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The C. P. A. Bulletin

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Vol. 5, No. 1

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

January 1, 1926



Bonded Public Accountant

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National Association of Certified Public Accountants

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(Continued on Page Seven)



THE C. P. A. BULLETIN

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National Association of Certified Public Accountants
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 Washington, D. C.

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EDITORIAL

By Wm. M. Williams

Accomplishment

A performance sufficiently well defined as to merit commendation may be termed 'Accomplishment.'

The Association has achieved that end in demonstrating that its members cannot evade responsibility to the public and that the Association possesses an effective instrument of punishment for its members who incline away from established standards and its code of ethics.

This is the first instance of its kind on record and the fact probably will be more far-reaching than may be anticipated at present.

The Association has proven its ability to guarantee the financial integrity of its entire membership as well as to sponsor the ability of its members to perform the service required of them by the public.

Just criticism has been aimed at public accountants in the past when one of them has fallen into evil ways and the justice of this criticism has been felt keenly by public accountants, together with a realization that adequate means were not provided whereby the offender may be brought to book.

The inadequacy of the State C. P. A. law long since has impressed itself upon the members of the profession and other means have been sought at different times and in different ways to bring about an association which could and would protect the public from malefactors within its ranks.

The National Association perhaps did not have this intent at its outset, but the bringing together of men interested in the highest development of the profession crystallized the thought uppermost in the mind of each, and this

took the form of an indemnity bond covering each and every member.

The Association intends to move forward from this point and request that each member bond himself in an amount proportionate to his responsibility. It intends to request each member to place a rating upon himself and this in turn will reflect to the credit of the member in his own community.

The Association has contracted with a well-known directory publication for space in which to advertise to the financial world that its membership is bonded to the public and suggests that each member be listed in this publication under the city or town in which his office is located. This may be done through the Association.

The Association verily believes that it has something of material value to offer its members. It knows that it is the pioneer in corrective enforcement and it stands as a moral force in exerting a preventive influence on its membership.

The value to you of your membership will increase in proportion as you cooperate with the other members to make effective the principles to which you have subscribed and on which the Association was founded.

POST WAR DATE FOR REVALUATION

By G. B. Monroe

March 1, 1913, was the date of the first Income Tax Law of our present system. With the advent of this law, the necessity for new valuations was apparent. Therefore, for the purpose of Depreciation and Depletion, and cost for sale of Capital Assets, a revaluation as of that date was allowed.

Since that period, various tax laws have been in force. It appears that

during the year 1917, 1918 and 1919, exceedingly high taxes were caused by the Excess Profits and War Profits Taxes. In fact, the assessments and proposed assessments became so very heavy that many were unable to meet the demand.

In order to somewhat lessen the burden imposed, many reliefs were granted and taken. Some of these were Obsolescence, loss of useful value, heavy depreciations and depletions. Amortization, Special Assessments and lastly Compromise.

With all these deductions, the assets of the taxpayer have been reduced to almost nothing. In most cases they are good for many years to come.

The condition that arises from this is most peculiar. The state, the county, the Public Service Commission and the banks require the facts. The Federal Government alone stands out for the depleted or depreciated values. For this reason, two sets of accounts must be kept or the present system so arranged as to show the information necessary for both sets of reports.

Statements are made out with a few of the captions as follows: Appreciation of Assets, Value of Oil, Gas or other Minerals in place, Reserves for Depreciation and Depletion, Surplus by Appreciation, and what not. The result is that scarcely 10 percent of the executives today understand clearly what all this means.

The values of today are spoken of as being inflated. The real fact of the matter is that the VALUATIONS OF TODAY represent more nearly the condition that will exist for the next twenty or more years. A new standard has been set. Return to the old pre-war standards will not occur.

Books and records have not been adjusted to meet the various reliefs granted. Most all are in a chaotic condition.

There will be no greater force to apply for the return of business than the happy adjustment of the conditions spoken of above.

Therefore, in conclusion, we repeat that the establishing of a post-war date, presumably January 1, 1925, will do more for the return of normal prosperity than any other one thing.

There are many things to be brought out not covered in this digest. It would seem that the questions raised merit a hearing.

