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## C. P. A. Bulletin, Vol. 6, No. 6-7, June-July 1, 1927

National Association of Certified Public Accountants

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# The C. P. A. Bulletin

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Vol. 6, Nos. 6-7

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

June-July, 1927

## CONVENTION NUMBER

1928 Meeting Toronto, Canada

Sixth Annual Meeting  
National Association of Certified Public Accountants

What Happened May Be Summarized as Reported by the Evening Star, Washington, D. C., Wednesday, June 8, 1927.

### Accountants To Meet In Toronto Next Year

Two-Day Sessions of National Association in Washington  
Come to an End

The National Association of Certified Public Accountants at the headquarters here yesterday closed a two day session. The association has a membership of more than 3,500 and a large number of States were represented by delegates at the meeting.

Representatives of the association from Toronto invited the association to meet in that city next year and the invitation was accepted.

The report of the secretary, C. P. Timmons of Washington, and the chairman of the board of directors, J. R. Hutchison of Iowa, represented that the association's affairs were in prosperous condition and showed a wide area of accomplishments of the association during its existence.

The following are the newly elected officers of the association: William M. Williams, president, New Jersey; Bert F. Jones, first vice president, Memphis; O. D. Luby, second vice president, Chicago; W. A. Owen, treasurer, Washington; C. P. Timmons, secretary, Washington; J. R. Hutchison, chairman of the board, Iowa, and B. L. Boykin, director, Mobile.

## The C. P. A. Bulletin

The official Publication of the  
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

PRESIDENT, WM. M. WILLIAMS, of New Jersey.  
FIRST VICE-PRESIDENT, BERT F. JONES, of Tennessee.  
SECOND VICE-PRESIDENT, OSWALD D. LUBY, of Illinois.  
TREASURER, WM. A. OWEN, of Kentucky.  
SECRETARY, C. P. TIMMONS, of Oklahoma.  
DIRECTOR, J. R. HUTCHISON, of Iowa.  
DIRECTOR, B. L. BOYKIN, of Alabama.

### EXECUTIVE COMMITTEE

J. R. HUTCHISON, Chairman.  
MELVILLE D. THOMAS, Allentown, Pa.  
LAWRENCE J. ADAMS, New York, N. Y.  
DON R. HUTCHISON, Washington, D. C.

### ANNUAL ADDRESS

MR. WILLIAM M. WILLIAMS

Fellow Members:

You are assembled here in person and by proxy for the sixth annual meeting of your Association, and the honor and pleasure of again presiding at your annual meeting is appreciated and enjoyed.

Much has been accomplished to up-build the financial structure and usefulness of your organization during the past year. Each of the respective officers will submit his report in detail, hence this presentation will cover the field only in a general way, particularizing in such instances as require earnest consideration. Many predictions were made as to the outcome of the National, hence its founders and those of us who are joined with them in carrying on their work are rather proud of the fact that its destiny thus far has been in a direction opposite to that which was foreseen most clearly by its opponents.

Victory is empty except when hard earned. A cause based upon the underlying principle of "America for Americans" cannot fail to bring together the strongest forces of this continent who are of the belief that we are competent to establish our own standards and regulate our own affairs.

Your Association appreciates most highly the development of accountancy by our English brethren, but is proud of the fact that American accountants have not attempted to enter into the affairs of the various chartered accountant societies, nor to gain foreign preferment by legislation or otherwise. The American accountant, including our membership in Canada and Mexico, is free from a desire to ingratiate himself in the affairs of the accountants in European countries, and is resentful of any attempt

upon the part of foreign accountants to establish rules or endeavor in any way to set up standards which have the effect of determining who, or who shall not, practice accountancy in America. You are capable of deciding that for yourselves, and you demonstrated your capability so well that your Association now has an enrolled membership of considerably more than three thousand, as the report of your Secretary will show. It is by far the largest organization of its kind in America and its growth should be continued.

Your Board of Governors conceived a plan to further your aims and ambitions and submitted a concise draft to you in the form of a resolution, to be brought forth at this meeting. Considerable discussion was had by this action and many sound and good ideas were developed as a consequence. The need of recognition in some form to the commercial accountant who has not the desire to enter public practice is apparent. Much service of high value to the profession is given by commercial accountants, and many of them have developed their work to the highest degree of efficiency. They cannot afford to make sacrifices required by present unjust and obnoxious State laws, and many of them are not inclined to leave acceptable positions, none the less they are accountants of great capacity. Why should they not be given recognition as such and placed in their chosen field of endeavor?

Your officers had in mind for some time the establishment of a National Accountants Institute, to be fostered by this Association, and to recruit its membership through those ranks. This fact has been crystalized in the following resolution, with the suggestion that it be moved, seconded and passed by you at this meeting, if you think it sufficiently worthy to complete the program.

