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Importing and Its Accounting Features

*The First Instalment of an Article by Francis A. M. Giordon,
a graduate of Pace Institute, New York, based on a
thesis submitted for graduation purposes*

Trading among nations is centuries old. Nations with a surplus of raw materials and commodities export them—other nations lacking raw materials and commodities but with a surplus of manufactured products exchange the latter for the raw materials and commodities. Mr. Giordon has presented, in a clear and informative manner, the routine procedures and accounting operations peculiar to the business of importing—The Editor.

OUR dependence upon other countries for foodstuffs and raw materials grows constantly with the increase in our population and with the size and scope of our industries. In order to fill our increasing needs, we must have a regular and increasing supply of many commodities which are not produced in the United States, or which are produced in such small volume as to be entirely inadequate for our requirements. We must obtain manganese for our steel mills from Russia and South America; our tanneries must have quebracho from Argentina; our automobile-tire industry must obtain crude rubber from Brazil; our machine-shops, rail-mills, armor-plate works, and wire-rope factories must have nickel from Canada and New Caledonia; our tinplate manufacturers must import tin from the Malay Straits and from Bolivia; our silk factories must get their raw products from China and Japan; our clothing manufacturers must import their wool from Australia and Argentina; our manufacturers of twines, canvas, linens, and laces must get their flax from Russia and Belgium; our burlap makers must get their jute from India; our manufacturers of binder twine, which is so essential in the harvesting of our crops, must import sisal from Yucatan. We must also import large quantities of cocoanut oil and other vegetable oils from the Pacific Isles, coffee from Brazil, tea from China, India, Japan, and Java, cocoa from Venezuela, sugar from Cuba, rice from the Far East, spices from the East Indies, platinum from Colombia, and vanadium from Peru. The listing

could be continued indefinitely, but the foregoing is sufficient to indicate the dependence of many of our important industries upon the raw products of other countries.

The magnitude of the value of our imports may be gauged by a study of the tables showing our importations for the years 1919 to 1921, as contained in the World Almanac, 1922 edition. The tables will be found on the following page.

Assistance Offered by International and Interior Banks

The part that the international and interior bankers have to play in the development of our import trade, as well as of our export trade, can not be overemphasized. They must be prepared to offer facilities to their importing clients who wish to buy commodities in foreign countries. They must be able to help the importer to locate sources of raw materials, to inform him regarding reliable foreign exporters and market conditions, and to advise how he may establish the necessary import credits. Many of these bankers maintain international trade service and publicity departments, which answer inquiries in regard to foreign tariffs and trade and banking methods. They also publish technical books and bulletins which contain detailed information, and which can be used for reference by the importer as well as by the exporter.

Assistance Offered by the United States and Foreign Governments

The governments of the United States and of foreign countries also offer aid to the importer, as well as to the exporter. The Department of Commerce of the United States publishes books and bulletins for use by the importer and the exporter. Foreign consuls and attaches furnish information regarding tariffs, trade methods, and banking methods of their several countries, and upon request bring importers and exporters into touch with foreign merchants.

Foreign Preliminaries

Most American importers transact business with foreign manufacturers and producers direct, instead of through commission houses or jobbers as is usual with exporters. Before the goods are shipped to the United States from any foreign country, the shipper is obliged to procure a certificate from the American consul in charge of the district from which the goods are shipped. This consular certificate, known as a consular invoice, verifies the correctness of the declaration required by law. A certificate must accompany each invoice of merchandise that is imported into the United States.

The United States law requires that no imported goods exceeding in value one hundred dollars shall be admitted into this country without the production of a duly certified consular invoice containing: a description of the merchandise; the port of entry to which the merchandise is destined; the time when the merchandise is sold or agreed to be sold; the place where it is sold or agreed to be sold; the person by whom it is sold or agreed to be sold, and the person to whom it is sold or agreed to be sold; the grade and quality of goods, including the marks and numbers under which sold to the trade in the country of exportation, together with marks and numbers of the packages in which the merchandise is packed; the quantities in weights and measures; the purchase price of each item in the currency in which the purchase is made; the kind of currency, whether gold, silver, or paper; and all charges upon the merchandise, including commissions, insurance, freight, containers, and cost of packing. The invoice must be signed by the purchaser, owner, or manufacturer, who must indorse thereon a declaration as to the truth of his statement.

Duty

A great part of the merchandise imported into the United States is subject, on its arrival within the continental limits, to the payment to the treasury of the country of an assessment known as "duty."

This duty is levied for two general purposes. When cost of production abroad is less than cost of production of similar goods at home, the imposition of a duty on the importation of the foreign goods increases their aggregate cost to the importer and presumably makes the cost to him more nearly equal to the cost of similar goods of domestic production. Domestic producers are thus presumably enabled to compete with foreign producers whose cost of manufacture, because of labor conditions and other economic factors, may be less than the cost of manufacture in the United States. This tendency to equalize costs to the purchaser presumably affords a certain measure of protection to the domestic producer.

The second general purpose for which duties are collected is the raising of revenue for governmental purposes.

The rates of duty are not the same for all classes of goods. The rates are specified in a schedule known as a "tariff," which is an integral part of a law passed by Congress.

Duty is levied on either or both of two bases. These bases are known, respectively, as "ad valorem" duty and "specific" duty. Ad valorem duty is levied as a percentage of the value of the merchandise, and the amount may differ, from time to time, on goods of the same kind, because of price or value fluctuations. Specific duty, on the other hand, is levied as a certain amount for importing the article or unit of quantity of merchandise, and it remains constant. It is not affected by fluctuations in the price or value of the goods.

Imports Classified as to Kinds of Materials
(Includes both free and dutiable, all classes)

Year	Crude Material for use in Manufacturing	Foodstuffs in Crude Condition and Food Animals	Foodstuffs Partly or Wholly Manufactured	Manufactures for Further use in Manufacturing	Manufactures Ready for Consumption	Miscellaneous
1919	\$1,250,674,773	\$376,222,730	\$456,200,261	\$605,727,715	\$393,223,404	\$13,671,185
1920	2,141,453,939	622,092,148	891,029,825	801,248,503	745,165,833	37,361,866
1921	1,051,365,828	452,422,871	842,453,641	542,583,869	744,123,648	21,499,573
	4,443,494,540	1,450,737,749	2,189,683,727	1,949,560,087	1,882,512,885	72,532,624

Imports Classified as to Geographical Divisions from Which Importations Were Made

Year	Europe	North America	South America	Asia	Oceania	Africa
1919	\$372,951,315	\$1,052,567,498	\$568,374,904	\$830,752,463	\$190,008,129	\$81,065,759
1920	1,179,400,699	1,486,250,288	869,944,300	1,368,669,105	157,891,783	185,195,939
1921	937,950,819	1,207,459,976	485,249,987	815,445,819	153,471,059	54,871,770
	2,490,302,833	3,746,277,762	1,923,569,191	3,014,867,387	501,370,971	321,133,468

Dutiable Value

Merchandise subject to an ad valorem rate of duty is, as has been shown, taxed on the basis of the dutiable value of the merchandise. The consular invoice, which is filed at the time of entry, states the value of the goods and all shipping charges. The value given can be C.I.F., port of destination (that is, the cost of the merchandise, plus cost of insuring it to destination, plus freight charges); the value can be given, F.O.B., port of original shipment (that is, the cost of the merchandise as placed aboard the vessel at port of original shipment); the value can be given, F.O.B., steamer, C. & F., port of destination (that is, the cost of the merchandise plus the freight charge); etc. As the consular invoice contains a list of all shipping charges, the authorities are able to determine from it the dutiable value of the merchandise. The dutiable value of the merchandise is found independently of the price which the importer pays for his goods. It is based upon the wholesale market price or value of the goods in the country of origin at the time and place of shipment to the United States. Added to this are the value of the containers and all charges and expenses incident to placing the goods into condition for shipment to the United States.

