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The C. P. A. Bulletin

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No. 5. Vol. 2

The National Association of Certified Public Accountants
WM. DE LAROCHE ANDERSON, Acting Editor

May 1, 1923

Unassailable Designation of Unquestionable Value

Are You A



Bonded Public Accountant Member

National Association of Certified Public Accountants

ALL STATEMENTS PREPARED UNDER PERSONAL SUPERVISION

IF NOT _____

Nothing stands in your way but yourself

_____ PERFECT YOUR STATUS NOW

Your own clients, present and prospective, will appreciate your improved standing with the banks_____

_____Your own Association will appreciate your improved standing, as a member, with the Profession.

APPLY—E. Long, Treas., 945 Penna Ave., Washington, D. C.

Question For The Annual Meeting.

C. P. A. N. A.—Shall It Be Generally Discarded For A Designation Less Troublesome & More Valuable.

By request, time has been allotted under the head of New Business for the presentation and discussion of the subject matter of the following at the annual meeting, June 4th.—

"I have been in communication with many public accountants located in various states relative to the apparent hopelessness of making anything of full public value out of the C. P. A. System as established. I find a very considerable expression for the abandonment by the National Association of its attempt to widen the usefulness of the profession under the C. P. A. or C. P. A., N. A. caption. The weakness, narrowness and selfishness of the system will never draw to the profession the type of individual required by the needs of our time in numbers sufficient, while a strong liberal treatment by the National, upon a basis unhampered by official red tape or impediment, would result in drawing to the National and into the profession men of a type who would shine in the profession and for the profession and make Accountancy really the science of business reasoning, valuation and portrayal. I feel that it would take a lifetime to adapt the old, or present system, by winning state by state, if indeed it could be done at all, and as I feel the National, with courage to be independent, now that it is known from coast to coast, has a wonderful opportunity, I would ask you to allot some time under some appropriate head in your order of business for the presentation and discussion of this question."

Of Interest To Bankers, Investors and Business Men.

Bankers and investors, and business men generally, will be interested in the limits of responsibility of State C. P. As, as to financial statements, laid down by the selected committee of the American Society of Certified Public Accountants, a strictly "State" C. P. A. organization, in their published report at the foot of page 8, this issue.

When not in trouble, we have been lead to believe by the State C. P. A., that he is a most completely responsible person, quite other than a mere bookkeeper. When in trouble apparently it's an-

other thing again, and before the court it would appear that the State C. P. A. defense is that he not a business adviser or person responsible for the accuracy of books and statements based upon his expert findings as an expert business reporter but, lo and behold, only after all, a bookkeeper. His responsibility is to be only for a true statement from the books and he is not to be at all responsible for a true statement of actual financial condition from the facts found, or to be found, by even a person holding himself out to the public as an expert ACCOUNTANT, not Bookkeeper, let alone the responsibility which should attach to the profound person the public has been taught to understand the State C. P. A. is, and, from whom the public has been taught to expect a dependable statement of true financial condition, unqualified, such as an expert would render.

In the face of the continual iteration and reiteration by State C. P. A's, by C. P. A. individuals and by C. P. A. organizations, that the reason for the protection of the C. P. A. title is that C. P. A. represents to the public something different and higher than the public accountant, something totally different from the bookkeeper, something that the public has come to rely on for what it claimed to be, it hardly seems possible that acknowledgement of the bookkeeper status is now made by a body of the most actively exclusive overbearing and opinionated organization of the cult. We feel that this organization, which only comprises a small fraction of the total number of C. P. A's, is speaking as an associate of an indicted member and not in its C. P. A. capacity. The Louisiana Court decision notwithstanding, we do not, and we feel that C. P. A's generally do not, hold that accountancy is only another name for bookkeeping.

Chinese Wall

It Keeps Them Out-It Keeps Them In.

Every day in every way the "State" C. P. A. system becomes more and more impossible.

The Court of Special Sessions, New York, has just reversed its previous ruling and now-no outside "State" Certified Public Accountant may state himself in New York State as a certified public accountant by adding the initials of the State which

certifies him.

Now **no** New York Certified Public Accountant may go into any other State as a certified public accountant without the probability of being arrested and having the decision of his own state court quoted against him, under the law of that other state which he is violating, under the decision of the court in his own state.

Unlike Law, Medicine and the other professions. Accountancy is free as air in every state except Oklahoma. How any sane person can tie himself up to a title of a profession which freely follows the course of business and commerce over political boundary lines but which title constitutes a warrant for arrest in 48 out of 49 political divisions, is a mystery.