### RESOLUTION

WHEREAS, the National Association of Certified Public Accountants has established itself permanently as an Association for the betterment of accounting practice as related to public accounting; and,

WHEREAS the said Association desires to increase its scope of usefulness to include accountants in commercial practice who are unable to procure recognition at present in their respective field of endeavor; and,

WHEREAS said Association feels impelled to extend to commercial accountants the recognition which will parallel that of the accountants in public practice; now, therefore, be it

RESOLVED that the National Association of Certified Public Accountants through its President and Chairman of the Executive Committee proceed to organize the National Accountants Institute under the laws of whatsoever state may be deemed most advisable and upon the following conditions:

1. Every member of the National Association of Certified Public Accountants in good standing for three years past will become a charter life member of the N. A. I. without cost to said member.

2. A member of the N. A. C. P. A. remaining in good standing three years from the date of the organization of the N. A. I. becomes automatically a life member of the Institute.

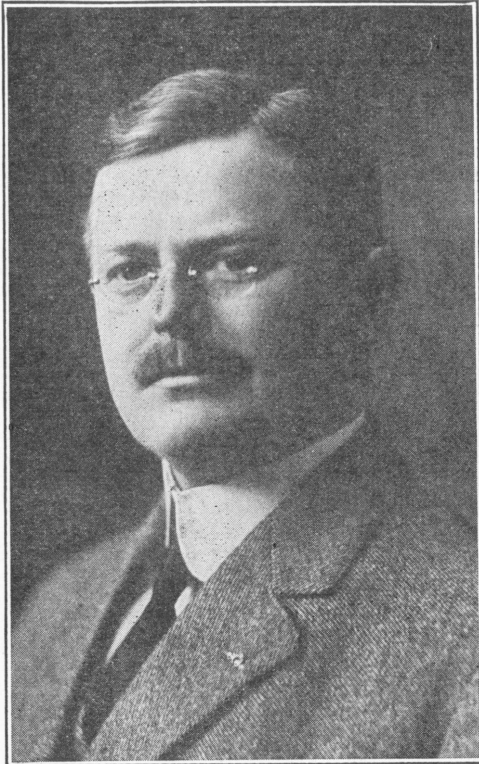
3. The N. A. I. to be qualified to issue recognition of accounting proficiency on terms and condition to be fixed hereafter to each applicant who desires testimonial and who can meet the requirements of the Institute.

4. All expenses of the Institute to be borne by the N. A. C. P. A.

You will perceive from the foregoing that each member of the Association who is in good standing and has been for the past three years becomes a life member of the Institute. No cost for such membership is contemplated.

This Institute is to be incorporated in the state which best suits the project, and with the basic idea of its ability to confer a suitable testimonial upon the professional and commercial accountants who make application therefor.

A public accountant in general practices should be so distinguished and should apply for such suitable recognition as a general practitioner. His fitness should be tested by an examination from which a fair minded jury may judge as to his capacity, and rate him accordingly. Many public accountants are skilled in some particular branch of accountancy, such as, manufacture, insurance, transportation, financial and municipal. Each candidate may apply for a test in his particular branch of the profession, and not be subjected to petty catch-questions with which he is entirely unfamiliar and does not have occasion to use in his practice.



**WILLIAM M. WILLIAMS,**  
President, National Association of  
Certified Public Accountants

The commercial accountant will follow the same line of procedure and one who has become adept in textile accounting will be examined with respect to his knowledge in that particular branch and not in any other unless he so requests. Thus a fair and equitable rating may be established and a public accountant may hold himself or herself to the public as skilled in a specific branch of accounting and to receive proper recognition of such skill from a competent jury, after examination and test.

The desire is expressed that this resolution be acted upon favorably, with the assurance that your officers will enjoy putting the idea into execution.

You will notice further the provision to include in your Association accountants in commercial practice. This is as it should be. The membership of the commercial accountant is just as great in value to you as that of the public accountant. His or her influence can be made as effective on all questions relating to the betterment of accounting practice, and curtailing the many abuses which have arisen in the past. The assumption is fair that a majority of our members have been commercial accountants and can appreciate what an Association of this kind would have meant when they were struggling along in their utmost endeavor to rise above the common level. Why not give a helping hand to the other

fellow? He needs our assistance, or counsel, and advice, and will appreciate them, just as we would have done had we received them in years gone by.

Each member who feels impelled to do his duty in the furtherance of this idea should charge himself with the responsibility of bringing into the Association as many members who are worthy of membership. This should be done at once, because the lapse of three years automatically will cause such new members to become members of the Institute, and this in itself doubtless will prove no inconsiderable inducement. The Institute will be exactly what we claim it. Our faith in our Association and in each other is so strong that the element of doubt is dissipated when the future is considered.

Another point to which your attention is directed this time is the advisability of selecting Toronto for your next annual meeting. A cordial invitation has been extended by our Canadian members, and each of you should give thought to the wisdom of holding the next meeting at a point accessible to as many members as can be gotten together. Should you decide to select Toronto as your next meeting place, be it with the thought in mind that you will exert every influence at your command to induce other members to attend the next annual meeting as well as to resolve that you will be on hand and assist in making the venture successful.