If the duty is specific, the containers, as a rule, are not subject to duty. If the merchandise is subject to ad valorem duty, the containers are dutiable at the rate applicable to their contents. Consular fees, ocean freight, and marine insurance are not dutiable. Any commissions paid by the importer to agents abroad are not dutiable. Inland freight is dutiable if the sale was made F.O.B., port of shipment, but not if the merchandise was sold F.O.B., foreign inland shipping point. Commission paid by the seller forms part of the selling price and is dutiable. Regular trade discounts are not subject to duty, as they form part of the foreign market value of the goods. Stamp taxes and internal revenue taxes remitted by foreign governments upon the exportations of goods are dutiable. In particular shipments, other charges may arise on which special rulings are required.

*Employment of
Custom House Brokers*

The most important legal part of the importing business in the United States and the most difficult feature to understand is the custom-house procedure—that is, the formal steps that are required before the goods may be received by the importer after their arrival. The tariff laws and different schedules for each class of goods are perplexing, the legal questions that may arise are intricate and difficult, and there are complicated processes and countless rules. For these reasons and others the importers rarely attend to the formalities of entry at the custom house, but turn them over to brokers and lawyers who specialize in such matters.

Entry

On receipt of the shipper's bill of lading, the shipper's ordinary invoice, and the consular invoice, the importer files with the customs authorities a sworn statement, known as an owner's oath, certifying that the prices set forth in the invoice are true, that the statements in such invoice as to foreign value are true to the best of his knowledge and belief, and that all other statements in the invoice or other documents filed with the entry are true and correct, and stating whether the merchandise is imported otherwise than in pursuance of purchase or agreement to purchase. The filing of an accurate declaration is important, as false statements made therein may involve severe penalties.

The term "entry" is applied generally to the procedure of formally bringing to the attention of the federal authorities the amount of the goods, and of complying with the governmental regulations with respect to paying duty and the like. The basic document used for the purpose is known as an entry blank.

Entry must be made of all importations whether free or dutiable, and regardless of their value. There are several kinds of entry, the most important of which are the following:

Dutiable Consumption Entry: This entry is made when the importer wishes to pay the duty and secure immediate release to him of his consignment.

Free Entry: This entry is made when the importer wishes to secure release to him of a consignment of non-dutiable goods.

Warehouse Entry: This entry is made when the importer wishes to place goods in a warehouse under government control, known as a bonded warehouse. When goods are placed in a bonded warehouse, they are in the custody of the government and will not be released to the importer until the duty is paid, except as hereinafter indicated. The goods entered for warehousing in bond may be withdrawn from time to time in partial lots, the duty being paid at the time the goods are withdrawn from warehouse. To accomplish this the importer makes out a "withdrawal entry" for each lot he desires and pays the duty thereon.

Entry for Warehouse and Immediate Transportation: This entry is made when an importer whose offices or factories are located at interior points does not care to pay duty on his consignment upon arrival of the steamer. He wishes the goods shipped to him in bond. Payment of the duty is withheld until he wishes to receive possession of the goods at the interior point.

Entry for Warehouse and Exportation: This entry is made when the importer wishes to withdraw, for exportation to a contiguous or non-contiguous foreign country, goods stored in a bonded warehouse. The importer is allowed to export merchandise from a bonded warehouse without the payment of duty.

Entry for Immediate Transportation Without Appraisalment: This entry is made when

the importer wishes his importation, whether dutiable or free of duty, destined for a designated port other than port of arrival of the steamer, to be entered for immediate transportation without appraisalment. Appraisalment will be explained in succeeding pages. It is, however, optional with the importer whether he shall make such entry or enter the goods for consumption or warehousing at port of arrival.

Entry for Transportation and Exportation: This entry is made when the importer wishes his merchandise, arriving at a port in the United States but destined for a foreign country, to be forwarded in transit through the United States without examination or appraisalment. A consular invoice is not required on this entry, but an invoice containing a general description of the merchandise, its aggregate value, and the marks and numbers on the packages must be filed with the entry.

Each entry must be in writing on the prescribed form, which must be signed and declared to. They must show the name of the importing vessel or carrier, the port or place of departure, and the date of arrival; the place, date, and consular number of the certified invoices; marks, numbers, and number of packages, or quantity and kind of merchandise; rates of duty, the separate value at each rate, and the total value of the merchandise. The merchandise must be enumerated and described, and the values and quantities must be given in the entry or in a statement attached thereto.

Pro-Forma Invoice

If the shipment arrives before shipping documents have been received by the importer, entry can be made by the production of a pro-forma invoice. The pro-forma invoice is made by the importer, who states on it the particulars of the shipment as known to him. The importer must be particularly careful to state the correct value of the merchandise if it is dutiable on an ad valorem basis. There is a heavy penalty exacted if the report of the government appraiser disagrees with the stated value of the entry. When entry is made with a pro-forma invoice, a bond must be executed by the importer that he will produce the certified invoice within six months of the date of entry. On free goods the bond is to the amount of one hundred dollars; on dutiable merchandise, to the amount of twice the estimated value.

Entry Without Bill of Lading

If entry is made without the bill of lading, a bond must be executed to an amount which is twice the value of the shipment. In some districts the authorities will not accept a bond, but require a certified check for double the value of the shipment.

Appraisalment of Imports

At seaport and interior ports of entry, the government has established appraisers to examine

import goods for the purpose of determining the proper duty that should be assessed. A certain portion of every incoming consignment goes into the appraisers' stores, where the containers are opened and the merchandise is examined and classified for duty purposes. If the merchandise is non-dutiable, it is repacked and delivered to the importer; but if it is dutiable, its value is fixed and the duty assessed, and upon payment thereof, the goods are repacked and are released to the importer.

Payment of Duties

The importer deposits with the authorities at the time of making a consumption entry (unless the merchandise is entered for transportation or under bond) the amount of duty he estimates should be paid thereon. Upon receipt of the appraiser's report and various reports of landing, weight, gauge or measurement, the authorities fix and liquidate (i.e., determine) the rate and amount of duties to be paid on such merchandise as provided by law, give notice of such liquidation (determination) to the importer or his agent, and collect any increased or additional duties due, or refund any excess of duties deposited, as determined on such liquidation.