KENTUCKY C. P. A. BOARD

A change has been made in the State Board of Accountancy of Kentucky. The former secretary, J. H. Youtsey, and former Treasurer Benhard Bernstein, have been replaced by W. A. Hifner, Jr., secretary, and S. W. Eskew, Treasurer, and the postponed fall examinations were held in the Capital Building at Frankfort, Ky., on December 21, 22 and 23, 1925.

CURRENT EVENTS

By J. R. Hutchison

The sixty-ninth Congress of the United States has been in session less than one month, and, with the voluminous number of new bills that have been presented, both houses are making speedy headway. Perhaps the most important bill as affecting accountancy is that of the new tax bill.

The New Tax Bill

The new tax bill has passed the House of Representatives by a vote of 390 to 25. Its passage through the House without any serious friction is gratifying to the administration and to all accountants who have a sound conception of the theory and practice of taxation. The Senate will amend it in some particulars, it is expected, but, in the main, the important features of the House measure are expected to be retained in the bill, as it will be passed eventually by the upper house. The Senate amendments will be considered in conference, where the House has as much weight as the Senate.

The bill, as it passed the House, reduces revenue taxes some \$325,000,000, increases personal exemptions, increases "earned income" to \$10,000, to which the 25 per cent tax reduction applies, reduces the normal tax, reduces the excise tax on automobiles, eliminates the stamp and nuisance taxes, and reduces the maximum surtax from 40 to 20 per cent.

The bill repeals the provision for publicity of income tax returns, voted in the last revenue act by the Senate. This was in response to the widespread plea that such publicity accomplished no good and merely satisfied idle and vicious curiosity.

The bill now goes to the Senate finance committee, and the chairman will call his committee together January 4th, to begin consideration of the bill. The chairman pointed out that the House hearing had been very full, as the Senate committee plans to review these hearings. He predicted that the bill would be reported to the Senate by January 20, and that it would pass finally in time to permit filing of income tax returns under the new rates.

Post War Date for Revaluation

The post war date for revaluation as proposed by G. B. Monroe, an accountant, of Warren, Pa., backed by the American Appraisal Company and many Chambers of Commerce, has been presented to the Senate Finance Committee and will come up for hearing during the early part of January. This proposal is worthy of consideration and should meet with the approval of the committee. The digest of Mr. Monroe's proposal is printed elsewhere in this number.

Real Estate License

A Real Estate Licensing Bill was of-

ferred in the House. Blanton's measure would force all operators to acquire permits to practice.

Provision for a board which would license all real estate operators in the National Capital and aimed at preventing fraudulent transactions in real estate is proposed in a bill introduced by Representative Blanton, of Texas.

This is essentially the same as the measure which Mr. Blanton proposed in the last Congress, and which received the approval of both the Senate and House District committees, being incorporated as part of the Copeland bill.

In view of the death of the Rent Commission, Mr. Blanton said that he believed his measure to be constructive legislation which will receive approval of the House District Committee. This bill differs materially from the law Congress created governing accountants in the District of Columbia in 1923.

The Blanton Real Estate bill provides that all dealers, operators, sellers, agents, etc., styling themselves as real estate agents, must pass an examination and procure a license before they can operate in real estate, and those failing to procure a license cannot operate as such. In the accountancy law Congress created an accountancy board, with power to issue the C. P. A. certificate, but put no restriction on the public accountant, who can perform the same duties as a certified public accountant. Thus the accountancy law as carried out by the board of accountancy is of no value and should be repealed. From the best information available, the accountancy board has used the law to their own advantage and have only seen fit to license those accountants who are employed by the board, favorable to the board or belonging to the same club or organization as members of the board. Therefore, the law, as now administered, should be repealed and a new law created making accountancy a profession in the District of Columbia.

U. S. Department of Education

Measure to be offered to Congress will raise standard of education and create a cabinet head to be in control of education and kindred subjects. Here is where there should be a clause or chapter creating an interstate board of accountancy to regulate public accountants within the United States. The National Association of Certified Public Accountants have advocated this measure for several years, and other associations are beginning to see likewise. From the November issue of the Journal of Accountancy (The A. I. A. publication), the following is quoted:

"Recent legislation has established that a standard based upon or subject to control by political exigency is like a house built on quicksand."