Your confidence of the past year and your loyalty to your offices are appreciated more than words can express. Sincere thanks are offered to each of you for the honor that you have conferred. Let us come forward together and make even greater strides during the next year than we made during the past.

I thank you.

**U. S. MUST PAY BACK \$1,500,000  
SAGE TAX**

*Circuit Court of Appeals Directs  
Money Be Given to Institutions*

New York, June 10.—The government today lost \$1,500,000 in income taxes on the estate of Mrs. Margaret Olivia Sage, late widow of Russell Sage, and thirty-five charitable, religious, and educational institutions profited to that extent under a decision rendered today by the United States Circuit Court of Appeals.

The decision affirms the prior decision of Judge Augustus N. Hand in the matter of the income tax on the estate and orders that the \$1,500,000 be returned to the estate for distribution among the institutions.

Mrs. Sage died November 14, 1918, leaving an estate valued at \$48,939,045, practically all of which was bequeathed to institutions. As her prop-

erties were not distributed at once, due to the settlement of certain indebtedness amounting to \$2,000,000, the Federal Government levied an income tax against the executors.

The executors paid the tax, but under protest, and brought suit to recover on the ground that the beneficiaries of Mrs. Sage's will were institutions of the nontaxable class. Both Judge Hand and the Circuit Court held likewise.

**MISS MABEL OWEN APPOINTED  
FIRST WOMAN TO TAX BOARD**

*Named as Attorney in Appeal Cases  
After Wide Experience in  
Revenue Laws*

*Native of Maryland and Received Her  
Legal Education at Wash-  
ington College*

For the first time, a woman has been appointed to the Board of Tax Appeals as an attorney. Miss Mabel Owen was appointed yesterday to this position.

Miss Owen is a native of Maryland, but entered the civil service from New York. After the passage of the income tax law of 1913, Miss Owen began her service in the income tax division, and worked her way up from the ranks to her present high position. She has had a wide experience in the administration of the revenue laws. This experience and her analytical mind are believed to fit her ideally for the place she has attained.

Miss Owen received her legal education at the Washington College of Law of this city, having graduated in 1921. She was admitted to the bar of the District of Columbia in the same year. She is a member of the local Women's Bar Association.

Besides being well versed in the intricacies of the revenue acts, Miss Owen is a musician and linguist. (The Evening Star, May 10, 1927.)

**STUDY BIDS FOR CITY BOOKS  
AUDIT**

Auditing of the books of the city of Memphis is being delayed while the city commission studies bids submitted by eight auditing firms who seek the contract.

Six of the bids are from Memphis firms, but such a wide difference in prices has led the commission to believe the scope of the work was misunderstood and the bids probably will be resubmitted.

Shannon, Reynolds & Bone, who are now completing an audit of the city's books, have bid \$2,500 for the work contingent on their ability to use the books already audited. In the event the present audit is not available, they have entered an alternate bid of \$12,000.

Other firms bidding include the National Audit Co., \$25,000; D. V. Griffith & Co., \$8,034.75; D. R. Ewing & Co., \$7,750; Bert F. Jones, \$9,975; Harry M. Jay, \$8,650; C. G. Robin-

son & Co., Nashville, \$3,750, and Geo. G. Scott, Charlotte, N. C., \$5,750. The audit was ordered at the recent session of the Legislature.

#### 10,000 NEW LAWS ENACTED THIS YEAR

The legislative grist this year is estimated at 10,000 new laws resulting from 40,000 bills introduced in the legislatures of 44 States. The estimate is made by the National Industrial Council.

#### PUBLIC ACCOUNTANTS AD- DRESSED BY EVANS

Honest accounting is the nemesis of the fake stock promoter, Joshua Evans, Jr., chairman of the board of trustees of the Better Business Bureau and vice president of the District National Bank, last night told members of the District of Columbia Society of Certified Public Accountants meeting at the City Club.

Mr. Evans stated that the campaign against the fake stock promoter by the bureau has built up a sales resistance that is making Washington unprofitable to the financial parasite. Accountants were urged by Mr. Evans to cooperate with the bureau by calling to its attention instances where improper financial promotions were being practiced. —*Washington Post.*

#### SIMPLIFICATION URGED TO PROTECT LOWERING OF PROFITS

Manufacturers can protect themselves against a loss of profits by simplification. According to a statement by R. M. Hudson, Chief of the Division of Simplified Practices, Department of Commerce.

"Manufacturers faced with the problem of steadily declining price levels for their class of products encounter another problem in making as good profit in 1927 as they did in 1926.

"As prices go down under the stress of competition the usual course is to hammer down production costs with the hope of at least preserving the same relative margin of percentage of profit per unit, of sale. However, this usually means smaller actual money profit per unit, and the problem then becomes one of selling enough more units at the lower price to make the same annual net profit as before. This effort to increase sales volume may so add to a company's cost of doing business that the savings it makes in production are lost in the distribution of its product. In that case, even with the greater volume sold, net profit may not be as good as in previous years.

