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Announcements

American Institute of Accountants

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period under the revenue act of 1918, the return covering such additional tax shall be filed at the same time as returns of persons making returns for the calendar year 1918 are due under existing rulings, and payment of such additional tax is due in the same instalments and at the same times as in the case of payments based on returns for the calendar year 1918. If no part of the tax for such fiscal year was due until after February 24, 1919, the whole amount of tax due, including tax due under the original return and additional tax due under the amended return, will be payable in the same instalments and at the same times as in the case of payments based on returns for the calendar year 1918.

(T. D. 2804, March 13, 1919)

Extension of time for filing returns of partnerships whose fiscal year ended in 1918

By treasury decision 2796 the time for filing certain classes of returns which are not the basis for an assessment of tax was extended to May 15, 1919, and the time for filing returns of partnerships and corporations having a fiscal year ended on the last day of some month (other than December) in the year 1918, and which had secured extensions of time in which to file returns, such extensions not having expired, was further extended to March 15, 1919.

In view of the fact that necessary forms are not yet available, a further extension to May 15, 1919, is hereby granted all such partnerships. Individual members of such partnerships, as in the case of partnerships filing on the basis of the calendar year, will be required to include in their individual returns their distributive shares of the earnings of such partnerships (ascertained or estimated) and pay at least one-fourth of the tax due on March 15th.

(T. D. 2805, March 14, 1919)

Amended returns may be accepted so that the taxable year of affiliated corporations will coincide

In any case where an affiliated corporation has made its income tax return on the basis of a taxable year different from that on the basis of which a consolidated excess profits tax return in which it is included has been made under the provisions of articles 77 (par. 1415) and 78 (par. 1417) of regulations 41 and of T. D. 2662 (1418), an amended income tax return may be made on the basis of the same taxable year as the consolidated return, even though notice was not given within the time prescribed in articles 211 to 215 (par. 1488 to 1495), inclusive, of regulations No. 33 (revised) or in regulations 45 (par. 2840). In such a case an amended income tax return shall also be made for any unaccounted for portion of the corporation's taxable year.

Collectors of internal revenue may accept amended returns made under the provisions of this treasury decision.

Greeley & Giles announce the dissolution of the firm by mutual consent. Harold Dudley Greeley will continue practice in the present offices, 149 Broadway, New York. Cecil D. Giles will continue practice during April at the same address.

It is announced that C. R. Hegan has retired from the firm of Webb, Read, Hegan & Co., and the practice hereafter will be continued under the firm name of Webb, Read & Co., with offices in England and Canada.

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reserve that has thus been set up is not a part of surplus; it is a direct and active liability. In fact the word "reserve" is used only as a convenience. The amount of the taxes is a liability to the government and the account could better be called "Due government for taxes." It is much more active than most other liabilities, because it is subject to penalty and heavy interest if not paid promptly.

However, the charge of taxes to profit and loss is made in closing the books of the year for which the taxes are levied, but the actual amount is not paid until the next year. So far all is well. If, when the taxes are actually paid, they are again charged as current expenses, and the same practice is followed in each subsequent year, there is no duplication of taxes in any one year, because there is only one such expense charged each year. The error consists in charging the second year with the same taxes as the first year, the third year with the taxes of the second, and so on. If the taxes were exactly the same each year no harm would be done, but if they vary, the true condition is not shown, either as to the tax expense of each year or the liability to the government at the end of each year, since the reserve for the taxes of the first year remains the reserve for all subsequent years.

That is, if the taxes for 1916 were \$1,000, there would be a charge on December 31, 1916, of \$1,000 as tax expense, offset by a reserve of the same amount. If the taxes of 1917 were \$2,000, there should be a reserve of \$2,000 set up on December 31, 1917, to offset—the actual payment of \$1,000 having been charged to the reserve account. But if the plan quoted were adopted, the charge for tax expense in 1917 would be only \$1,000 and the reserve on December 31, 1917, would also be \$1,000, although there actually existed a liability of double that amount. In 1918 the actual payment of \$2,000 is charged as tax expense, although the real tax for that year is \$4,000, and the balance-sheet shows a liability of only \$1,000 still, in spite of the fact that four times that amount of liability actually exists.

Some persons, especially lawyers, have the idea that nothing counts unless actual money is spent. It is not true that "it is only when the tax as paid is charged against the reserve that invested capital is reduced." The reserve is a liability and as such it reduces the total of the net assets as much as if the tax had been paid in advance, instead of being deferred. This is the accounting principle; the expense and the liability are both incurred when the reserve is set up. The fact that the federal government does not allow the deduction of its own taxes as an expense is an anomaly that governs the preparation of the tax schedules but not the accounting procedure.

It is announced that the firm name of Webster & Mills has been changed to Mills & Company, as of March 1, 1919. The address remains unchanged, 42 Broadway, New York.

H. C. Crane, C. G. Trost and H. A. Trost announce the formation of a partnership with offices at 817-818 First National Bank building, Montgomery, Alabama.