Abandonment of Merchandise

Merchandise may be abandoned by the importer within ten days from date of entry, as provided under the Tariff Act of 1922, and the importer is relieved from the payment of duties on the portion so abandoned, provided the value of such merchandise amounts to or exceeds ten per cent of the invoice value of the total importation. Such merchandise is taken possession of by the authorities and sold as unclaimed goods. No part of the proceeds of the sale is returned to the importer.

Methods of Financing

The methods of financing foreign shipments are the same in principle as those used in domestic trade. The various methods employed by the importer for making payments on imports are as follows:

Open Account: This procedure is the same in dealings with foreign merchants as it is in dealings between American merchants. Payments are to be made at some future time; the terms of payment are governed by the provisions of the agreement between the parties to the transaction. The remittance is usually in the form of a banker's draft—a check on a foreign bank—or an ordinary commercial draft or bill of exchange.

Letter of Credit: The importer, if his credit or his funds permit, may secure credit from a domestic bank by means of a commercial letter of credit. The letter of credit is a document signed by the local bank, the substance of which is that the bank will honor drafts drawn on it up to a specified amount, if the drafts are drawn in the manner specified in the letter. The details of the

credit are then communicated to a foreign bank, to be communicated by that bank to the foreign exporter. The importer, in return for the issuance by the bank of the letter of credit, signs a form of note or other obligation to the bank issuing the credit.

In due course, the exporter prepares his goods for shipment and delivers them to a steamship company in exchange for a set of bills of lading. These bills of lading, together with the consular invoice, the commercial invoice, insurance policies, and other documents if required by the letter of credit, are then attached to a draft on the bank which issued the letter of credit and are presented to the exporter's local bank. The latter, after examining the documents, pays to the exporter the proceeds of the draft.

The exporter's bank then forwards the draft and the attached documents to its correspondent bank in this country. Sometimes this correspondent bank is the bank that issued the letter of credit, and sometimes it is not. In any event, the draft is ultimately presented to the issuing bank, which examines the documents to see that they correspond to the requirements of the letter of credit in every particular and accepts the draft. The bank then advises the importer of the receipt of the documents, and of the date of maturity of the accepted draft.

When the steamer carrying the merchandise arrives, the importer applies to his bank for the bills of lading (without which he can not obtain the merchandise from the steamship company), and obtains them after liquidating his indebtedness to the bank. Out of this payment the bank may in turn liquidate at maturity the draft that it had accepted.

In other cases, the importer does not, at the time the goods are received, liquidate his liability to the bank, but instead gives the bank a trust receipt. This document specifies that the merchandise has been duly received by him; that he holds it in trust for the bank; and that, in the event that he sells it, the proceeds from its sale will be applied by him towards paying off his obligation to the bank.

This trust receipt also contains reservations to the effect that the merchandise in question is to be kept by the importer separate from other merchandise and that the proceeds from its sale will be kept distinct from the importer's assets and will be delivered to the bank on the day they are received.

Letter of Credit Issued in a Foreign Country

The issuing of a letter of credit in a foreign country is also a medium for financing importation of goods. In practice this foreign country is usually England, and the monetary unit in which the letter of credit is stated is sterling.

After the negotiations between the importer and the foreign seller in regard to price, date of shipment, and the like, have been concluded, the im-

porter makes application to his bank for a letter of credit issued in a foreign country and based on these negotiations. The importer's banker issues a letter of credit, addressed to a bank in the foreign country and notifying it to honor the exporter's draft. This document is mailed or its substance is cabled to the foreign exporter. At the same time the banker in the foreign country is requested to notify the exporter that his draft will be honored. At the same time, as in the previous instance, the importer signs a note or other obligation in favor of his bank for the amount stated in the letter of credit.

The exporter prepares his merchandise for shipment, and presents a draft drawn upon the bank named in the letter of credit, together with the documents, to his bank for discount. The original bill of lading is sent forward by the exporter's bank to the importer's bank, by which it can be turned over to the importer in accordance with the arrangements made between them. The exporter's bank sends the draft with a duplicate bill of lading to the bank on which the draft is drawn. The duplicate copy of the bill of lading is only for record and serves as evidence that the shipment was made.

The draft is accepted by the bank on which it is drawn, and it becomes an unconditional promise of that bank to pay upon maturity. About two weeks before maturity, the importer's bank remits the amount of the draft to the bank in the foreign country on which the draft was drawn. This remittance is in the currency of the country in which the bank on which the draft was drawn is located. It arrives at its destination by the time the draft falls due, and the bank which accepted the draft is thus in position to pay the draft without drawing upon its own funds.

Foreign Exchange

The importer should, in addition to his acquaintance with the problems incident to the entry of merchandise and its financing, be familiar with the rudiments of foreign exchange. The term "foreign exchange" refers in general to the conversion of currency of one country into the currency of another country. With the exception of certain Asiatic countries in which silver is a circulating medium, the currencies of all the nations of the world are based on a gold standard. The amount of gold in their coins is fixed by law, and this standard gives a measure by which we can compare different monetary units.

An understanding of foreign exchange involves a knowledge of the meaning of the term "par of exchange." The par of exchange expresses the gold equivalents of the various currencies. For example, the amount of gold in a dollar is theoretically 23.22 grains of fine gold; in a pound sterling it is 113.001 grains; in French, Belgian, and Swiss francs it is 4.4803 grains; in a lire it is 4.4803 grains; in a guilder it is 9.3344 grains; and in the German (gold) mark it is 5.531 grains. Dividing

(Continued on page 191)

Purchase Procedure in Modern Organization

The Concluding Instalment of a Review from the Viewpoint of the Company Auditor

By Richard J. Pozdena, C. P. A.

(Continued from the October Issue)

Miscellaneous Purchases of Supplies and Services

In this group are included purchases of supplies and materials not carried in stores, and equipment and services. Requisitions for these originate in the executive departments and, for that reason, require slightly different handling. As in the case of purchases originating in the storeroom, such purchases should be made only in accordance with a standard procedure, for here petty graft and other improper practices are carried on unless properly guarded against.

1. Requisition for purchase.—As all expenditures, outside of pay-roll, rent, telephone, water, gas, electricity, taxes, and other similar expenditures, for which an order can not be issued, should be made on the basis of purchase orders only, it is necessary to originate such purchases through the use of a requisition for purchase. This form should be printed on a different colored paper from the one coming from the storeroom.

This requisition should be made out in duplicate, signed by the person requesting the expenditure, and approved by the head of the department for which the expenditure is made. The original is to be forwarded to the purchasing department, where it should receive the proper approval before a purchase order is issued. The duplicate is to be retained in the department for its record.

2. Standard estimates.—Wherever possible, the procedure before indicated in respect to obtaining estimates should be followed. However, in the case of minor office supplies that are regularly purchased from local stationers and minor repairs, this procedure may be dispensed with. The chief accountant may test the prices charged for the stationery by sending occasionally a messenger to stationers to obtain estimates on some of the articles purchased.

3. Contracts.—Expenditures for rent, gas, water, electricity, telephone, and, in some instances, window washing and porters' work are covered by contracts or agreements, copies of which should be furnished to the accounting department.

