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National Association of Certified Public Accountants

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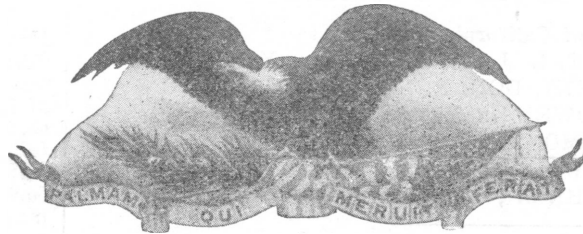
The C. P. A. Bulletin

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Vol. 4, No. 2

The National Association of Certified Public Accountants
945 Pennsylvania Ave., Washington, D. C.

February 1, 1925



NATIONAL ACCOUNTANT

Member

National Association of Certified Public Accountants

The National Organization of Certified Public Accountants

A proposed Bill to regulate Public Accounting in the State of California, and to prohibit the practice thereof by unauthorized persons; etc. "California Accountancy Act."

An Act to regulate the practice of Public Accounting in the State of California and to prohibit the practice thereof by unauthorized persons; to establish a State Board of Accountancy and to prescribe its powers and duties; to provide for the admission to practice as, and the licensing of certified public accountants and to prohibit the unlawful use of any words, letters, abbreviations, symbols or other means of identification by unauthorized persons indicating that they are certified public accountants or public accountants under this act; to provide for the employment of unlicensed persons by certified public accountants and public accountants; to provide penalties for the violation of its provisions; and to repeal an act approved March 23, 1901 entitled "An Act to create a State Board of Accountancy and prescribe its duties and powers; to provide for the examination of and issuance of certificates to qualified applicants, with the designation of certified public accountant; and to provide the grade of penalty for violations of the provisions hereof."

(Continued on page 3)

THE C. P. A. BULLETIN

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National Association of Certified Public Accountants.
Published monthly by the Association at
945 Pennsylvania Avenue,
Washington, D. C.

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BOARD OF GOVERNORS AND OFFICERS

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FIRST VICE-PRESIDENT, L. J. ADAMS, of New York.
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DIRECTOR, J. R. HUTCHISON, of Iowa.

EDITORIAL

By E. Long

We are presenting in this number a copy of the proposed California Accountancy Act. This bill was drawn by the California C. P. A. Board and broadcast by its Secretary. A careful study of the proposed bill will show that it does not regulate accountancy for the protection of the business man or the financial investor. Its direct object seems to be to put the accounting work of business firms in the hands of the five members of the State Board, who are in the accounting profession, thus enabling them to say who shall or who shall not make certain accounting audits. The proposed bill is no improvement over the Act now in force so far as regulating accounting goes, it simply gives a monopoly of accounting to the five members, who will see to it that when they have more accounting to do than they can handle, the balance of the profession may have what is left.

Apart from this the outstanding feature of this character of legislation is the absence of any and all the good reasons for its existence. It is a flagrant encroachment upon the rights of the coming generation to earn their living without being subjected to subserviency. It will compel the manhood of this country no matter what educational qualifications they may possess to work as subordinates for two years or the equivalent thereto before being eligible to receive a certificate of qualification.

In Paragraphs 6 and 7 under Section 11, the Board may allow accountants to practice or they may prohibit them from practicing just as they may feel about the matter. In Paragraph 9 they may prescribe any set rules for the conduct of the accountant and enforce the same.

Should the Board draft a bill to be approved by the National Organization of Certified Public Accountants, it should provide that all professional accountants be licensed or certified public accountants with penalties at-

tached for the protection of the client and the financial investor.

STATE LEGISLATURE

There will be much State Legislation this year as out of the 48 States in the Union, 43 will be in session, namely: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New York, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin and Wyoming.

Professional accountants should see to it that no accountancy bill or amendments thereto are made or proposed without the bill first being approved by the National Organization. It is the desire of the National Organization to have all State C. P. A. Laws as near uniform as possible until such time as Congress may enact a National Bill creating a Federal C. P. A. Act.

