

12-1940

## Notes of the Month

American Institute of Accountants

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## NOTES OF THE MONTH

### Wages and Hours

The following letter was written by counsel for the American Institute of Accountants, in reply to a letter from a member of the Institute who wished to know whether "accounting firms doing a strictly intrastate business are subject to the provisions of the federal wage-and-hour law." The member's letter also stated, "Our firm does not cross any state lines in performing services, but does perform services for manufacturers who engage in interstate business." The general application of the law to public accountants was discussed editorially under the caption "Wages and Hours" in the October issue of this magazine.

The letter of counsel is as follows:

"I have your letter of the 16th with a copy of a letter of September 7th from a member who asks whether an accounting firm doing a strictly intrastate business is subject to the provisions of the federal wage-and-hour law.

"In my opinion employees of such a firm of independent certified public accountants are not engaged in interstate commerce or in the production of goods for interstate commerce within the meaning of the act, and therefore are not subject to the act.

"The administrator takes the position that to the extent that employees of independent certified public accountants work on audits of clients who are engaged in the production of goods for interstate commerce such employees of the accountant are engaged in an 'occupation necessary for the production' of goods for interstate commerce, and therefore are engaged in the production of goods for interstate commerce within the meaning of section 3(j) of the act, and are within the act.

"There has been no court decision on this point and the opinion of the administrator would not be binding upon the courts.

"It should be understood, of course, that there is an exemption in regard to any employee engaged in a professional capacity as such term is defined and delimited by regulations of the administrator. Whether or not the duties of a particular employee bring him within the definition promulgated by the administrator is a question of fact."

An editorial in this issue discusses the effect of a definition of "professional" employees recently promulgated by the administrator as a basis for exemptions under the fair-labor-standards act.

### Proceedings

Papers presented at the 1940 annual meeting of the American Institute of Accountants in Memphis, Tennessee, will be issued in book form as soon as they have been completely assembled and edited. The proceedings will be mailed upon publication to all members of the Institute. Additional copies will be available at one dollar. Advance orders are now being received by the American Institute Publishing Company, 13 East 41st Street, New York, N. Y.

### S.E.C. Regional Offices

On October 31st the Securities and Exchange Commission announced that registration facilities would shortly be available in S.E.C. offices in San Francisco, California, and Cleveland, Ohio. Under this plan, which is expected to be in full operation by February, 1941, a registrant will be able to complete his registration in either city. The experiment in decentralization will not apply, however, to the registration of issues subject to the holding-company act or to the investment company act.

### S.E.C. Findings and Opinions

The Securities and Exchange Commission has announced that volume 6, part one, of its "Decisions and Reports," containing findings and opinions and reports from October 1, 1939, to December 31, 1939, has been printed. The volume contains seventy-seven findings and opinions and two reports under section 11 of the public-utility-holding-company act of 1935. It is priced at sixty cents and may be obtained from the superintendent of documents, United States Government Printing Office, Washington, D. C.

### **Investment Company Act Rule**

A rule, requiring in one of its provisions that securities placed in the custody of a company which is a member of a national securities exchange by any management investment company registered under the investment company act of 1940 shall be subject to verification by an independent public accountant, was adopted by the Securities and Exchange Commission on October 30th, and became effective November 1st.

The rule provides, with appropriate exceptions, that the member firm acting as custodian must clearly earmark and segregate such securities; that the firm may not hypothecate or pledge such securities except for the account of the investment company; and that the firm may have no lien on those securities for any purpose.

The complete text of this release appears in the Findings and Opinions section of this issue.

### **National Accounting Conference**

On December 2nd, 3rd, and 4th the accounting sections of the American Gas Association and the Edison Electric Institute will hold their Fourth Annual Accounting Conference at the Book-Cadillac Hotel, Detroit, Michigan. The principal theme of the conference will be the rising costs with which electric and gas utilities are faced. Taxation, plant accounting, original cost, and depreciation will also be discussed.

Members of the Institute who are scheduled to participate in the conference are John T. Madden, dean of the School of Commerce, Accounts and Finance, New York University, and William A. Paton, professor of accounting, University of Michigan.

### **Federal Tax Laws**

A footnote was omitted from the article, "Federal Tax Laws—Recent Interpretation and Administration," by Albert L. Hopkins, which was published in the November, 1940, issue of THE JOURNAL, stating that the arti-

cle was originally an address delivered by Mr. Hopkins at the federal tax session on October 14th at the annual meeting of the American Institute of Accountants in Memphis, Tennessee. Mr. Hopkins is a tax attorney with Hopkins, Sutter, Halls & DeWolfe, Chicago.

### **Municipal Audit Requirements**

The following excerpt is quoted from the *Municipal Finance News Letter* of October 16, 1940:

"In a recent meeting of state examiners of local accounts four important auditing points were brought out: (1) If special tax levies are made for a specified purpose such as the payment of all bills, it is necessary to see that the special funds are applied to the special purpose; (2) tax levies for bond payments should be investigated to see that the bonds for which the taxes were levied are actually outstanding; (3) care must be taken to see that bonds and coupons are marked paid when presented and that the bonds outstanding are not reduced until the bonds have actually been presented for payment; (4) bond and coupon accounts should be carried with depositaries so that the city will reflect on its books the amount of bonds and coupons for which deposits have been made."

### **Classification of Accounts for Housing Projects**

The subcommittee on accounting of the central housing committee, Washington, D. C. (a conference organization composed of members of government agencies concerned with housing), of which Boris Baievsky, a member of the Institute, of Washington, D. C., is chairman, has recently prepared a tentative uniform classification of accounts for large-scale housing projects. Copies of this study were sent to representatives of the American Institute of Accountants, the National Association of Cost Accountants, the American Bankers Association, and to university professors and others. Their comments will be considered by the subcommittee for incorporation in a revised edition of the classification of accounts.