The profession can best be regulated by itself.

Accounting is interstate in character. As there is no uniformity in standards throughout the states and territories, the authority to give adequate recognition to those persons in whom the public can rely as adhering to the highest professional ideals must be vested in the profession itself."

We believe that the methods now used by the various states do not result in a satisfactory standard, and, as the National Organization of Certified Public Accountants, we believe this standard should be uniform and the accountancy degree should be issued by the proposed Department of Education.

MISDEMEANOR

A bill to make it unlawful to repeat false rumor respecting the character or standing of any person in the District of Columbia was introduced in the Senate by Senator William H. King of Utah and was referred to the District committee. The bill provides as follows:

"Any person who shall within the District of Columbia willfully and maliciously make any false statement or repeat any false rumor or report tending to degrade or injure the character or standing of another person shall be guilty of a misdemeanor."

The penalty fixed by the bill would be not more than \$100 fine or imprisonment for not more than 100 days or both.

**FEDERAL
INCOME TAX INDEX**



On the subject of federal income taxes nothing can be more thorough, more complete, and inclusive than the above. 800 pages of reference lead you instantly to every official authority: Law, Regulations, Rulings, Treasury Decisions, and Decisions of the Board of Tax Appeals.

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(Continued in next issue)

THE NATIONAL IN CONFERENCE WITH THE LEADING INDUSTRIAL ASSOCIATIONS

Results Submitted in Letter Below

December 19, 1925.

National Association of Certified Public Accountants,

Washington, D. C.

Gentlemen:

The Conference on Government in Industry, which was attended by Mr. John O. Berkley, representing your association, adopted a statement of purpose and declaration, together with the report of the Committee on Organization and Nomination. A copy of each is enclosed herewith. It is regretted that the minutes of the meeting, which will be printed, will not be available until the end of the month, at which time a copy will be sent to you.

Thanking you for your co-operation.

Very truly yours,

R. C. MARSHALL, Jr.,

Acting for Executive Committee.

This Conference on Government in Industry holds that the proper functions of government are political, not economic.

"In all that the people can individually do as well for themselves government ought not to interfere." —ABRAHAM LINCOLN.

Industrial enterprises already in

operation or contemplated by Government, Municipal, County, State and Federal, are of such magnitude and diversity of character that they are seriously endangering numerous private industries.

Government enterprise pays no taxes. When government displaces private business, the loss in taxes as well as the excessive cost of operation is levied upon property and business which survives.

The National Defense is best and most economically served by private business enterprises which may be converted to war purposes in case of emergency.

Government in business drives citizens out of legitimate occupations. It discourages business which is threatened. It squanders the money of the taxpayers, increasing their burdens. It is marked by extravagant delays, public inconvenience and loss. It deludes those engaged in agriculture, industry and commerce with estimates of cost in undertakings for which they must pay, piling up costs in excess of estimates under no responsibility or check.

Government and industry must be protected against the assaults of those who would destroy both by confusing the functions of each. The door of opportunity must be kept open.

We call upon every citizen to take stand squarely upon the proposition that the American Republic is founded upon the private ownership of property and maintained by the private enterprise of those engaged in gainful occupations.

We invite every group of those who conduct or serve industry to urge that policy as affecting their particular vocations and to join in cooperation among the several groups to establish and maintain it.

BOOK REVIEW

A Treatise on Double-Entry Book-Keeping

Edited by Frater Lucas Pacioli. Translation by Pietro Crivelli, translator of the earliest known printed work on bookkeeping by double-entry. 144 pages, beautifully bound, price \$2.50. Published by Harper & Brothers, 49 E. 33rd St., New York, N. Y.

This is a book of rare value to all interested in the phenomenal strides that the business of accounting has made in the past centuries. This book will furnish students and teachers of accounting subjects with interesting reading that will enable them to realize that the principles of bookkeeping as laid down by Pacioli in centuries ago are as true today as they were when written. There are many things to be complimented in this translation and a paragraph from chapter 23, on page 93, might be of interest if followed by the present day auditor and accountant when there are differences

or corrections to be recorded in the audit report.