"As a safeguard against smaller net profit, we suggest simplification. It has been definitely proven in numerous instances that 'simplification' reduces both the costs of production

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

Gentlemen:

The suggestion has been made to us that if all parties in any transaction where a cash discount is allowed when the terms are "f. o. b. shipping point, freight allowed," recognized a standardized definition of the term, its uniform application would eliminate misunderstandings and the consequent waste.

Confusion is said to exist at present because some believe the cash discount deductible before the freight allowance is deducted, while some believe the cash discount deductible only after the freight allowance has been deducted.

Confusion is productive not only of waste, but also of suspicion and of unfair practices. A common understanding is more conducive of economy, confidence, and fair competition.

It is believed that we can render a public service by acting as a neutral ground on which the interested parties can come together and express their views, suggestions, or recommendations for the purpose of considering a standardized practice that will be acceptable to the majority of its potential users.

May we suggest that you consider yourself as though in a committee meeting. We are acting as your chairman, holding the meeting by correspondence. The question now before the meeting is, "Is it desirable to have a common understanding of the time when the cash discount is deductible under the terms, "F. O. B. shipping point, freight allowed, cash discount \_\_\_\_\_?"

If so, what rule would you suggest for general adoption?

The committee will meet again by correspondence—or in person if the majority prefers—when the opinions have been received and tabulated into a "concensus of opinion."

This letter is addressed to the trade associations representing all known, probable users of the terms under discussion. If, for any reason, you are not interested in the subject, we would appreciate it if you would transcribe the fact across the face of the letter-head and mail it to us in the inclosed self-addressed envelope which requires no postage.

Let us have your frank and freely expressed opinion as early as you conveniently can.

Yours very truly,

H. C. DUNN,  
*Domestic Commerce Division.*

To The Craft:

We are passing the above along to you. Send in your replies promptly. We will tabulate the answers then forward the results to Mr. Dunn.

THE EDITOR.

and distribution. It has likewise been definitely proven that 'diversification' adds to both production and selling costs. Yet there are many manufacturers who believe that the best way to get more business and to make more profit is to add another number in the line. That would work out profitably more often if they, at the same time, dropped or discarded some slow-moving or seldom-wanted line number, even at the risk of not being able to supply it on an occasional order. The usual practice of striving for greater volume by adding new lines, mean while hanging on to all the old ones, soon make the whole line topheavy, and inventory rapidly piles up with items that do not turn over. Profits that would otherwise have been made on the live lines are absorbed in the cost of carrying the dead ones in stock. As the variety increases, the burden on plant facilities and the whole production personnel increases, and sooner or later

manufacturing costs go up instead of down.

"The manufacturer who can thus keep his production and selling forces 'stripped for action' the manufacturer who has the courage to 'simplify' rather than 'diversify' need not worry about better profits in the face of declining prices."

A simplified statement showing the receipts and disbursements of the United States Treasury for June 15, 1927.

#### U. S. TREASURY STATEMENT June 15, 1927. (Made Public June 17, 1927.)

Customs receipts . . . .	\$1,439,748.72
Internal revenue receipts:	
Income tax . . . . .	11,592,935.15
Miscellaneous internal revenue . . . .	1,705,357.68
Miscellaneous receipts	1,790,891.66

SECRETARY'S REPORT

For the Fiscal Year Ending May 31, 1927.

The sixth annual convention of the National Association of Certified Public Accountants finds us with a net membership of 3,382 members.

Total ordinary receipts .....	16,528,933.21
Public debt receipts..	3,943,650.00
Balance previous day	74,815,726.47
<b>Total .....</b>	<b>\$95,288,309.68</b>
Expenditures	
General expenditures	\$4,922,097.94
Interest on public debt	1,142,785.81
Refunds of receipts..	291,797.27
Panama Canal .....	12,890.71
Operations in special accounts .....	89,302.95
Adjusted service certificate fund.....	39,556.25
Civil service retirement fund .....	92,473.36
Investment of trust funds .....	190,926.60
<b>Total ordinary expenditures .....</b>	<b>6,781,830.89</b>
Other public debt expenditures .....	10,092,395.50
Balance today .....	78,414,083.29
<b>Total .....</b>	<b>\$95,288,309.68</b>

Enrollment:	
June 3, 1921 to May 31, 1927 .....	3,529
Less resignations and cancellations:	
June 3, 1921 to May 31, 1926 .....	130
June 1, 1926 to May 31, 1927 .....	7
By deaths:	
May 31, 1926 to May 31, 1927 .....	10
	147
<b>Leaving our net membership .....</b>	<b>3,382</b>

Those claimed by death since our last meeting are:  
 GEORGE E. ABBOT, Tarrington, Connecticut.  
 RICHARD S. MERRILL, San Francisco, California.  
 WILLIAM D. PARRISH, St. Petersburg, Florida.  
 JOHN WOLFENDEN, Twin Falls, Idaho.  
 WALTER BLAKE, New York City, N. Y.  
 CARL E. NYGREN, Woodhaven, N. Y.  
 JOHN I. DAVIES, Brooklyn, N. Y.  
 GEORGE P. MERRITT, Hartford, Connecticut.  
 WILLIAM ROBERT MacDONALD, Houston, Texas.  
 J. HENRY DEBUS, Chicago, Illinois.