The National Association has wasted much time and money in attempting to get a reasonable and liberal interpretation and administration of State C. P. A. laws to win inter-state acknowledgement to this title, but it has now about arrived at the limit of its effort along this particular line. In the future it will leave the matter of C. P. A. title to those more directly interested in it than are the members of the National Association. The National Association, under present circumstances, will most likely not even appeal its New York case, which includes a companion case against a New Hampshire State C. P. A. in the ruling. If State Certified Public Accountants want to be tied up to "State to State" red tape at \$25 a yard, 49 yards to the piece, or \$1225.00, to practice C. P. A. accountancy nationally, they have a perfect right to be so tied; the National Association believes that time and money are too valuable to be wasted, when equally acceptable results may be obtained more readily and effectively in other ways for the establishment and maintainance of the Profession as a Whole.

The Profession First.

From C. P. A. Bulletin, No. 2-Dec. 1, 1921

"The National Association, while taking this stand" for the universal acknowledgement of C. P. A. as the highest rating in Accountancy, "will not, however, yield to a divergence from the true purpose of the Profession or countenance the exploitation of the Profession by any element in or custom

of the Profession itself." * * "So that any and all engagements and commitments of the National Association of Certified Public Accountants needs must be qualified and considered upon its conception of the value of the "Profession as a Whole", and, its unalterable position that the full establishment and maintainance of that value comes first, ABOVE ALL ELSE."

"Inventory"

Accountancy's Waterloo.

The following article from the New York Times adds another Inventory fiasco to the list. Marwick Mitchel & Company were the accountants, mentioned in the matter, with Andrew Stewart C. P. A. N. Y. and A. I. A., in charge.

Say Dery Inventory Is Padded \$1,250,000.

**Receivers for Silk Firm Report Stock Was Overstated to Deceive Bankers.
Bond Issue Is Involved.**

A report filed yesterday in the Federal Court by Richard E. Dwight of counsel for the receivers of the D. G. Dery Corporation, a \$16,000,000 silk concern, states that an investigation has disclosed that the inventory of the corporation was overstated by a sum in excess of \$1,250,000, and that the overstatement was concealed from the accountants and appraisers "by the creation of false records for the purpose of deceiving the bankers."

Following this statement is one to the effect that the receivers, George A. Post, John P. Maguire and Joseph M. Proskauer, had decided that it was not advisable to employ D. G. Dery, President of the corporation, and that "he is at this time not connected with the organization."

The Dery corporation went into receivership on March 26 on application of the E. Gerli Company, Inc., which held a claim of \$159,015 on trade acceptances. The total assets of the company were estimated at \$16,613,614 and liabilities at \$16,314,614. Mention was made of an over-subscription last September of an issue by the corporation of \$4,-

000,000 first mortgage 7 per cent. sinking fund gold bonds offered through Redmond & Co. and Janney & Co. This issue figures prominently in yesterday's report to the court.

Based on Physical Inventory.

The report of the receivers on their inquiry in an affidavit by Mr. Proskauer explains that a firm of certified public accountants, prior to July, 1922, had been preparing a balance sheet of the corporation and had created a book inventory on the basis of what purported to be a physical inventory taken by the D. G. Dery Corporation as of Dec. 31, 1921. The banking firms of Redmond & Co. and Janney & Co. employed a firm of appraisers to check this inventory. In this work they selected numerous lots from each class of goods and checked them against the book inventory on the basis of the alleged physical inventory of Dec. 31, 1921.

The appraisers, according to the report, counted 25 per cent. of the items in the New York place of business of the Dery Corporation and a larger percentage at the finishing mill in Allentown. This inventory, it is stated, tallied to within 2 per cent. with the book inventory taken by the accountants. Then the report reads:

"Subsequently and in about February of 1923 D. G. Dery, the President of the defendant corporation, stated to the Board of Directors thereof and also to the bankers that there had been some mistake in the inventory and that there was a shortage, variously stated at between \$1,250,000 and \$1,800,000.

"Prior to the appointment of the receivers a preliminary investigation had been instituted by the appraisers at the request of the bankers, and immediately upon my qualification as receiver the appraisers handed me two papers, both purporting to be the New York stock list of June 30, 1922. One of these papers was the authorized stock list taken from the files of a representative of the factors who had charge of the New York stock and whose duty it was to make up these stock lists weekly. The second paper was, in general appearance, a copy of the first paper, but upon careful inspection it showed that in approximately fifteen items out of approximately 140 items additions had been made to the number of pieces of silk comprising these items, the total additions aggregating between 14,-

000 and 15,000 pieces of silk goods. It was reported to me also that a discrepancy existed between the true stock sheet and the stock sheet that had been handed to the appraisers for Mill D. Allentown.