For audit purposes, the telephone operator should keep a record of calls made outside of the local area, together with the names of the persons making the calls. From this record it is possible to determine the cost of personal calls made by the employees, and such personal calls should be charged to the employees making them. This procedure would reduce to a minimum the practice of employees making personal calls.

Readings of water, gas, and electricity meters should be made at the time when the service company's men take the readings and should be reported to the accounting department.

4. Purchase order.—Four copies of the purchase order should be prepared. This, too, should be printed on a different colored paper and of a different size from the other purchase order. The original should be forwarded to the vendor. The duplicate, with the requisition for purchase and the estimates, if any, attached, should be sent to the accounting department. The third copy should be sent to the department for which the purchase is being made; and the fourth copy, if the delivery is to be made by freight, express, or truck, to the receiving department, or, if to be delivered by mail, to the mailing department.

5. Receiving records.—Receiving records, in duplicate, should be prepared covering the receipt of the commodities in the two departments. Both copies should be signed by the heads of the respective receiving departments, and, when deliveries are made to the departments ordering them, a receipt, in duplicate, should be obtained from the heads of the departments.

The original copy should be first routed to the stores ledger clerks, where the numbers should be checked off on their receiving records, and should then be transmitted to the accounting department. Here a similar checking should be made of the numbers.

6. Freight and postage.—As such purchases do not require cost pricing, the amounts of freight and express charges and postage are not noted on the bills. However, a report of such payments should be made to the accounting department for proper distribution of the charges to the various account classifications.

7. Vendors' bills.—All bills received by mail should be routed directly to the accounting department. Bills received by messengers who make local purchases, and who bring the purchases direct to the departments where they are to be used, should be checked by the head of the department and their receipt acknowledged by him. The bill should then be transmitted to the accounting department.

Bills for repairs should be approved by the head of the department in which the repairs have been made.

In the accounting department the regular audit procedure with respect to impressing the audit stamp, verifying the mathematical accuracy of the bills, checking against purchase orders or contracts, matching with receiving records (or examining acknowledgment of

receipt), noting the account classification, approving for vouchering, filing for payment purposes, registering, and indexing are carried out.

Return Purchases

Purchases, which are subsequently found unacceptable and are returned to the vendors, should be reported to the accounting department on a rejection slip. This document should state the full particulars regarding the commodity and the reasons for rejection. It should be signed by the person authorizing the rejection.

If the commodities are to be shipped back to the vendor, a shipping order should be issued, which, when shipment is made, should be attached to the rejection slip and forwarded to the accounting department.

The voucher covering the rejected commodities, if not paid, should be cancelled and the accounting records adjusted accordingly by reverse entries. If the voucher has been paid, the commodities should be invoiced back to the vendor.

When a delivery is rejected before the bill has been completely audited and vouchered, the bill, with the rejection slip attached, should be held in the accounting department until it is ordered cancelled or until an adjustment is made.

The auditor should occasionally examine the shipping records to determine that no purchases have been returned without being reported to the accounting department.

Shortages and Damaged Goods

Frequently shipments are received short of part of the shipment or with part of the commodities damaged in transportation. In most cases, the railroads or express companies are chargeable, and it is necessary to note such damages and shortages on the receiving records. This forms a basis for filing claims against the transportation companies, or if delivered by vendor's truck, against the vendor.

Great care should be exercised in recording such charges and in their final adjustment. The auditor should also frequently examine this record to discover whether or not there is stealing going on in the receiving or storing departments, and he should also examine the reports of shortages which may be made to cover such stealings.

At Closing

The greatest danger in recording purchases transactions, however, comes at the time of closing the books. The foregoing procedures are of a routine nature, but certain conditions arise, which, if not guarded against, would tend to distort the final outcome as

recorded in the financial records and as reflected in the statements. The two principal elements are:

1. Purchases paid in advance.
2. Commodities received and not vouchered.

1. Purchases paid in advance.—In concerns where all bills are paid on cash discount dates, and in instances where purchases must be paid in advance, extreme care should be exercised in accounting for such advance payments. The amounts thus paid can not be charged to the commodity accounts classifications, but should be charged to some distinctive classification, such as Purchases Paid In Advance, in which they should be carried until the commodities are received, when they should be journalized to the appropriate account classification.

The most satisfactory method of accounting control for such transactions would be to maintain a purchases paid in advance ledger, in which an account is maintained with each vendor to whom such payments have been made. The general ledger account Purchases Paid In Advance should control this ledger.

Bills of this class are paid before they can be matched against the receiving records; therefore they can not be completely audited. After they have been paid, they should be delivered to the purchases paid in advance ledger clerk, who should post them to the respective vendors' accounts. The total amount posted to this ledger should agree with the total amount recorded in the voucher register as a charge to that account classification. The vouchers should then be returned to the audit section to receive further attention.

Subsequently, when the receiving records are received and the audit completed, the vouchers should be forwarded again to the ledger clerk, who should record them in his journal, charging the respective account classification and crediting the Purchases Paid in Advance classification. From this journal postings are made to the credit of the respective vendor accounts.

On the closing date, the open items in the ledger should be checked against the unaudited bills on file in the audit section and the total proved against the balance in the controlling account in the general ledger.

On the balance sheet, the amount outstanding should be carried among the assets as a prepaid item.

2. Commodities received and not vouchered.—In order that liabilities may be set up for all purchased commodities received during the accounting period, it is necessary to examine the unmatched receiving records and to collect all bills on which receiving records are not necessary. The dates on the receiving records, and the dates of receipt or of services rendered on the miscellaneous purchases bills, govern the period in which the charges are to be made.

The following steps are important:

- (a) The record of receiving record numbers should be examined to make sure that all receiving records issued

during the period have been received in the accounting department.

(b) All unmatched receiving records bearing the dates within the period closed should be segregated and matched against purchase orders, in order to obtain the cost of the commodities received.

(c) All bills under dispute which had been matched with receiving records, but which have not been vouchered, should be collected.

(d) Search should be made in the executive departments for bills covering purchases during the period, for which no receiving records would be issued, and which have not yet been forwarded to the accounting department for audit.

(e) All vouchers recorded in the voucher record from the last day of the period to the closing date should be examined to make sure that they have been properly segregated according to the period to which they belong.

A journal entry should be prepared covering the unmatched receiving records, bills in dispute, unvouchered miscellaneous bills, and vouchers erroneously recorded in the voucher record for the next period, charging the appropriate commodity accounts and crediting Accounts Payable. This entry must be reversed at the beginning of the next accounting period, in order to prevent duplication of charges to the expense classifications, and to clear the accounts payable account.

General Remarks

The procedure outlined applies to concerns using the voucher system of recording and paying their liabilities. In case the voucher system is not used the procedure must be adjusted to conform with the system in use.

The so-called "internal check" is provided in the above procedure, in so far as it calls for the performance of each separate transaction by a different person. This is desirable in large organizations and is essential to reduce to a minimum the possibility of collusion.