"A good bookkeeper should always mention these differences, and the reason for them, thus keeping the book above suspicion, so that the good notary, in his instruments, cannot add to or take therefrom without particular mention of such increase or decrease. There should be that particular respect for the good bookkeeper, so that mercantile reputation be maintained."

Book of Business Standards

Edited by J. Geo. Frederick, president Business Bourse, New York, author "Business Research and Statistics." The edition contains 258 pages, well printed, price \$2.00. Published and for sale by the Commercial Standards Council, 45 West 45th Street, New York, N. Y.

The book is compiled and written for practical guidance in the interest of better business. This book of Business better business. This book of Business Standards aims to establish a standard code of ethics, a uniform system of accounting and standard forms for business purposes, to improve and simplify business. An extract from page 243, second paragraph, reads as follows:

"The term 'unprofessional conduct' has its equivalent in 'unbusiness-like methods.' Organized professions set standards for their conduct and change them from time to time to suit growing conceptions of duty and obligation. Organized employers and business men, even though as yet in small numbers compared with the whole body of those concerned, are learning the finer meanings of 'Businesslike Methods.'"

Character Reading

This office acknowledged with pleasure receipt of a copy of the book entitled Character Reading through analysis of the features by Gerald Elton Fosbroke containing 193 pages with 56 full illustrations from original drawings by Carl Bohmen. Published and for sale by G. P. Putnam's Sons, New York City.

This is an interesting study of character reading. The author's purpose seems to incite to inquiry, criticism and research. Only by a careful application of the rules laid down by the author can any true worthy analysis of character be arrived at. The rules are fully and carefully stated and are explained by series of illustrations of exceptional value.

SENATE WILL ACT SOON ON TAX BILL PASSED BY HOUSE

Measure Goes to Upper Chamber, Assured Only of Prompt Consideration

The \$325,000,000 tax-reduction bill entered today upon its uncertain jour-

ney in the Senate, assured only of prompt consideration.

With the measure effecting far-reaching slashes in income taxes payable next March 15, President Coolidge has asked the Senate to act in time for it to become law before that date.

Chairman Smoot of the Senate Finance Committee, to which the measure goes first for study and approval, has called the committee to meet January 4, immediately after the holiday recess.

Though passed yesterday by the House by a vote of 390 to 25, and endorsed "in principle" by President Coolidge as well as the leaders of both parties in the House, the attitude of the Senate on the measure is a question mark.

Repeals Tax Publicity

The bill repeals the provision for publicity of income tax returns, voted into the last revenue act by the Senate, and the gift tax, a provision forced into the last law by the House.

However, the principal fight in the Senate now appears to center on the measure's income tax changes, which relieve 2,500,000 taxpayers by increasing personal exemptions from \$1,000 to \$1,500 for single persons and from \$2,500 to \$3,500 for married persons. It reduces the maximum surtax from 40 to 20 per cent, while the normal income tax rates are cut from 2 to 1½ per cent on taxable incomes of \$4,000 and less, from 4 to 3 per cent on the next \$4,000 of income and from 6 to 5 per cent on the remainder of income.

Little Change Made

With the exception of several amendments offered by the ways and means

NOTICE TO MEMBERS

Annual-1926-Dues

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committee, drawn in most instances to perfect the language, the bill went through the House in the form it was submitted by the committee after seven weeks of pre-session hearings and considerations.

One of the amendments offered yesterday by the committee and accepted, forestalled probably one of the most serious attacks on the bill. This amendment changed the proposed terms of the 16 members of the Board of Tax Appeals from life appointments to a maximum of 14 years.

The bill slashes or repeals almost every Federal tax. The largest part of the reduction—\$193,575,000—goes to the income taxpayers, who will get the benefit of the normal and surtax reductions when the taxes on their incomes of this calendar year fall due March 15.

With this in mind, President Coolidge has expressed hope that the Senate will act upon the bill in time to have it finally enacted by March 1.

The measure repeals two new provisions of the law enacted two years ago—publicity of income tax returns and the gift tax.