Inventory Made to Hide Losses.

"Immediately upon receiving this information Mr. Dwight and I started a thorough examination, which disclosed the following:

"At the end of the year 1920 the losses of this corporation on a true balance sheet and profit and loss account reached \$2,000,000. To avoid confessing such a loss to the trade \$1,275,000 was added to the inventory. This addition was arbitrarily made to the Dec. 31, 1920, inventory, and no supporting papers for this entry were then prepared. At the end of 1921 the same addition was made to the 1921 inventory.

"It was then arranged that false stock sheets for New York and Allentown should be made up, those of New York to be identical in appearance with the genuine stock sheets made up by the representative of the factors, which false stock sheets should check with the book inventory of June 30, 1922, which, as already stated, was based upon the alleged physical inventory of the D. G. Dery Corporation of Dec. 31, 1921, and which false stock sheets would cover up the discrepancy, which would otherwise be disclosed if the true stock sheets were compared with the book inventory.

"In pursuance of this plan about 14,000 pieces were added to the true stock list of the stock in New York and the Mill D stock list was changed so as to add about 5,000 pieces.

"It is thus clear that a larger part of the apparent loss sustained during that year was simply loss sustained primarily in the year 1920 and carried forward these fictitious entries concealed from the bankers and their representatives in the Summer of 1922 by the devices above described.

Inventory

The Most Important Single Subject In The Realm of Accountancy.

To show the interest in and the appreciation of the importance of the subject of Inventory in ac-

counts, by Members of the National Association of Certified Public Accountants, and to show that National members are on the job to improve the State C. P. A. and A. I. A. System of accepting this vital item without a treatment and verification adequate to safeguard the public, attention is called to the fact that Mr. Frank Broaker, C. P. A., New York, one of the leading members of the National Association, has been urging the importance of the rectification of this deficiency for years, without any material support from the old professional organizations which still cling to the old practice, with results as above indicated. About March 1, before the above mentioned "Inventory failure", National members were notified and a display advertisement was put in the New York Times containing, in part, the following:

Failures Involve Heavy Loss To Banks and Trade Creditors Caused By Non-Inventory Control.

Inventory At Commencement And End Of The Period Not Necessary To The Determination of Cost Or Profit.

Inventory and its latest treatment in accounts permits, without stock taking, the preparation of an accurate accounting every month of Manufacturing Account, Balance Sheet and Income Accounts.

A meeting will be held Tuesday evening, March 6th, 1923, at seven o'clock, to be conducted personally by Frank Broaker, C. P. A., member first New York State Board of C. P. A. Examiners, and an invitation to attend is extended to any person interested in this, the most important subject in the realm of Accountancy. Address J. Broaker, Secretary, 63 Fifth Avenue, New York.

Announcement.

H. D. Kilets, B. C. S. Member National Association of Certified Public Accountants, National Association of Cost Accountants, etc., formerly of Fleming, Guerin & Kilets, Public Accountants, and Resident Manager of Richards Audit Company, has become associated with T. C. Rice-Wray & Associates, Industrial Engineers, 924-28 Ford Building, Detroit, Mich. in charge of the department of Auditing, Accounting and Business Economy.

July 11, 1922.

Steamship Accounting.

BY

OVIDIO NOLE, C. P. A., N. A.

The object of this article is to explain the accounting procedure used in recording the operations of freight and passenger steamship lines. The subject can be subdivided and discussed under the following headings: (1) general ledger controls; (2) expense and earnings record; (3) final operating statements; (4) treatment of lay-up expenses, lay-up returns, and trading returns. In order to give a better and more general understanding of the subject this article is followed by a Chart of Accounting Records.

General Ledger Controls.

The following General Ledger controls are peculiar to a steamship company: Passenger Office Controlling Account; Advances to Captains and Pursers; Incompleted Voyage Expenses; Incompleted Voyage Earnings.

The Passenger Office Controlling Account in the General Ledger controls the Passenger Office Ledger. This ledger contains accounts with individual ticket agents and branch offices for money due from sales of passenger tickets. It also contains accounts for revenue stamps, head tax, prepaid ticket orders, agency commissions, and railroad fares. Thus, the Passenger Office Ledger contains the detail of passage tickets sold.