In smaller organizations, in which it is necessary to assign several operations to one employee, the operations should be so distributed that no one employee would be in charge of all the steps, either in the purchasing and storing operations, or in the auditing operations. Occasionally, and without notice, re-assignments are advisable. At all times, however, it is desirable that as many employees as possible be engaged in carrying on the work.

It is not sufficient merely to carry on the audit by routing the documents to the accounting department. The auditor should periodically, at uneven periods, go himself or send a trusted assistant to check up on the work in the storeroom, the receiving department, the purchasing department, the cashier's office, and the traffic department (if organized).

All supplies of documents which are numbered serially, such as receiving records, purchase orders, vouchers, rejection slips, and shipping orders, should be under the control of the auditor, and should be issued by him as needed only

to persons authorized to issue them. An accurate record should be kept of the documents thus issued.

Inventories should receive considerable attention from the auditor. They should be checked as to mathematical accuracy, tested against stores ledger records, and investigated as to larger quantities. The larger items should be compared with the same items on the previous inventory, and if unusually high, should be investigated to discover collusion, if any, between purchasing department and vendors. This will also disclose inefficient buying.

A good check on the quality and quantity of commodities purchased may be obtained by employing an inspector, who should examine all commodities received and note his approval on the receiving records. He should be under the jurisdiction of either the auditor or some officer of the company.

(The end)

Boston Student Ford Dealer

CONTEMPORANEOUSLY with the production of their "ten millionth" the Ford Motor Company performed another important act when they signed a contract with the Mathews Motor Company of Watertown, Mass., making this corporation sole representative for Ford cars and accessories in the Boston suburb.

The treasurer and general manager of the Mathews Company is J. M. Mathews, of Boston Pace Institute. *The Watertown Tribune-Enterprise* commenting on the selection of the Mathews Company by the Ford Company, said:

"The treasurer and general manager of the new agency is J. M. Mathews, a clean-cut young man of unquestionable integrity and ability, and the Ford owners of this town are particularly fortunate in having such a man to direct the efforts of the organization that serves them."

The Watertown agency is considered the fourth largest Ford agency in Greater Boston.

Motion Picture Accounting Articles

THERE has appeared recently in current issues of the *Certified Public Accountant* a series of articles on "Motion Picture Routine and Accounting," by R. J. Watterston, C.P.A., a well known practicing accountant of New York City. Mr. Watterston was a student of the Pace Course fifteen years ago or more.

The discussion of the routine and accounting procedure as applied to motion picture production, distribution, and exhibition, is set forth in a particularly clear and informative style, which makes the articles of interest to the layman as well as to the accountant.

Each article evidences thorough preparation, which has resulted in a practical exposition of the principles of accounting as applied to this important industry.



Accountants Attending Annual Meeting of American Institute of Accountants, held in St. Louis, September, 1924.

James F. Welch, C.P.A. Speaks at Pace Institute, Newark

JAMES F. WELCH, C.P.A., a member of the Accountancy firm of Welch & Hastings, of Newark and Paterson, addressed a large group of students and persons interested in accountancy, at Pace Institute, Newark, on Wednesday evening, October 15.

Mr. Welch, who is president of the New Jersey State Society of Certified Public Accountants and president of the State Board of C.P.A. Examiners in New Jersey, took for his subject, "The Work of the Public Accountant."

He discussed the development of accountancy from the early days of commerce to the present time of advanced methods and of governmental recognition of accountancy by the granting of the C.P.A. certificate. Mr. Welch discussed at length accounting methods as applied to various types of business organizations, illustrating many points with interesting examples.

Mr. Welch's address was both technical and inspirational—a message of real encouragement to his auditors.

"There are employment opportunities in the field of accountancy for young men and young women who are willing to secure the necessary training through study and experience," said Mr. Welch, "—opportunities equal or superior to those existing in other professional walks of life.

"What are the opportunities for young men in the field of public accountancy? Of course, I am confining my answer to opportunities for young men employed by certified public accountants. I may tell you that the opportunity depends largely upon the individual. Far too many so-called

"accountants" are now in the field. Far too few young men really fitted by nature and training are in the field seeking positions. Young men, however, who enter this school, and who faithfully do the work assigned them and receive the graduation certificate, need not worry about opportunities for making good.

"If you have something to sell worth while in the line of gray matter and proper accountancy equipment, then I say you will easily find a market for your goods. But, if what you have to sell is the miserable, scrappy work that is being done by far too many young men who today aspire to be accountants, by men who are either too lazy to put forth the proper mental effort necessary to ground themselves well in the fundamentals of accountancy, or by young men who are too indifferent to their own prospects to go to work in earnest and gain a real grasp of what accountancy is and what it means—then, you had better look elsewhere.

"I have spoken to you briefly about the early history of commercial relations between peoples. Races and nations very early sought to establish trade relations with their neighbors and distant peoples. We find nothing in early recorded history about the individual merchant; we find only what some city, race, or nation had done to establish business relations with some other city, race, or nation for the mutual benefit of both. Now, however, we measure business success largely in the terms of individuals or corporations. Consequently, I unhesitatingly tell you that a firm mental grasp of the fundamental principles of accountancy is the real

qualification which fits young men for the larger opportunities in accountancy.

"I know that every young man who has thoroughly and conscientiously completed the six semesters of the Pace Course has a place waiting for him in some certified public accountant's office.

"What are the opportunities for the qualified young accountant? Every business concern in this country must have accountants. Perhaps not more than ten per cent. of those concerns employ really good accountants. The books of the other ninety per cent. are indifferently kept, because there has not been available sufficient good accountants to meet the needs of the business world. Let us travel in imagination into the accountant's office of a large public school system. Here we find that the accountant's system must conform to some definite plan laid out for him by the State Board of Education. Here, we are also very likely to find that because someone with greater political influence than accountancy ability has the job of keeping those records. Need we wonder if we discover that the records have been garbled and that there is no direct conclusion obtainable from them, by means of which the Board of Education could efficiently administer the affairs of the school system? Comparatively few records of school systems today tell their story in a comprehensive and business-like manner. What a broad field of opportunity for the young accountant in the business offices of our national school systems! Again, in the keeping of the records of manufacturing plants, of every mercantile house, and of every bank, there is abundant need for the services of the trained accountant. Strange as it may seem, there is room for improvement in the bookkeeping records of banks today. Many recent articles by well-established accountants have stressed

the need of reform in the bookkeeping systems of banks. My own experience led me long ago to a similar conclusion. Let me illustrate what I mean concretely by the banking house. Such houses issue statements of value which very often appear upon the books at the lowest possible estimation. This condition creates a misstatement of facts and presents a wonderful field for the accountant in which to tell the whole truth.

"The young accountant is also much needed in manufacturing establishments. In some of the older lines, such as shoe manufacturing, cotton manufacturing, and wool manufacturing, splendid systems of accounting have been developed because the business demanded accurate accounting. But it is in the small and medium-sized growing concerns where the young accountant may find ample opportunity to gain a standing in his chosen profession.