THE BONDED ACCOUNTANT

There are many reasons why a building contractor should put up a bond when he undertakes improvements or construction work. Aren't there just as many reasons why a business firm should require an accountant to put up a bond when he audits accounts and prepares the financial statements? Think it over. If the Union Finance Co., of Baltimore, Maryland, had their financial statements prepared by bonded accountants many investors would be better off today and the accountants who made the audit would not be at this time faced with a jail sentence. From records of the Court of Appeals of Maryland we note the following: "Witness Keller, who was Newton's manager, testified that they had about five hundred of the Gillespie certification letters and endorsement letters

printed and mailed out to prospective clients. Two salesmen testified that they used these letters in securing new depositors. One lady witness testified that she had drawn out her deposits of \$200.00 but after being shown these letters she invested her \$200.00 and lost her all." Testimony showed that more than \$50,000.00 was secured after the Gillespie published letter and endorsement thereof by Messrs. Clabaugh, Jayne and others, were circulated.

NEW YORK ACCOUNTANTS

The Accountants' Association of New York, with office at 1107 Bush Terminal Building, New York City, was incorporated for the protection of its members. In a letter recently sent out by the Secretary we note the following: "It appears to be a certainty this winter that there will be further attempts at legislation which may materially affect your status as a public accountant, therefore, in response to a definite and widespread sentiment among practicing accountants who have long felt the need of a virile organization to which they could turn for the development of their profession and the protection of their interests, the Accountants' Association of New York, Incorporated, and from its Charter the objects are: To promote high professional standards of accounting practice among its members and practitioners generally; to safeguard the rights of public accountants in the legitimate practice of their calling; to develop a wider public recognition of the scope and potentialities of the professional accountants and to cooperate with similar organizations in the furtherance of these objects."

Will it be necessary for each State to organize its accountants into a defense committee for the protection of the accounting profession or shall the local C. P. A. Boards monopolize the entire accounting business?

ALASKA C. P. A. LAW INVALID

The Attorney General of the Territory of Alaska has ruled that the C. P. A. law of Alaska is invalid. The Territorial Legislature will convene next March and it is proposed to frame at that time another C. P. A. law which will put the profession on a proper basis and embody all the features which a C. P. A. law should contain. At present the Alaska C. P. A. Board is not functioning. The National Organization is drafting a proposed accountancy bill for the Alaska members to place before the Territorial Legislature at its next session.

ACCOUNTANTS OPEN IN BERLIN

Entry of Firm Indicates Likelihood of American Participation in Financing German Industries.

The first firm of certified public accountants to have offices in Germany is the firm of Haskins & Sells, which has opened an office in Berlin. Entry into Germany undoubtedly reflects expectation of American par-

ticipation in financing German industries and the need for accountants to make preliminary investigations for bankers.

Announcing their new office, Has-kins & Sells say: "The establishment of the Dawes plan and the successful flotation of the German Government Loan have cleared the way for the reestablishment of German credits in this country. There have been intimations in financial circles that several German issues are pending and issuance of such securities by financial houses in this country involves the usual preliminary investigations and constant supervision required by the American investing public."

CALIFORNIA ACCOUNTANCY ACT

The people of the State of California do enact as follows:

Section 1. Any citizen of the United States, or any person who has duly declared his intention of becoming such citizen, residing or having a place for the regular transaction of business in the State of California, being over the age of twenty-one years and of good moral character, and who shall have received from the state board of accountancy a certificate of qualification admitting him to practice as a certified public accountant as hereinafter provided, shall be licensed to practice and be styled and known as a certified public accountant.

Section 2. It shall be unlawful for any person who has not received a certificate of qualification admitting him to practice as a certified public accountant to assume or use such a title, or to use any words, letters, abbreviations, symbols or other means of identification to indicate that the person using same has been admitted to practice as a certified public accountant.

Section 3. It shall be unlawful for any firm, co-partnership or association to assume or use the title of certified public accountant, or to use any words, letters, abbreviations, symbols or other means of identification to indicate that the members of such firm, co-partnership or association have been admitted to practice as certified public accountants, unless each of the members of such firm, co-partnership or association first shall have received a certificate of qualification from the state board of accountancy admitting him to practice as a certified public accountant.

Section 4. It shall be unlawful for any corporation to assume or use the title of certified public accountant, or to use any words, letters, abbreviations, symbols or other means of identification to indicate that such a corporation or any of its officers, directors or stockholders have received a certificate of qualification from the state board of accountancy admitting him to practice as a certified public accountant.