It relieves 2,500,000 persons of income taxes altogether by increasing the personal exemptions from \$1,000 to \$1,500 for single persons and from \$2,500 to \$3,500 for married persons.

The normal income rates are cut by the bill from 2 to 1½ per cent on the first \$4,000 of taxable income; from 1 to 3 per cent on the next \$4,000 and from 6 to 5 per cent on the remainder of income.

The maximum income surtax and inheritance tax rates are cut from 40 per cent to 20 per cent, with corre-

sponding reductions in the lower brackets, and the 25 per cent credit for "earned income" may be claimed up to \$20,000 of income instead of \$10,000, while 80 instead of 25 per cent credit is allowed in settlement of the Federal inheritance tax for the amounts paid on similar State levies.

No change is made in the corporation or capital stock taxes, but reductions are made in the levies on cigars, alcohol, automobile passenger cars and admissions, with most of the remaining excise and occupational levies eliminated.

Most of these new rates would take effect upon enactment of the measure, and others 30 days later.

Administrative provisions are revised and the salaries of members of the Board of Tax Appeals are increased from \$7,500 to \$10,000.

The bill also provides for creation of a commission, consisting of members of the Senate and House and others to be named by the President, to investigate the Internal Revenue Bureau with a view to working out a program for simplifying the law and correcting any existing evils.—Washington Star.

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CIVIL SERVICE COMMISSION ANNOUNCES COMPETITIVE EXAMINATIONS FOR VARIOUS POSITIONS

The Civil Service Commission today announced open examinations to fill the following vacancies:

Design draftsman (topographic and subsurface), public works department, naval station, Cavite, Philippine Islands, at \$8.08 a day.

Assistant electrical engineer (automatic telephone), Signal Service at large, at \$2,400 a year.

Specialist in cotton classing at \$3,800 a year, associate specialist in cotton classing at \$3,000 a year, Bureau of

Agricultural Economics, Department of Agriculture.

Plant quarantine inspector, Federal Horticultural Board, Department of Agriculture, at \$1,860 a year.

Assistant chief warehouse examiner (tolacco standardization), Bureau of Agricultural Economics, Department of Agriculture, at \$3,800 a year.

Junior zoologist, Bureau of Animal Industry, Department of Agriculture, at \$1,860 a year.

Station and hospital librarian, at \$1,860 a year, assistant hospital librarian at \$1,500 a year, Veteran's Bureau and naval establishments throughout the United States.

Library aid, Bureau of Chemistry, Department of Agriculture, at \$900 a year.

Physiotherapy aide at \$1,020 a year with quarters, subsistence and laundry, to \$1,500 a year without allowances; physiotherapy assistant at \$1,500 to \$1,600 a year, St. Elizabeth's Hospital, Public Health Service and Veterans' Bureau.

Minor apprentice lithographer (artistic), various branches of the Government service, at \$900 a year.

Junior messenger at \$600 a year, assistant messenger at \$900 a year, departmental service, Washington, D. C.

Full information and application blanks may be obtained at the office of the Civil Service Commission, 1724 F street, Washington, D. C.

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Dec. 3, 1925.

Mr. Bert F. Jones,
319 Bank of Commerce Bldg.,
Memphis, Tenn.

Dear Sir:

I beg to advise that I received sometime ago a copy of the C. P. A. Bulletin, November 1st issue, and am very much interested in the matters referred to therein pertaining to work of the National Association of Certified Public Accountants and the safeguards which they are endeavoring to supply.

I was also glad to notice that you stand so high in the councils of the association as to be elevated to the first vice-presidency. Your fellow members evidently know a good man when they see him.

With kindest regards, I remain,
Yours truly,
A. L. HACH.

SECOND CONFERENCE OF ASSOCIATION EXECUTIVES HELD AT BRIARCLIFF LODGE, SCARBOROUGH, NEW YORK

(Continued from First Page)

Mrs. Olive G. Ricker, American Bar Association, 919 The Rockery, Chicago, Ill.

G. T. Seabury, Secretary, American Society of Civil Engineers, 29 Wets 39th Street, New York City.

G. S. Wood, Secretary, Metropolitan Chapter, American Society of Safety Engineers, National Safety Council, 29 W. 39th Street, New York City.