Advances to Captains' and Pursers' Account controls the Captains' and Pursers' Ledger which contains an account with the captains and pursers of each ship. All money advanced during a voyage is charged to their respective accounts. Cash advanced to the pursers for wages due the crew is charged to his account. At the end of the voyage, which is the time the steamer finishes discharge at the home port, the captains and pursers make a settlement of their accounts. The pursers usually produce the payroll, signed by each member of the crew, and submits vouchers for any other disbursements he has made on account of the voyage. The disbursements are classified and the charges made to the proper accounts, and the purser is credited.

Expense and Earnings Record.

The Incompleted Voyage Expenses and Incompleted Voyage Earnings accounts in the General Ledger control the Expense and Earnings Record. This record contains an account with each steamer and voyage. On one side of the ledger sheet the expenses are recorded, and on the other side the earnings are recorded. As it is the object of steamship accounting to know the profit or loss per voyage, the record compiling this information will now be fully discussed. This record is called the "Expenses and Earnings Record," the expense section being supported by a detailed analysis.

Every voyage a steamer makes is numbered consecutively. All charges made for the account of a particular steamer must be classified as to account number, steamer name, and voyage number. The account numbers are obtained from a chart of accounts. To illustrate the classification of charges, the following example will serve the purpose:—A bill is received for provisions purchased and supplied the S. S. Washington, to be used on voyage No. 1. From this bill a voucher is prepared showing the charge to be made to the S. S. Washington, Voyage No. 1, and accounts No. 10 and No. 15. Account No. 10 represents provisions for the passenger department, and account No. 15 represents provisions for the crew. The voucher is then entered in the Voucher Register, giving the voucher number, the date of the bill, the name of the vendor, the steamer name, the voyage number, and total amount of the bill entered in Voyage Expense column. The postings to the account numbers would be made direct from the voucher to the Operating Expense Analysis sheet that would be provided for the S. S. Washington, Voyage No. 1. Thus, the Operating Expense Analysis shows the classes of expenses in primary accounts. A summary of the Voyage Expense column of the Voucher Register would be made up at the end of the month, and the total charge to each steamer and voyage is ascertained. The summary total of each steamer and voyage thus ascertained should agree with the total of the postings made from the vouchers to the Operating Expense Analysis Record for each particular steamer and voyage.

The Summary entry to close the Voucher Register for the month would be as follows:

	Dr.	Cr.
Incompleted Voyage Expenses	150,000	
S. S. Washington No. 1	60,000	
S. S. Washington No. 2	90,000	
Miscellaneous Charges	50,000	
To Vouchers Payable		200,000

The Incompleted Voyage Expenses of \$150,000 would be posted to the General Ledger Account, and the individual steamer totals posted to their respective accounts in the Expense and Earnings Record.

The classification of the revenue affords no complicated problem, as the classes of income are few, namely, passenger revenue, freight revenue, mail revenue, excess-baggage revenue, and bar and slop (i. e., store) earnings. In recording these items, a debit is made to Cash or Accounts Receivable, and a credit to Incomplete Voyage Earnings in the General Ledger, the individual steamers and voyage accounts in the Expense and Earnings Record receiving credit for the corresponding amount.

At the end of a voyage, there are adjustments to be made of materials that have been charged to a particular steamer and voyage which still remain on board and will be used for the subsequent voyage. Therefore, an inventory is taken of such items as fuel, provisions, general supplies, and bar supplies, and an entry is passed, charging the subsequent voyage and crediting the finished voyage. Charges for depreciation and insurance expired on the

steamer are prorated on the number of days the voyage has consumed multiplied by the daily rate.

A steamer may complete its voyage and begin the next, but all disbursements pertaining to the last voyage would not be through the books. This is due to the fact that expenditures are incurred by the steamer at foreign ports, and some time elapses before accounts are received from foreign agents. For this reason, it is the practice to leave a voyage open for sixty days, and at the end of this period the voyage is closed by the following entries:

Operating Expenses	Dr.	
To Incompleted Voyage Expenses		
S. S. Washington No. 1		Cr.
Incompleted Voyage Earnings		
S. S. Washington No. 1	Dr.	
To Operating Revenue		Cr.