There are no vacancies in the Association's officers, however, we are called to elect at this time five governors, including one governor for three years and four governors for one year.

The retiring Governors are:  
 Bert F. Jones, First Vice President.  
 Don R. Hutchison, Second Vice President.  
 C. P. Timmons, Secretary.  
 William A. Owen, Treasurer.  
 J. R. Hutchison, Chairman.

Governors holding over this year are:  
 O. D. Luby, Director, two years.  
 William M. Williams, President, one year.

I would recommend that the annual dues for the year 1928 be fixed at \$15.00 per year including subscription to the C. P. A. Bulletin.

I would further recommend that delinquent members for the year ending May 31, 1927, be sent the usual notice and if they do not pay up within 90 days time that they automatically be dropped from the Association's rolls.

A notice of the annual meeting of the Association was published in the May 1st issue of the C. P. A. Bulletin, also a notice and proxy was mailed to each member in good standing calling attention to the resolution to come before said annual meeting relative to a vote on passing members, who are in good standing for the year 1927, and having paid dues for a period of three years or more, to that of life members.

All receipts received by the Association have been turned over to the Treasurer. An itemized statement of receipts and disbursements will be furnished the committee.

Respectfully submitted,  
 C. P. TIMMONS, Secretary.

TAXATION—GENERAL  
 FREIGHT RATE REDUCTIONS

Twenty cents a ton reduction in rates ordered on shipments of coal from three districts in Ohio and Pennsylvania.

I. C. C. Decrees cut of twenty cents a ton from three designated sections. In the freight rates on "lake cargo" bituminous coal from mines in the Pittsburgh, Pa., Ohio No. 8 and Cambridge districts of Ohio and West Virginia to lower Lake Erie ports for transshipment by vessel, without corresponding reductions from mines in the "southern district" fields of southern West Virginia, Virginia, Kentucky and Tennessee, were ordered by the Interstate Commerce Commission effective on or before August 10, in its decision made public on May 28 in the Lake Cargo Coal Rates cases.

The cases involved the relative adjustment of rates from the so-called "northern" fields and the "southern" fields to the lakes and the present decision was rendered after a reopening sought by the Pennsylvania and Ohio operators in 1925. At that time the Commission found the existing rates reasonable. It now finds the rates from the Pittsburgh, Ohio No. 8 and Cambridge districts "unreasonable, but not unduly prejudicial," in relation to the local rates on commercial coal, because of the more concentrated movement of lake cargo coal, and prescribes rates not in excess of \$1.46 a ton, in place of a present rate of \$1.66 from mines in the Pittsburgh district and not in excess of \$1.43 a ton, in place of the present rate of \$1.63, from mines in the Ohio No. 8 and Cambridge districts.

The report which is dated May 9, was rendered in No. 15007, Pittsburgh Coal Producers' Association et al. v. Ashland Coal & Iron Railway Company et. al., and embraces also No.

15007 (Sub. No. 1), Eastern Ohio Coal Operators' Association et al. v. Same; and No. 15425, Applied Coal Company et al. v. Baltimore & Ohio Railroad Company et al.

BUILDING AND LOAN ASSOCIATIONS

Building and loan associations are exempt from taxation under the 1918 and 1921 Revenue Acts provided they conducted their operations without violating the principle of mutuality. This is the tenor of the decision by the Court of Claims herein, involving the question of how far afield building and loan association might go without losing their exempt status.

Interpreting the statutes prior to 1921, the court held that it was not the intention of Congress to impose

any restrictions upon the methods of operation of building and loan association further than to confine the benefits to those associations making loans substantially to members. This was the principle of the court's ruling as against the strict interpretation of the statutes by the Bureau of Internal Revenue.

The primary business of a building and loan association, it was held, is to raise money to be loaned to its members and others. The fact that the entire benefit of transactions, with members and nonmembers, of the association accrued to its members alone was said to refute the idea that such transactions impaired its primary business for mutual benefits. The above is an extract from the case, Cambridge Loan & Building Co. v. United States; Court of Claims, No. D-1083.

Bogotá, Marzo 1° de 1.927

Exn:Gr.- Samuel H. PILES.-  
Ministro Plenipotenciario de los  
Estados Unidos.

L. C.

Excelentísimo Señor:

De conformidad con proposición aprobada por la Junta Directiva de la Sociedad Colombiana de Contadores, que tengo el honor de presidir, me permito con todo respeto y atención dirigirla la presente, que tiene por objeto solicitar de V.E., como persona que ha demostrado en más de una ocasión su interés en beneficio del adelanto material y económico de este país, alguna o algunas direcciones de personas o entidades establecidas en New-York, que estén en relación directa con las reformas, métodos y sistemas que se rozen con la Contabilidad Mercantil, Bancaria, Oficial y Finanzas.