Section 5. It shall be unlawful for any person, firm, co-partnership or association to engage in the practice of

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public accounting in the State of California unless such person, or each of the members of such firm, co-partnership or association first shall have received from the state board of accountancy a certificate of qualification admitting him to practice as a certified public accountant. It shall be unlawful for any corporation to engage in the practice of public accounting in the State of California. Provided, however, that nothing herein contained shall be construed to prohibit the practicing of the profession of public accounting by any person, firm, co-partnership, or association or corporation who shall at the time of the passage of this act be engaged in the practice of public accounting and maintaining an office as a public accountant in the State of California.

Section 6. Any person, firm, co-partnership, association or corporation who shall at the time of the passage of this act be engaged in the practice of public accounting and maintaining an office as a public accountant in the State of California, may, within six months after the taking effect of this act, apply to the state board of accountancy for registration as a public accountant, and the state board of accountancy, upon the production of satisfactory evidence that such applicant was engaged in the practice of public accounting and maintaining an office as a public accountant in the State of California at the time of the passage of this act, shall register such person, firm, co-partnership, association or corporation. Such registration shall be conclusive evidence of the right of such person, firm, co-partnership, association or corporation to engage in the practice of public accounting in the State of California, but such registration shall not be construed in any way as indicating that the state board of accountancy has approved the educational and professional experience qualifications of the registrant.

Section 7. It shall be unlawful for any person, firm, co-partnership, association or corporation to assume or use the style or title of public accountant, or to use any words, letters, abbreviations, symbols or other means of identification to indicate that such person, firm, co-partnership, association or corporation is engaged in the practice of public accounting or entitled to engage in the practice of public accounting in the State of California; provided that the inhibitions of this section shall not be construed to apply to any person, firm, co-partnership, association or corporation who at the time of the passage of this act was engaged in the practice of public accounting and maintaining an office as a public accountant in the State of California.

Section 8. Nothing contained in this act shall be construed to prohibit the employment by a certified public accountant, or by any person, firm, co-partnership, association or corporation permitted to engage in the practice of public accounting in the State of California, of persons who have not received certificates of qualification ad-

mitting them to practice as certified public accountants, as assistant accountants or clerks, provided that such employees work under the control and supervision of certified public accountants or public accountants, and do not certify to any one the accuracy or verification of audits or statements, and provided further that such employees do not hold themselves out as engaged in the practice of public accounting.

Section 9. Any person who, at the time of the passage of this act, is the holder of a valid and unrevoked certificate issued by the state board of accountancy under the provisions of Chapter two hundred thirteen of the Statutes of 1901, approved March 23, 1901, as amended, shall be granted by the state board of accountancy a certificate of qualification under the provisions of this act admitting him to practice as a certified public accountant.

Section 10. Every person to whom has been issued a certificate of qualification admitting him to practice as a certified public accountant, shall be governed by and conform to the rules of professional conduct adopted by the state board of accountancy, and the board shall have power to revoke a certificate of qualification for a violation thereof as hereinafter provided.

Section 11. The governor shall appoint five persons, all of whom shall be competent and skilled accountants holding valid and unrevoked certificates as certified public accountants heretofore issued under the provisions of Chapter two hundred thirteen of the Statutes of 1901, approved March 23, 1901, as amended, and who shall have been engaged in practice as certified public accountants in this state for not less than five consecutive years immediately preceding such appointment, to constitute and serve as a state board of accountancy. The members of such board shall, within thirty days after their appointment, take and subscribe to the oath of office as prescribed in the Political Code, and file same with the Secretary of State. They shall hold office for the term of four years and until their successors are appointed and qualified; save and except that one member of the board first to be appointed under this act shall hold office for one year; one for two years; one for three years and two for four years. Any vacancies that may occur from any cause shall be filled by the governor for the unexpired term, provided that all such appointments must be made from the roll of certificates of qualification issued and on file in the office of the governor. The state board of accountancy shall have its office in the city and county of San Francisco and its powers and duties shall be as follows:

(1) To appoint from among its members a President and a Secretary to hold office at the pleasure of the board. The board shall fix the compensation of its secretary. No compensation shall be paid to the members of the board for their services in the discharge of their official duties, but

the board may, in its discretion, allow and pay to its members all amounts expended for traveling and other necessary expenses while engaged in such official duties.