From the foregoing entries, it will be noticed that the Operating Expenses and Operating Earnings accounts in the General Ledger are Profit and Loss accounts, and that the Incompleted Voyage Expenses and Incompleted Voyage Earnings accounts are deferred or balance-sheet items. Hence, the incompleted voyages are not taken into Profit and Loss until sixty days after completion. In the event that it is desired to close a voyage to Profit and Loss before this period, an estimated amount of disbursements and revenue is set up. This estimate is reversed at the time the actual items are passed through the books. After the sixty-day period, there are items that come through applicable to closed voyages in which case they are charged to the last open voyage of the particular steamer.

Final Operating Statements.

With all the information as to the revenue and expenditures for a particular steamer and voyage recorded in the Expense and Earnings Record and a detailed classification of all expenses on the Operating Expenses Analysis, a final Operating Statement is prepared. This statement shows the totals of each class of revenue and expense with the net profit or loss of the voyage. These statements are usually compared with statements of similar voyages, and the difference in result carefully noted. Other notations are submitted so that a complete explanation is given to account for the result as shown by the Operating Statement. An Itinerary which shows the dates of sailings and arrivals of the steamer at the various ports is also appended to the operating statement in order to show the number of days the voyage has consumed, and the time it has taken the steamer to reach the various ports; and the time that has elapsed between the arrival and departure at a particular port accounts for the time consumed in loading and discharging. The Itinerary often discloses very important information as to the outcome of the voyage.

A steamer is frequently placed in dry dock to undergo repairs, the expenses incurred by it being laid-up and not in operation are not chargeable to any particular voyage, consequently they are charged to Lay-up Expenses, which is treated as a general expense in the Profit and Loss State-

ment.

The provision in the ordinary marine insurance policy for Lay-up returns provides for a percentage refund of the premium paid in case the steamer is laid up. A steamer waiting to load or discharge is not considered a "lay-up." The steamer must be laid up for repairs in order to receive the refund on the premium paid. As soon as the policy of insurance expires, the lay-up periods of a steamer should be ascertained and a sworn statement prepared and submitted to the insurance company.

In case a policy of insurance is issued on a steamer for world-wide limits, which means that the steamer is not confined to any particular route or trade, and in case it has only confined itself to a coastwise service during the period of insurance, the steamship company can collect a trading return from the insurance company.

Editor's Note:-

Mr. Ovidio Nole, who makes the above contribution, has been associated with A. H. Hull & Co., Steamship Brokers and Operators and with the U. S. Mail Steamship Company, and is now in public practice at 313 West 42nd Street, New York City.

Rapid TurnOver Means Greater Profits

Rapidity of turnover is the keynote to increased profits. How turnover affects income is shown in the following simple illustration. Suppose that you were able to buy \$100 worth of flour and could sell that much for \$105 every three days. At the end of the week you will have made a profit of \$10, and at the end of the year \$520. Now, suppose that you invested another hundred dollars in a special brand of coffee which the producer informed you would net 70% profit. You found that it took just a year from the date of purchase to dispose of the coffee. In that time you made only \$70 on your capital of \$100. Obviously the investment in the article with the rapid turnover was more profitable.

The rate of turnover is not as evident in a going concern as it is in the above simple illustration. Here, of course, we could see at a glance that the flour turned over 100 times in the year, since every three days, excepting Sunday, a new barrel of flour was bought; and the coffee turned over only once. What we really did to find the rate of turnover was to divide the total cost of sales, \$10,000 in the case of the flour, by the average inventory \$100. In our simple problem the inventory was known every three days, but for all the practical purposes to know the approximate monthly inventory is sufficient. The monthly inventory is most easily obtained by adding to the cost value of the physical inventory at the beginning of the year the purchases for the following month as determined from the books and subtracting the sales, less percentage of profit, for the same month. The average monthly inventory may then be obtained by adding to the physical inventory at the beginning of the year the paper inventory of each of the following eleven months, and the physical inventory at the end of the year and dividing by 13.

A high rate of turnover is the chief objective and the following suggestions are offered to that end:

- 1 - Maintain merchandise investment and increase sales.
- 2 - Reduce merchandise investment, but maintain volume of sales.
- 3 - Reduce merchandise investment and increase sales.

The third method will bring the best results. Frequent purchases of small lots of various articles are more apt to lead to increased sales than occasional buying of large quantities of a few articles. The policy of "small lots ordered frequently," however, may be carried to an extreme, and the merchant will find himself unable to supply the demand for certain merchandise. He not only loses sales in this way but discourages trade, by making it necessary for a customer to turn to a competitor who happens to have the articles in stock. A wise merchant buys quantities when the price justifies it, but speeds up the turnover by offering the goods at a price which will encourage quick sales. A safe way to keep inventories low is to eliminate slow selling brands of the same article and to retain only those for which there is a brisk demand.