Esta Sociedad ha tenido oportunidad de apreciar los valiosos y prácticos sistemas implantados en los Estados Unidos, con referencia a las Contabilidades de las Casas de Comercio y de las Oficinas del Estado, y no ha vacilado en solicitar de V.E. su muy valioso concurso en el sentido de obtener para ella documentos, tratados, croquis, formas y demás papeles que la puedan ilustrar con respecto a los adelantos implantados por los técnicos del ramo en su importante país.

Anticipo de antemano a V.E. las más sinceras gracias, y con sentimientos de mi más distinguida consideración y aprecio, me es grato aprovechar ésta para suscribirme muy a sus órdenes.

Su obsequente y atento, ss. ss.,

  
Presidente.

Mr. J. R. Hutchison, Chairman,  
National Association of Certified Public Accountants,  
Franklin National Bank Building,  
Washington, D. C.

Dear Mr. Hutchison:

Thank you for your letter of May 16 and for the splendid assistance that you have given me in my effort to assist Mr. Brigard, President, of the Society of Colombian Accountants, Bogota, Colombia.

I am forwarding the forms and certificates that you sent me and I am sure that the many letters that you have written to members of your Association will bring in other material of interest to Mr. Brigard.

I have just received a letter from Tallman, Robbins & Company, Chicago, as a result of your writing them and they have inclosed material that I will be able to send on. In writing to our Bogota office, I will tell them to notify President Brigard that his name and address has been placed on your complimentary mailing files. I am sure that our Bogota office and President Brigard will be highly appreciative of your splendid cooperation.

I hope that I may be given the opportunity to reciprocate by rendering service to your organization some time.

Very truly yours,

ERIC T. KING,  
Chief, Specialties Division.

TRANSCRIPTION

Bogota, March 1, 1927.

Excellency, Mr. Samuel H. Piles,  
Minister Plenipotentiary of the  
United States.

Your Excellency:

In conformity with the proposal approved by the directors of the Society of Colombian Accountants of which I am President, permit me with all respect and attention to direct this note that has for its object the solicitation from you as a person who has demonstrated on more than one occasion your interest in the material and economic benefits of this country, one or more addresses of persons or entities established in New York that are in direct contact with the reforms, methods and systems that are used in mercantile, banking, official and financial accounting.

This Society has had the opportunity to appreciate the valuable and practical systems installed in the United States with reference to the accounting offices of commercial houses and offices of the Government and we ask you for your valuable assistance in this matter to obtain for us documents, contracts, outlines, forms, and other papers that might illustrate the systems of the technicians of this field in your important country.

We extend in advance our sincere thanks and sentiments of our most distinguished consideration and appreciation and to put myself at your service.

Very respectfully,  
s Alberto Londoño Brigard,  
President.

(Translated by Mr. C. J. Dean  
Latin American Section)

RUTH SPENT \$9,000 TO SPREAD  
OWN FAME IN 1924, BATS-  
MAN'S TAX FIGHT  
SHOWS

Although fame is fleeting, Babe Ruth seems to be determined that it will not flit away from him while he sits idly by.

The base ball celebrity, in a tax appeal filed at the Treasury, has disclosed that during the year 1924 he "expended the sum of \$9,000 for the purpose of establishing and maintaining good will to the extent of entertaining sports writers, press agents, and others similarly situated in order to constantly keep himself before the public."

This item, more than most base ball players receive in a year, Ruth wants deducted from the deficiency assessment placed on his earnings of 1924, which were given as \$66,215.34.

Counsel for the famous batsman declared the case had been "tentatively disposed of," but it was said at the board of tax appeals that it was recorded as still at issue.

## TAX ADVISERS CALLED

*Green Summons Meeting for July 1 on Law Revision.*

Chairman Green of the House ways and means committee has called a meeting of the advisory board of the joint congressional committee on revenue legislation for July 1.

It will consider revision of administrative features of the present tax laws. The advisory body consists of lawyers and representatives of commercial agencies.

## BANKS SUE AUDITORS AS CAUSE OF LOSSES

*Claims Against Sir George Touche's Accounting Firm Exceed \$300,000*BASIS OF ACTIONS UNUSUAL  
*Plaintiffs Allege Incorrect Report Led Them Into Loans to Company Now Defunct.*

Whether an accounting firm is liable to the creditor of a corporation for an alleged careless and negligent audit of the corporation's books, leading a banking institution to make loans on reliance on the accountant's statement that the corporation was amply solvent, whereas it was insolvent, will be determined in the Supreme Court on June 15 in a suit against Touche, Niven & Co., public accountants, by the Federal International Banking Company for \$242,613 damages because of an examination of the books of the rubber business of Fred Stern & Co., Inc., now defunct.