(2) To employ legal counsel and clerical assistance and to fix the compensation of same, and to incur such other expenses as may be deemed necessary to carry into effect the provisions of this act.

(3) To formulate rules for the government of the board and for the examination of applicants for certificates of qualification admitting such applicants to practice as certified public accountants.

(4) To hold written or oral examinations of applicants for certificates of qualification at least semi-annually.

(5) To formulate a standard of educational and professional experience as a requirement for the issuance of a certificate of qualification.

(6) To issue certificates of qualification admitting to practice as certified public accountants, to such applicants as may in the judgment of the board conform to the educational and professional experience standard formulated by the board, and who are also, upon examination, found to be qualified in a knowledge of "theory of accounts," "practical accounting" "auditing," "commercial law" and other related subjects.

(7) In its discretion, to grant certificates of qualification admitting to practice as certified public accountants, to such applicants who, being in all other respects qualified under this act and under the rules of the board and its educational and professional experience standard, shall be the holders of valid and unrevoked certificates as certified public accountants, or its equivalent, issued by or under the authority of any state or territory of the United States, or of the District of Columbia; or who shall hold valid and unrevoked certificates or degrees as certified public accountants or its equivalent, issued under authority granted by a foreign nation; when in the judgment of the board, the requirements for the issuance or granting of such certificates or degrees are substantially equivalent to the requirements established by this act.

(8) To charge and collect from all applicants for a certificate of qualification a fee, not to exceed twenty-five dollars (\$25.00), and to require the renewal of all such certificates annually on the second day of January, and to charge and collect for such renewal a fee not to exceed five dollars (\$5.00).

(9) To formulate rules of professional conduct for certified public accountants and to have power to enforce same.

(10) The board shall have the power to revoke any certificate of qualification issued under the provisions of this act, for the violation of its rules of professional conduct or for other cause, provided that written notice shall have been mailed to the

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Given at Washington, District of Columbia, the _____ day of _____ 192

BOARD OF GOVERNORS:

THIS BOND CONTRACT

EXPIRES
1925
DECEMBER 31, 1925

PRESIDENT

TREASURER

SECRETARY

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FIGURES

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holder of such certificate not less than twenty (20) days before any hearing thereon, stating the cause of the contemplated action and appointing a day for a full hearing thereon by the board, and provided further that no certificate of qualification issued under the provisions of this act shall be revoked until such hearing shall have been had, except for failure to renew such certificate and to pay the renewal fee therefor. At any such hearing the board shall have power and authority to merely officially censure the holder without revocation of the certificate. All such hearings shall be public, and the board shall have power to summon witnesses and to require testimony under oath or affirmation. The board may institute proceedings for the revocation of a certification of qualification, either upon its own motion or upon charges and complaint filed with the board by any person. Four concurring votes of the board shall be required for the revocation of any certificate of qualification. Three concurring votes shall be required for the official censure of the holder of any certificate of qualification.

(11) Within sixty days after the taking effect of this act and the appointment of the board as herein provided, the board shall formulate rules for the registration of those persons, firms, co-partnerships, associations or corporations, who, not being holders of valid and unrevoked certificates as certified public accountants issued under the provisions of Chapter two hundred thirteen of the Statutes of 1901, approved March 23, 1901 as amended, and who, having at the time of the passage of this act, been engaged in the practice of public accounting and maintaining an office as public accountant in the State of California, shall, under the provisions of Section 6 of this act apply to the board for registration as public accountants. The board shall maintain in its office a register of all persons, firms, co-partnerships, associations or corporations who shall have made application for such registration and have complied with the rules of registration adopted by the board.

(12) The board shall report annually to the governor on or before the first day of December, all certificates of qualification issued or renewed and all certificates revoked.