The second annual meeting of the conference of Association Executives was called to order by the President at Briarcliff Lodge on October 16th, with the members named on the front page of the Bulletin in attendance. The objects of the meeting were stated clearly by the President and a complete program was taken up for discussion, item by item. Many of the objects discussed were items in relation to accounting and accounting systems which affect the accounting policy of nearly every organization. The members related their experiences with respect to each item contained in the program and this was followed in most instances by interesting and spirited discussions.

The principal object of the convention was for the purpose of bringing together many executives and to work out a uniform system and method of procedure for the National Organizations in each particular line.

The conference was praiseworthy in every respect and its results no doubt will be far-reaching among those interested in work of this character.

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ANNOUNCEMENTS

M. J. Conway announces the removal of his office from Fresno, Calif., to 506 Financial Center Building, 704 South Spring Street, Los Angeles, Calif. He is specializing in Federal Income

and Estate Taxes, Accounting and Auditing.

"The Homecomer," published by the Construction Division Association, announces the Jubilee Homecoming dates as February 26 and 27.

Once more the call goes forth to bring back to headquarters the C. D. A. We cannot at this date give an account of the details, but the following will be suggested as a tentative outline for the Jubilee Homecoming:

February 26.—Assembly on Friday at the Washington Hotel.

Conference luncheon at noon.

Sociability session in the afternoon.

Dancing all Friday evening in the Rose Room at the Washington Hotel.

February 27.—On Saturday morning a meeting is proposed on co-operation with the War Department.

Saturday afternoon at 3 p. m., the regular business session.

Presentation of Past Commander's medal by the Construction Division, Post No. 10, American Legion.

Saturday evening the annual banquet.

Mr. A. W. Carver, Accountant and Auditor, of Muscatine, Iowa, who has been working on some government cases in this city, made the office a very pleasant call.

James J. Izard, of Roanoke, Va., made this office a visit while in Washington.

Mr. B. L. Boykin, Accountant and Auditor, of Mobile, Ala., paid this office a visit while in Washington on tax matters.

Charles S. Bledsoe, Accountant and Auditor, of Tulsa, Okla., made this office a very pleasant call while waiting for a conference with the United States Board of Tax Appeals, before whom he has several important tax cases pending.

This office acknowledges with pleasure the Christmas greeting sent to us by Mr. J. W. Hendrix, a bonded member of this association, containing the following verse and a reproduction of the original Declaration of Independence.

"May every day of the Dawning New Year add something to your measure of health, happiness and prosperity. No year in our lifetime will be more interesting. Nineteen Twenty-Six marks the One Hundred and Fiftieth anniversary of the birth of our Nation. This reproduction of the original Declaration, done on fine art parchment, is being sent to you as an expression of Good Will and Appreciation and to commemorate fittingly this Sesquicentennial of its adoption by the immortals whose courage, sacrifice and devotion to ideals laid the foundation of all that we enjoy as Americans."

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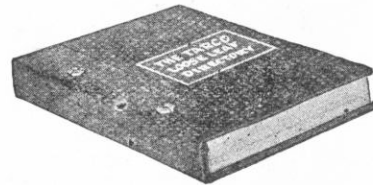
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SAMPLE ANALYSIS SHEETS SENT ON REQUEST

TALLMAN, ROBBINS & COMPANY, 318 West Superior St., Chicago, Ill.

The State of Michigan announces an important new law, effective August 27, 1925:

"Motorists must take all emblems of clubs or lodges, of which they are not members, off the radiators of their machines, or be subject to arrest."

Michigan might also announce that all accountants wearing C. P. A. badges from other states must remove such badges before entering or be subject to arrest.

We are just in receipt of a card from our Mr. Lawrence J. Adams, who is doing some accounting work in Ger-

many. Mr. Adams is stopping at the Hotel Espalnade, Berlin.

John H. Reighley, connected with the Treasury Department, now stationed at Chicago, Ill., made this office a visit while in Washington.

HOLIDAY GREETINGS—This office acknowledges with pleasure the many, many Christmas and New Year cards. Space does not permit us to answer each, but to you and each of you we extend our best wishes for a Happy and Prosperous New Year.