The rate of turnover in a business should be as closely watched as the expense account or any other cost of doing business.

"C. P. A." Defined By C. P. A.

Accountancy must be legally made a regular profession, such as Law, Medicine, etc., and not continue to be a so-called profession consisting of a large number of practicing professionals and a small number of super-professionals. No other activity functions along these lines in this country.

"There is a widespread, erroneous impression as to just what the certified public accountant is and does." Many persons have the impression that he is a bookkeeper, a man whose sole service consists of disentangling accounting problems or of installing bookkeeping systems and checking up the work of other bookkeepers.

"He is far more than this. The certified public accountant is one who goes into every detail of a business, who investigates the working policy of a firm, finds out how the business is operated from every angle, sees where waste effort is being expended, points out where the weak links are in the chain, human and otherwise, where the leaks are that eat into the expenditures.

"He has been trained for the specific purpose of systematizing, improving and strengthening not simply accountant methods but the entire business operation of a firm. He sees conditions as the man inside the firm cannot see them.

"He may well be likened to a pilot, who steers the business craft safely past the rocks of unnecessary and unwise expenditures, the shoals of unprofitable and disastrous investment and the hidden perils of costly leakages into the safe channel of prosperity."

Note—the difference of the definition here for the public and the one at the foot of page 8 by the American Society of C. P. As.

Another State C. P. A. Practice Exhibit

"State" C. P. A. Certification=Responsibility, NOT as Per Known Facts But Only=="As Shown By The Books"

Weighty Opinion Is Result of 1-Day Examination & Report

Probably the quickest examination and report ever made by State C. P. A.s was accomplished on April 5th, in behalf of William A. Gillespie, C. P. A. recently indicted for alleged conspiracy to defraud.

A S. O. S. call was apparently sent out by Mr. Gillespie on April 4 to The American Society of Certified Public Accountants, an organization which numbers less than 1000 State C. P. A's out of a total of some 6000, and on April 5 this call was transmitted to four State C. P. As, said to be members of this organization, whose addresses appear to be, as shown below, in West Virginia, Washington, D. C. and Michigan. Apparently the matter was not only received on the same day that it was sent but by comparing the dates as shown below, it appears that an examination was made and a report rendered on that same day.

Paul Revere made April famous for quick action but it would appear that he had nothing on these State C. P. As., as the whole matter appeared as a display Add in The (Baltimore) Evening Sun on April 6, partly, as follows:

The
AMERICAN SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

David A. Jayne, C. P. A.
Masonic Temple,
Charleston, West Virginia.

Wm. Clabaugh, C. P. A.,
1336 New York Ave., N. W.,
Washington, D. C.

Frank E. Webner, C. P. A.,
600 F Street, N. W.,
Washington, D. C.

Thomas H. Evans, C. P. A.,
Dime Bank Building,
Detroit, Michigan.

SECRETARY'S OFFICE

April 5, 1923.

Gentlemen:

I am transmitting to you herewith a letter received from Wm. A. Gillespie & Co., Baltimore, Maryland, together with Balance Sheet, papers and audit made of the books and accounts of the Union Finance Company of Baltimore, Maryland.

I would thank you to review this Balance Sheet and supporting data, transmitting your findings direct to Mr. Gillespie at Baltimore.

Yours very truly,

W. L. HARRISON, C. P. A.

WLH:L

Secretary.

Wm. A. Gillespie & Company,
Certified Public Accountants,
Baltimore, Md.

April 5, 1923.

Dear Sirs:-

We have made an examination of the Balance Sheet submitted by your company as of August 15, 1922, on the affairs of the Union Finance Company and it appears to be regular in every form and you have set out your authority for compiling the assets as well as the liabilities, which shows it to be in order and nothing concealed from anyone who would be familiar with reading Balance Sheets. What happened to the company and its management after you had completed your examination is a thing you would have no control over, and you could not be criticized for any of the results.

When a Certified Public Accountant makes an examination of books of accounts and compiles financial statements that reflect the true condition, as shown by the books on the date the Balance Sheet is made, his responsibility ceases.

Yours very truly,

WM. CLABAUGH
Certified Public Accountant
North Carolina and
District of Columbia

FRANK E. WEBNER
Certified Public Accountant
Illinois and Ohio

DAVID A. JAYNE, C. P. A.,
Member of West Virginia State
Board for Examination of
Public Accountants

THOS. H. EVANS
Certified Public Accountant
Michigan