Section 12. All fees collected on behalf of the state board of accountancy, and all receipts of every kind and nature, shall be reported at the beginning of each month, for the month preceding, to the state controller, and at the same time the entire amount of such collections shall be paid into the state treasury and shall be credited to a fund to be known as the "State Board of Accountancy Contingent Fund," which fund is hereby created. Such fund shall be solely for the use of the state board of accountancy and out of it shall be paid all salaries and all other expenses incurred in the carrying into effect of the provisions of this act; provided, that no expense shall be incurred be-

yond the available balance in said fund, and that no part of the expenses of the state board of accountancy shall ever be paid out of any other fund in the treasury of the State of California. An amount not exceeding five hundred dollars (\$500.00) may be drawn from the contingent fund, to be used as a revolving fund where cash advances are necessary; but expenditures from such revolving fund must be substantiated by vouchers and itemized statements at the end of each fiscal year, or at any other time when demand is made therefor by the board of control.

Section 13. Any certificate of qualification issued under the provisions of this act to a person not a citizen of the United States, shall be revoked five years from the date of its original issuance; provided that if the holder of such certificate shall, not less than five years from the date of its original issuance, comply with the naturalization laws of the United States and acquire citizenship therein, and shall furnish to the state board of accountancy evidence of such naturalization as a citizen of the United States, then and in that event such certificate shall not be revoked except as otherwise herein provided.

Section 14. Any certificate of qualification issued under the provisions of this act shall be forfeited for the failure of the holder to renew same and to pay the renewal fee therefor to the state board of accountancy within thirty days after demand for such renewal fee shall have been made by the state board of accountancy.

Section 15. Any violation of the provisions of this act shall be punishable in the form and manner provided for the punishment of misdemeanors under the provisions of Section 19 of the Penal Code.

Section 16. If any section, subsection, sentence, clause or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act, and each section, subsection, sentence, clause or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases be declared unconstitutional.

Section 17. Chapter two hundred thirteen of the Statutes of 1901, being "An act to create a State Board of Accountancy and prescribe its duties and powers; to provide for the examination of and issuance of certificates to qualified applicants, with the designation of certified public accountant; and to provide the grade of penalty for violations of the provisions hereof," approved March 23, 1901, as amended, is hereby repealed.

Section 18. This act shall be known and cited as the "California Accountancy Act."

**JOHN O. BERKLEY, Member
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**THE RELATIVITY OF LAW AND
ACCOUNTANCY**

By Harry C. Rohrman, LL.B.

Those two great professions, Law and Accountancy, have existed from the beginning of time. Law found prompt impetus when penalty was placed upon the first sinners and, while it did not reach cannonized form until the Mosaic Law, there were, notwithstanding, certain inviolable rules of conduct. And as soon as men began trading, accountancy found its crude beginning in accounting.

Now, after centuries of development, we find these two fundamental professions so interwoven with each other that a knowledge of both is becoming essential to be successful in either. Why does an Accountant need a knowledge of Law?

The practicing accountant in the performance of his dignified and important duties is constantly confronted with perplexing problems (were there no such tasks there would be no need for him) which call into action all of his training, all of his experience, all of his common sense. While it is to be conceded that a knowledge of Law will be a means of developing the mind of the Accountant, that alone would not be an incentive to cause him to spend three or four precious years in such gruelling study.

It is because he is daily being confronted with legal questions which he himself must see and which, when seen, must be solved. There is the key to his achievement. Can he step

beyond the absolute principles of his profession and, in every case where the occasion arises, go into the questions of Economics and Law?

An attorney stands before the bar of justice. He may be representing an alimony case or be settling an estate. An audit of some business has been made or a statement of resources presented. The case will be tried and those intricate matters investigated profoundly. An accountant will be required to defend his statement. Is it not clear that he who knows the Law will be of the greater assistance to the attorney and render the larger and more valuable service to those whose interests are entrusted to him?

Likewise when the attorney is faced with questions of accountancy and business administration, he must needs have a familiarity with the governing principles and fundamental workings of his brother profession lest he fall victim to the caprice of those upon whom he must depend.

These are aggressive days. Specialization has come to the front. But the Specialist who, while knowing his individual subject thoroughly, has a broad general knowledge of all its allied fields, is the man who stands, preeminently above his associates. So it is with Accountancy and Law. These two honorable professions justly are related and may safely be termed brothers.

**PUBLIC AUDITORS
ACCUSED BY STATE
OF FALSE RETURNS**

**Board of Accountancy Begins
Investigation Here**

A shake-up of a number of certified public accountants in Tennessee who are accused of having certified false or inaccurate statements on which credit was extended by banks was forecast Tuesday when the State Board of Accountancy began work on an investigation which was authorized at a formal meeting of the board at the state house a few days ago.