"There are two ways in which the young accountant may rise to position and power; first, he may become the private bookkeeper and accountant who attends to the needs of one concern; or, second, he may set himself up as a public accountant overseeing the records of many concerns. From the standpoint of present compensation and future opportunities, the work in the public field offers the greatest returns, due, of course, to the wider experience demanded from the certified public accountant. When one considers that the State Board of Accountancy requires that all applicants for the C.P.A. degree must have served three years in the office of an accountant acceptable to that body, or must have four years' experience in the accountancy business for himself, one can readily understand why the C.P.A.'s returns would far surpass those of the ordinary accountant.

"The list of opportunities for the

young accountant to make good corresponds with a list of every business establishment that attempts to keep its books in proper shape. But there is one underlying principal of the Law, the adherence to which will make, and the violation of which will unmake, opportunities for the young accountant, and that is the command, "Thou shalt not bear false witness." If there is any one thing that will bring success to the accountant, it is the rigid adherence to that command. If there is one thing that will spoil the reputation of a young accountant, it is disregard for that command. Time and again in my experience men who have attempted to get me to misrepresent and misstate facts and have broken with me because I refused to do so, have returned their business to me and confessed that they lost money by following the wrong course.

Any accountant who sticks to facts, who eliminates misstatements, and who shuns misrepresentation of any kind, is bound to succeed, either in an individual job or in practicing as a certified public accountant."

Business Women Plan Clubhouse

THE American Business Womans' Association has launched a campaign to raise four million dollars for the building of a large clubhouse for business women.

A recent report, rendered sometime ago, shows a total of one hundred thousand dollars already raised toward financing the project. A major portion of this sum is in cash and the remainder in short time pledges.

Graduation Exercises

The annual graduation exercises of Pace Institute, New York, will be held this year at the Machinery Club, Hudson Terminal Building, 50 Church Street, New York, on November 15, at 8 P.M. An informal reception and dance will follow the graduation exercises.

The annual graduation exercises of Pace Institute, Washington, will be held on Saturday, December 6, at 9 P.M., at the New Ebbitt Hotel, Washington, D. C., and, as at New York, graduation exercises will be followed by an informal reception and dance.

W. S. Alexander

Auditor of California Pacific Title Insurance Company

A Graduate of San Francisco Institute of Accountancy

PACE graduates and former students may be found everywhere engaged in carrying the responsibilities of executive positions or in the public practice of accountancy. In the Far West, in San Francisco, W. S. Alexander, a graduate of the San Francisco Institute of Accountancy, holds the position of auditor for the California Pacific Title Insurance Company. In this position he not only receives satisfactory financial rewards, but renders an important service to the great business community of which he is a part.

Although a native of Wisconsin, Mr. Alexander calls himself a son of the Golden West. His parents located in California when he was very young. Mr. Alexander attended college for a short time, but before completion of his course he decided to enter business. His educational training, however, continued under the able tutelage of his father, who was a Princeton man and a professional teacher.

Mr. Alexander's first business engagement was in the general auditor's department of the Southern Pacific Company. He remained with this organization for eighteen years and eventually became head bookkeeper in the general auditor's department. Later he served as auditor for the Western Pacific Company and as auditor and cashier in the Pacific Coast department of the United States Fidelity and Guaranty Company.

In his own words, Mr. Alexander has aptly expressed his reason for entering upon the study of accountancy.

"One day I noticed in a local paper an advertisement of a large furniture and supply house which called for the services of an experienced auditor and office manager to take charge of their inside affairs and financing. The advertisement set forth briefly the qualifications necessary to fill the position, showing clearly that it was a man's job and offering a measurable salary, but stating that the remuneration was not so important to them as was the securing of the right man. I took stock of my ability and attainments and candidly decided in my own mind that I was not well enough equipped to make application for a position of such responsibilities. I resigned my position with the United States Fidelity and Guaranty Company, entered the field of insurance brokerage, and enrolled in the San Francisco Institute of Accountancy."

Upon completion of the course, Mr. Alexander was undecided as to the particular field of accountancy in which he wished to engage. He considered public practice and also service with the government as federal tax auditor. He had decided upon the government service when he was offered the position of chief accountant for the California Pacific Title Company. He soon became audi-

tor for this company, which position he has held for the past three years.

This brief chronicle of Mr. Alexander's life contains much that may be useful to the young man who is seeking success. The advertisement in the newspaper—a small incident to be sure—was vital because it turned him toward self-development and attainment of proper mental



W. S. ALEXANDER

equipment. Some men attain success by constant plodding with no definite point in their career that transferred them from the rank of the routine worker to that of the specialist. Others—and the majority, perhaps—can point out the particular incident that resulted in starting them toward the higher level, to eventual success. Mr. Alexander belongs to the latter class.

A biographical sketch is only worth while when it stimulates its readers to better living, to more productive service. There is much in this sketch to stimulate the young man or woman who reads it to greater effort and a fuller life.

A lecture, "*The Analysis of Financial Statements*," by Charles B. Couchman, will be given in the lecture room of Pace Institute on Wednesday, November 12, at 6:30 P.M.

This technical lecture, which will be of great interest and value to business men and students, will be open to the public.

Fifth International Cost Conference

THE Fifth International Cost Conference under the auspices of the National Association of Cost Accountants was held in the Municipal Auditorium, Springfield, Massachusetts, on September 22, 23, 24, and 25. Many accountants engaged in public practice and accountants and executives of manufacturing organizations were in attendance.

The first day of the conference period was devoted to registration, visits to various Springfield manufacturing plants, a Mohawk Trail trip, and a golf tournament. In the evening of the first day the president's reception was held at Hotel Kimball.

Colonel B. A. Franklin, vice-president of the Strathmore Paper Company, opened the second day of the session, which marked the opening of the cost conference proper, and many interesting cost accounting discussions followed on the succeeding days of the conference. Important technical sessions were held during the conference period for discussion of the following cost accounting problems: "Some Practical Applications of Budget Methods," organized by William S. Kemp, of the Holtzer-Cabot Electric Company, Boston; "Some Deficiencies of Cost Accounting and their Cures," organized by C. R. Stevenson, of the Stevenson Corporation, New York; "Organizing a Business for Cost Reduction," organized by John H. Van Deventer, editor of *Industrial Management*; "The Proper Treatment of Variations from Standard Costs," organized by Frank L. Sweetser, of the Dutchess Manufacturing Company, Poughkeepsie; "Some Debatable Points in Cost Accounting Theory," organized by C. H. Scovell, of Scovell, Wellington Company, Boston; and "Selling and Administrative Costs—Their Definition, Analysis, and Distribution," organized by W. G. Cutter, controller, the U. S. Rubber Company, New York. Each topic was ably led, and the members entered enthusiastically into the discussions; and many important and valuable points on cost accounting theory were clearly explained.

The annual banquet of the association was held on the last day of the conference, and general good fellowship and an abundance of excellent after-dinner speaking characterized this enjoyable part of the conference program. The conference was very successful from every viewpoint, with an abundance of valuable information accruing from the technical discussions and a feeling of good fellowship being evidenced throughout the conference period.

MISS BERTHA M. WAGNER, a student of the Pace course in Central City Institute of Accountancy, Syracuse, N. Y., has accepted a position in the Watertown offices of Howard F. Farrington and Company, Certified Public Accountants.

