12 to August 30, inclusive. There will be no recess during the special session.

Requirements for admission as regular students and candidates for the M. B. A. degree have been modified in the following particular. Students who are not holders of the bachelor's degree from an approved college or scientific school will nevertheless be admitted provided they were entitled to senior rank in an institution of this kind at the beginning of the academic year 1918-19, and for a period of at least six months have been engaged in the military or naval service of the United States or of one of the countries associated with the United States, or have been engaged in civilian war work.

Additional information may be obtained at 17 University hall, Cambridge, Massachusetts.

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David Elder announces that he has retired from the firm of Mackay, Irons & Co. and has formed a partnership with C. D. Fairweather and William Pate to practise under the firm name of David Elder & Co. with offices at 15 William street, New York.

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Mackay, Irons & Co. announce that David Elder has retired from partnership in the firm and that W. E. Crichton has been admitted into partnership as of January 1, 1919.

able to effect as much as they do—and it cannot be denied that they have accomplished marvels. Nevertheless, when it becomes necessary for the federal government to take over the largest public utility in the country in order to get service, it does look as if the regulating commission had failed somewhere. It was a war measure to be sure, but oddly enough the government seems strangely averse to allowing the commission to resume its powers now that peace is coming, and proposes instead to show us what it, the government, can do in the way of efficient service. What, then, is the trouble with public regulation by commissions?

W. H. L.

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### Bertram D. Kribben

We announce with deep regret the death of Bertram D. Kribben, member of the council of the American Institute of Accountants.

Mr. Kribben for many years had been one of the most active members of the Institute, and his services, particularly on the committee on education and board of examiners, will always be remembered as of the utmost value.

Mr. Kribben was a member of the state board of accountancy of Missouri and a member of the St. Louis bar.

The entire accounting profession is the poorer for the loss of this most able and valued member.

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### George Alton Torrey

George Alton Torrey, an associate of the American Institute of Accountants and a certified public accountant of the state of Washington, died of pneumonia December 28, 1918, at Seattle, Washington. Mr. Torrey passed the examinations of the institute in June, 1917, and was rated second among those who passed with distinction.

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### Correction

The article entitled *Outline of a Cost Accounting System for a Wooden Ship Yard* by Frederick W. Davis, appearing in the January issue of THE JOURNAL OF ACCOUNTANCY consisted largely of matter taken verbatim from general circular 60 of the auditing division, Emergency Fleet Corporation, which was prepared and signed by Gordon Wilson, who at the date of the circular (August 27, 1917,) was assistant general auditor of the United States Shipping Board. Proper credit for such reproduction was omitted. This explanation is offered with apologies to Mr. Wilson.

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Frederick B. Hill & Co. announce the opening of offices at Haddington building, Norfolk, Virginia.

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Leslie, Banks & Co. announce that Charles Griswold Bourne has become a member of the firm.