The meeting at the capitol was attended by F. O. Beerman, chairman of the board; John Glenn, of Nashville, and Foster Cheatham, of Memphis, all three members of the State Board which functions by authority of the State Legislature. Representatives of the United States bankruptcy court attended the meeting by invitation and presented evidence which tended to show that statements had been given in a number of cases on which credit was extended by banks and individuals and the firms and individuals who profited by the false statements afterwards went into bankruptcy.

Mr. Beerman refused to comment on the probe Tuesday or to give out the names of those accused, but admitted that notices will shortly be sent to several of the accused men and they will be allowed time to pre-

sent their side of the cases to the State Board. In the event the accountants are found guilty the State Board will revoke their licenses to practice accountancy, Mr. Beerman intimated. The meeting of the State Board was held at the capitol November 13 and 14 in the Senate chamber and a number of witnesses to the alleged delinquencies of the several accountants was examined by the State Board.

Some of the statements tended to show, it was intimated that companies had assets in some instances of several hundred thousand dollars more than their books actually showed. Having confidence in the statements, additional loans were allowed by banks and the whole transactions came to light when the borrowing companies ultimately were forced into bankruptcy. The accountants under suspicion do business in several of the cities of the State, it was said.

The State Board of Accountancy is not scheduled to meet again until next May, but it was understood that a special meeting to investigate the charges will be held shortly in Nashville.—Evening Tennessean.

**NEWTON AGAIN
CONVICTED ON
FRAUD CHARGE**

Emory M. Newton today was found guilty by a jury for the second time

of conspiracy to defraud investors by operating a blind pool.

Sentence was suspended by Judge Duffy pending motion for a new trial. Newton was released in \$5,000 bail.

The jury returned a sealed verdict, after five hours' deliberation last night.

Newton originally was tried and convicted last spring, and then was sentenced to five years in Maryland penitentiary. He has been at liberty on bail since and obtained a new trial on appeal.

Former State Auditor Gillespie and H. N. Dickey, Jr., were convicted at the same time. Gillespie was sentenced to a year and Dickey to four months in jail. They were given reprieves by Gov. Ritchie pending the outcome of Newton's second trial.

Both Gillespie and Dickey testified in the trial just closed.

State's Attorney O'Connor and his assistants, R. K. Adams and Eugene Edgett, prosecuted the case. Defense attorneys were John Nock and A. S. J. Owens.

After the verdict was announced O'Connor said:

"It comes as a reminder and warning that those who would handle the money of other persons must faithfully perform their trust.

"Naturally I am well satisfied with this victory. The chief reason for my gratification is that it is proof juries in this city fearlessly do their duty. It shows they do not convict at hue and cry because failure of

this blind pool occurred in 1922."—The Baltimore Daily Post, January 21, 1925.

ANNOUNCEMENTS

John Chandler Hume, with headquarters at 80 Wall St., New York City, announces the opening of offices in the Albee Building, Washington, D. C., where the usual high quality of Hume Service will be maintained in corporation counsel, accounting and allied interests.

Mr. Charles S. Bledsoe, who has been in accounting practice in Tulsa, Oklahoma, for the past eight years, announces the opening of his office at 903 Kennedy Building, Tulsa, Oklahoma, where all work will be under the direct supervision of certified and bonded accountants.

The Lloyd-Thomas Company, Appraisal Engineers, announce the opening of a Washington office, 305 Munsey Building, and the retaining of Mr. Robert Ash as Washington Counsel.

Erich W. Kath, Hippodrome Building, Cleveland, Ohio, announces the opening of his Buffalo office at Elliott Square Building, Buffalo, N. Y., under the name of Kath Incorporated.

Ira B. Waltz announces the opening of a Public Accountants office at 11 East Exchange Street, Akron, Ohio, for the convenience of his clients and the accommodation of the public in need of Accounting Service.

George T. Edwards announces the change of his address to 1208 Union and Planters Bank Building, Memphis, Tenn.

Mr. Leo B. Grifford, of San Diego, California, has returned to Baltimore where he will again resume the practice of public accounting.

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