C. P. A. Requirements in New York and New Jersey

STUDENTS and other persons interested in the professional practice of accountancy and in the securing of the C.P.A. certificate often request information with respect to the qualifications and requirements of the various states.

In order to present such information, which is of general interest, there follows a reprint of the salient points of laws governing certified public accountant examinations in New York and New Jersey.

NEW YORK

General business law, Laws of 1909, chapter 25; chapter 20 of the Consolidated Laws, became a law February 17, 1909

Article 8, Public Accountants [As amended to the close of legislation 1924]

§ 80 Certified public accountants.

Any citizen of the United States, or 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, being over the age of twenty-one years and of good moral character, and who shall have received from the regents of the university a certificate of his qualifications to practice as a public expert accountant as hereinafter provided, shall be styled and known as a certified public accountant; and no other person shall assume such title, or use the abbreviation C. P. A. or any other words, letters, or figures, to indicate that the person using the same is such certified public accountant. Any citizen of the United States who has practiced three years as a certified public accountant in another state, under a license or a certificate of his qualifications to so practice, issued by the proper authorities of such state, may, upon payment of the regular fee, in the discretion of the regents of the university, receive a certificate to practice as a certified public accountant without an examination. But he must possess the qualifications required by the rules of the regents of the university and must furnish satisfactory evidence of character and qualifications. [As amended by L. 1913, ch. 443. Source L. 1896, ch. 312]

§ 81 The Regents to make rules.

The regents of the university shall make rules for the examination of persons applying for certificates under this article, and may appoint a board of three examiners for the purpose, which board shall be composed of certified public accountants. The regents shall charge for examination and certificate such fee as may be necessary to meet the actual expense of such examinations, and they shall report, annually, their receipts and expenses under the provisions of this article to the state comptroller, and pay the balance of receipts over expenditures to the state treasurer. The regents may

revoke any such certificate for sufficient cause after written notice to the holder thereof and a hearing thereon. [Source L. 1896, ch. 312]

· § 82 *Misdemeanor*. Any violation of this article shall be a misdemeanor. [Source L. 1896, ch. 312]

The Issuance of the Certified Public Accountant Certificate

The certificate as a certified public accountant may be issued to a candidate who is a citizen of the United States or has duly declared his intention of becoming such citizen and who

(a) Pays a fee of \$25.

(b) Submits evidence that he is more than 21 years of age and of good moral character, and that he resides in or has a place for the regular transaction of business in the State of New York.

(c) Meets the preliminary and professional requirements and passes the examination.

A citizen of the United States, residing in or having a place for the regular transaction of business in this State, who has personally practised for three years as a certified public accountant in another state under a license or certificate earned by passing the regular written certified public accountant examination in that state, may, upon evidence that such written examination of the other state was of not lower standard than that required of applicants in this State and upon recommendation of the Board of Certified Public Accountant Examiners, receive from the Board of Regents a certificate as a certified public accountant without examination, provided the applicant has the academic education specified in section 426 of the Regents rules. The fee for the indorsement of the certificate shall be \$25, the same as that for the issuance of a certificate in this State.

Preliminary requirements. The academic requirement for admission to the certified public accountant examination may be met in any one of the following ways:

1. By presenting evidence, upon forms furnished by the Department, of the successful completion of four years' work in an approved secondary school.

2. By earning an academic or college entrance diploma upon Regents examinations in the schools.

3. By presenting evidence of the successful completion of one full year's work in an approved college or university.

4. By presenting evidence of the successful completion of work in another state or in a foreign country equivalent to the completion of a four-year course in an approved New York State secondary school.

5. By presenting from a professional school evidence of the completion of work recognized as the equivalent of one or more years of work in an approved secondary school together with sufficient

additional credits to make the full equivalent of a four-year course in an approved secondary school. Under this head allowance is made for study completed in registered schools of theology, law, medicine, dentistry, pharmacy and veterinary medicine.

6. By earning within six successive years 72 academic counts in Regents examinations, with a rating of at least 75 per cent in each subject, as follows: (a) required, 56 counts: English three years, 12 counts; English fourth year, 4 counts; any second year foreign language, 10 counts; elementary algebra, 5 counts; plane geometry, 5 counts; two of the three sciences, physics, chemistry, biology, 10 counts; American history, 5 counts; modern history 1, or modern history 2 or social science (civics and economics) 5 counts.

(b) Electives, 16 counts: an additional second year of a foreign language, viz., Latin second year, Greek second year, French second year, German second year, Spanish second year or Italian second year, 10 counts; physics, 5 counts; chemistry, 5 counts; biology, 5 counts; physical geography, 5 counts; intermediate algebra, 2 counts; advanced algebra, 3 counts; solid geometry, 2 counts; plane trigonometry, 2 counts; modern history 1, 5 counts; modern history 2, 5 counts; civics, 2½ counts; economics, 2½ counts; commercial arithmetic, 5 counts; bookkeeping 1, 5 counts; bookkeeping 2, 5 counts; shorthand, 100-word test, 10 counts; drawing, 6 counts. The President of the University may, under extraordinary circumstances, waive the time limit.

7. By passing Regents examinations to supplement one or more successful years of work in an approved secondary school. Eighteen counts are allotted for each year of such work. All candidates who present evidence of the partial completion of a secondary school course will be advised in what subjects it will be necessary for them to pass examinations to complete the requirements for the certified public accountant qualifying certificate. So far as practicable the additional examinations necessary will be based upon the requirements for the 72 count certificate as indicated in paragraph 6.

Special examination in English. All applicants for admission to the examination for a certified public accountant certificate upon credits from foreign countries other than those in which English is the language of the people, all or any part of which equivalent certificates are earned or issued in said foreign countries, must pass a special examination in English, upon which no counts are granted.

Professional requirement. A candidate must present satisfactory evidence of five years' satisfactory experience in the practice of accountancy, at least three of which must have been completed prior to his admission to the

written certified public accountant examination, and at least two of the five years' experience shall have been in the employ of a certified public accountant in active practice, in no less grade than that of a junior accountant or the equivalent thereof. All applications for admission to an examination must be filed with the Professional Examinations Bureau of the Department at least 20 days prior to the date of the examination in order that the experience claimed may be verified.

The examinations. The examinations are held twice a year, at Albany, Buffalo, New York, and Syracuse, in five sessions of three hours each, as follows:

1925	1926	1927
Jan. 26-28	Jan. 25-27	Jan. 24-26
May 18-20	May 24-26	May 23-25
1928	1929	1930
Jan. 23-25	Jan. 28-30	Jan. 27-29
May 21-23	May 20-22	May 26-28

NEW JERSEY

(Amended and Adopted Sept. 12, 1910.)
(Revised Nov. 12, 1919.)

(Amended and Adopted Aug. 19, 1922.)
(Amended and Adopted April 23, 1924.)

1. The Board shall be known under an Act passed by the Legislature of 1904, Chapter 230, as the New Jersey State Board of Public Accountants.