A similar suit for \$100,000 has been brought against the accountants by the American Exchange Pacific National Bank, but no answer has been filed in this case. The answer in the Federal International Banking Company's suit has been served but is not on file, and information concerning the nature of the answer is withheld by the attorneys until the hearing next month for a ruling as to whether the answer is sufficient.

An application by counsel for the Federal International Banking Company was made to Justice Gavegan to strike out the answer as insufficient. It is understood that the answer is based on two grounds: that the bank was guilty of contributory negligence and that the attempt to hold the accountants liable is barred by the statute of limitations. The papers yesterday showed that the hearing was adjourned to the date mentioned.

*New Complaint Ordered*

The complaint in the Federal International suit came before Supreme Court Justice Mahoney recently on a motion by counsel for John B. Niven, Henry A. Mendes, Francis J. Clowes and C. A. H. Narlian, local members of the firm, for an order compelling

the bank to file a new complaint making the allegations more definite. The Court granted the application, holding that the defendants should have knowledge of the dates on which the bank asserts it made loans in 1924 which were not repaid and the time and place of the examination of the Stern company's books, alleged to have been sworn to as correct by the accountants and to have influenced the bank to make the loans.

The complaint alleges that the examination set forth that on Dec. 31, 1923, the net worth of the Stern company was \$1,000,000 and its surplus was more than \$500,000, whereas it was insolvent to the extent of \$197,000. The plaintiff alleges that after the Stern company went into bankruptcy on Jan. 21, 1925, it was able to recover nothing on its loans, except a 2 per cent dividend, or \$4,840, in the bankruptcy proceedings.

*Assets Called Fictitious*

The complaint alleges further that the report by the accountants represented the item of trade accounts receivable and sundry debts to the Stern company as amounting to \$1,349,380, and that this was false by \$957,317, and further that the item included "non-existent or fictitious assets." The complaint also alleges that the balance sheet understated by \$311,074 the liabilities disclosed by the books.

Because of the novel nature of the two actions they have excited interest in financial and business circles. In the suit of the American Exchange Pacific National Bank, filed by Cardozo & Nathan, the complaint alleges loans of \$100,000 based on representations by the accountants that the Stern company had a net worth of more than \$1,000,000 and a surplus exceeding \$500,000.

Sir George Alexander Touche of London is head of Touche, Niven & Co., which has its local office at 80 Maiden Lane. He was Sheriff of London in 1915 and 1916 and is Chairman of the Industrial and General Trust, Ltd. He was knighted in 1917 and created a baronet in 1920.

—N. Y. Times 5-6-27.

## CURRENT EVENTS

By

J. R. HUTCHISON

The sixth annual meeting of the National Association of Certified Public Accountants has been held. The meeting was well attended both by members and by proxies. Previous administration was endorsed and returned to office with the addition of B. L. Boykin (Alabama) as a member of the Board of Governors to replace Don R. Hutchison (Washington, D. C.) whose term expired. Mr. Hutchison was appointed a member of the Executive Committee. A list of the newly elected officers and appointees will be found in this issue on page two under Board of Governors and Officers.

This annual convention marks another step forward in the purpose for which this Association was originally organized. These annual events and forward steps are the sources of much satisfaction, and we might say pride, to the body of men who have striven for the past years to build up an institute whose designation is both recognized and respected throughout the Union, and which today exerts its powerful influence in behalf of professional accountants throughout the world.

## OFFICER'S REPORTS

The President's report and the Secretary's report are printed in full in this issue. Their recommendation and suggestions as outlined were adopted. The Treasurer's report was received, showing the receipts and disbursements for the year, and reported to the auditing committee who will submit in due time their report.

## TORONTO IN 1928

During the annual luncheon which was held in the Hamilton Hotel and which was enjoyed by the members present, a resolution was adopted and approved that we hold the next annual meeting in Toronto, Canada. This was the unanimous opinion of the members present and it is really believed that a large number of the members of the association will attend the next annual meeting which will be held in the City of Toronto in June, 1928.

## LIFE MEMBERSHIP

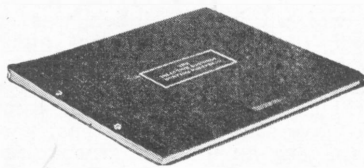
The proxies that were sent out to the various members relative to issuing of life membership certificates were well represented. The resolution was somewhat modified and the resolution with the modifications carried. This we believe you will find an advanced step in the profession and a higher degree of accountancy will be maintained. The resolution brings forth a higher organization of accountants than has heretofore existed. Accountants who have had years of experience in professional accountancy will be eligible for admission. This you will find fully outlined in the report of the President.

## ACCOUNTANTS' BLUE BOOK

The annual meeting of the stockholders of the Accountants' Blue Book Corporation was held June 6th and just prior to the meeting of the National Association. All the outstanding stock was represented either in person or by proxy.

This is a small corporation organized under the corporation laws of the District of Columbia with a capital stock of \$20,000.00 consisting of \$10,000.00 6% preferred stock and \$10,000.00 common stock. The corporation is a printing organization and publishes annually the Accountants' Blue Book and Directory of Bonded Public Accountants. The par





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value of the stock is \$10.00 per share.

The dividend on the outstanding 6% preferred stock having been paid and the members present in conjunction with the Board of Directors passed and approved a resolution to pay 6% on the outstanding common stock to stockholders of record as of June 1, 1927. The Board of Directors passed a further resolution permitting the unsubscribed portion of this stock to be offered for sale, in units, each unit to consist of two shares of preferred stock with one share of common stock, at the price of \$25.00 per unit. Said sale of stock will be offered for subscription in due course of time.

#### FLORIDA C. P. A. LAW

The amendment to the Florida C. P. A. Law proposed by the Florida Society of Certified Public Accountants was defeated in the Committee room and later a bill was proposed and introduced by Senator McCall which was a compromise between the Florida Society and the Independent Accountants of that state. The McCall bill has been approved and accountants who are interested in this bill should write to the Chief Clerk of the Senate, Tallahassee, Florida, asking for a printed copy of the same. It will be noted that in the compromise bill the accountants are divided into two classes, the class distinction being the number of years that you have been in public practice. Accountants who can meet the qualifications should apply for registration under the C. P. A. Act before the expiration of the limitations as stated in the new law.

#### ANNOUNCEMENTS

Walter E. Bronston Agency, Inc., Insurance and Surety Bonds wishes to announce their removal to 1775 Broadway, New York City.

Marcel Bouillon of 704 South Spring Street, announces the removal of his office to 328 W. P. Story Bldg., 6th and Broadway, Los Angeles, California.

Mr. A. V. Elconin, formerly of 252 Kenelworth Avenue, is now located in his new office at 407 Broadway Exchange Bldg., Detroit, Michigan.

F. Harold Deland, Tax Consultant, Formerly Chief Travel Audit Section, member Technical Staff, Consolidated Division, Bureau Internal Revenue, Treasury Department announces the opening of an office in the Smith Building, Washington, D. C., for consultation, preparation and prosecution of cases before the Government Departments.

#### CHANGE OF ADDRESSES

Emile F. Barrette formerly of No. 9 Bank Street has changed his address to No. 244 North Main Street, St. Albans, Vermont.

J. A. Wagner has now opened offices at 125 North 6th Street, El Centro, California.

James A. Le Conte, 155 Cleburne Avenue, is now located at 1044 Cleburne Avenue, N. E., Atlanta, Ga.

S. Ross Root of 202 Marine Bank Bldg., Erie, Pa., is now located in room 313.

William Suchart, formerly of 3014 Linwood Avenue, Kansas City, Missouri, has changed his mailing address to 4126 Paseo Avenue.

George W. Hunt, Jr., Accountant and Auditor formerly located at Astoria, Long Island, New York, is now nicely located at 914 Longfield Avenue, Louisville, Kentucky.

Charles M. Callner, 122 South Michigan Avenue, Chicago, Illinois, is now located at 228 North La Salle Street.

Calixte Parent is now nicely located at his new address in room 11, Chamber of Commerce, 17 St. Johns Street, Montreal, Canada.

Earl H. Caniff is now nicely located at his new address, 6802 Ridge Boulevard, Brooklyn, New York.

James Kurtz, formerly of 200 Broadway, is now located at 79 Tompkins Avenue, Brooklyn, N. Y.

Andrew Raffel has changed his mailing address and he is now nicely located at 1516 South Utica Avenue, Tulsa, Oklahoma.

Edward C. Meyer, of Evansville, Indiana, is now located at 176 12th Street, Milwaukee, Wisconsin.

Edward Risoff is now located at 2545 Walton Street, Chicago, Illinois.

#### VISITORS

Edward F. Vaughan, President of the Commercial Accounting and Auditing Company, Otis Building, Chicago, Illinois, made this office a friendly call while in Washington on tax matters.

James H. Hackney, Accountant and attorney of St. Petersburg, Florida who motored to New Haven, Connecticut made this office a pleasant call while enroute.

Ernest Kritter of New York City while in Washington on tax matters made this office a visit and attended the annual meeting.

Mr. B. L. Boykin, Accountant, Auditor and Income Tax Expert, with offices at 511 City Bank Building, Mobile, Alabama, paid his first visit to the National Association's office in this city on Monday, June 6th. Mr. Boykin is not only one of our charter members, but is one of the pioneer public accountants of America. Mr. Boykin was elected a member of the Board of Governors for the coming year.

John J. O'Brien, of Tulsa, Oklahoma, made us a call while on his way to New York City on official business.

#### ACCOUNTANT WANTED

A Texas firm of Accountants and Auditors specializing in Tax Matters desires the services of a practical accountant, one familiar with Income Tax procedure as operated in Washington, D. C. Salary or an interest in the firm. Address P. H. W. % C. P. A. Bulletin, Room 43, Franklin National Bank Bldg., Washington, D. C.