2. The Board shall maintain an office in the State of New Jersey for the transaction of its business; and shall hold a meeting annually on the first Monday in the month of April and shall then elect from among its members a President, a Secretary and a Treasurer, each for the term of one year or until a successor has been duly elected and has qualified.

3. Two members of the Board shall constitute a quorum for the transaction of all business, except the granting of, or recommendation for the granting of, a certificate to any person to practice as a Certified Public Accountant, which shall be only by the unanimous consent of the entire Board and expressed by ballot. A separate ballot shall be cast for each candidate and only after all requirements necessary shall have been complied with by each applicant.

4. Applications must be made only on blanks which will be furnished by this Board and on written request by the applicant. Applications must be accompanied by the fee of \$25.00 fixed by law. In cases of failure to pass requirements or examinations, the fee will not be returned, and for re-examination a new application and an additional fee of \$25.00 will be required. Provided, however, that in the event an applicant having met all the requirements of the Board shall pass the examination to the satisfaction of the Board in respect to three subjects, and shall fail to pass the examination on the fourth subject, then such applicant may, at the discretion of the Board, be re-examined on said fourth subject without payment of further fee.

5. All applicants for examination shall be citizens of the United States, over the age of twenty-one years, and bona-

fide residents of the State of New Jersey at the time of making their applications and shall have resided (or have a place for the regular transaction of business) in the State at least one year prior to the date of application. Applicants shall present to the Board:

(a) Satisfactory evidence of good moral character;

(b) A certificate from the New Jersey State Department of Public Instruction certifying to the fact that they possess the necessary preliminary academic education;

(c) At the time of filing application, evidence of having had three years' experience in public accounting work in the office of a responsible public accounting concern, acceptable to the Board;

(d) Or evidence of having been regularly engaged exclusively in the practice of public accounting, with an established office, for four years.

At least one year of these experience requirements must immediately precede the date of filing application.

6. There shall be two examinations each year, one in May and one in November, of those applicants who have duly qualified as prescribed in these rules. Candidates for examination must file their written applications on or before April 15 for the May examination; or on or before October 15 for the November examination. Examinations shall be held on at least two consecutive days from 9 A.M. to 6 P.M. and shall be conducted in the city of Trenton, N. J., unless otherwise determined.

7. All examinations shall be in writing and with pen and ink, but this shall not be construed to bar further examinations of such other nature as the Board may deem necessary.

8. Applicants for examination shall each be given a number and for identification this number *only* shall be used on all papers. A copy of all the questions, for the subject under examination, at any session, shall be handed to each candidate at the commencement of the session. All subjects must be completed in the time limit allotted by the Board.

9. Examinations will include questions on the following subjects:

- A. Theory of Accounts.
- B. Commercial Law.
- C. Auditing.
- D. Practical Accounting.

10. Markings of examination papers:

- (a) Maximum 100 points each subject;
- (b) Correct answer 75 points;
- (c) Appearance and expression 25 points;
- (d) To pass examinations a candidate must receive 75 points in each subject;
- (e) Each examiner shall examine and mark each subject independently; and the candidate's mark in each subject shall be determined by dividing by three the aggregate of the Examiners' markings in such subject.

HARRY IRA WEINER, a graduate of Pace Institute, New York, has recently passed the C.P.A. examinations in California. Mr. Weiner also passed the examination of the American Institute of Accountants in California.

National Federation of Pace Clubs

THE National Federation of Pace Clubs has begun to organize and plan its activities for the coming year, after a most successful annual meeting and luncheon held last June at the Lafayette Hotel, Washington, D. C. The newly elected officers of the Federation intend to enlarge the scope of its activities so as to encourage the formation of more clubs in Pace schools that, at present, have no such organizations.

In former years, several of the clubs now in the Federation did not become very active until late in the year, and then primarily for the purpose of holding a banquet. A club organized at the very start of the school year has time to make extensive plans with every opportunity to carry them out. More and better activities can be had, and a large and successful banquet is bound to be the result without all the work and worry that the last minute rush necessitates.

The success of the National Federation depends on the success and co-operation of the individual clubs. The Federation cannot undertake to foster and promote inter-club activities unless the individual member clubs are themselves active. In past years, the work of the Federation has been hampered. This year, however, the National Federation is anxious to receive the fullest co-operation possible from the member clubs and to see a spirit of fraternalism exist among all Pace students and graduates.

The advantages to be gained by being a member in a wide-awake, active Pace Club do not seem to be realized by a great majority of the students. Such a membership develops acquaintanceships and friendships and operates as a relief from studies. Participation in the activities of a Pace Club is a worthwhile investment of each student's time, and nine times out of ten will redound to his benefit.

Already this year, the Washington Club has held two most interesting meetings and has mapped out a program for the year that will make the club a worth-while organization for its members. Several issues of a weekly bulletin have already been distributed; a hike was held October 12; the Dance Committee is making arrangements for a dance to be held in the near future; bowling will soon get under way, with inter-club matches being planned with the Baltimore Club as has been the custom for the past two years, and every indication is for a most successful year. Every member is very enthusiastic and all the members are pulling together under the direction of their very able president, Mr. James Kirkland. As yet, the Federation has not been apprised of the program to be carried out by the other clubs, but if one may judge from the optimism displayed by their respective delegates at the last convention, they too will experience a very active year.

Classification Act Gives Government Accountants a New Status

OPPORTUNITIES for men and women in government service have been increased by a recent classification act affecting accountants and executives in departmental positions. Ten grades for accountants have been established by the new act, and the new adjustment in the salaries of assistants and auditors range from \$1680 to \$3600, while those of accountants and executive accountants range from \$3300 to \$7500.

The following reprint of the class specifications for positions in the departmental service sets forth in detail the duties and tasks, the qualifications, and the salary range for each grade.

Accounting and Auditing Assistant

Duties and typical tasks: Under immediate or general supervision, to perform responsible work in the field of accounting or auditing, such as determining, in accordance with the revenue laws and regulations, the tax liability of individuals, fiduciaries, and partnerships as disclosed by income-tax returns, involving a knowledge of well-established rules and presenting questions of minor difficulty.

Minimum qualifications: High-school education or equivalent practical training; three years' experience in the performance of clerical duties, a major portion in the field of accounting and auditing or similar experience of equal value; a thorough general knowledge of office procedure and practice; a thorough acquaintance with the principles and methods of double-entry bookkeeping; investigative ability.

Salary range \$1,680—\$2,040

Senior Accounting and Auditing Assistant

Duties and typical tasks: Under general supervision, to perform difficult and responsible work in the field of accounting or auditing. As the following:

(1) Assisting in auditing the books of account and records of manufacturing and commercial concerns or Government establishments, or assisting in making investigations and studies of accounting methods;

(2) Determining, in accordance with the revenue laws and regulations, the tax liability of individuals, fiduciaries, and partnerships as disclosed by income-tax returns involving problems of moderate complexity;

(3) Determining, in accordance with revenue laws and regulations, the income and profits tax liability of corporations as disclosed by income-tax returns involving well-established rules and presenting questions of minor difficulty;

(4) Classifying, in accordance with groupings required for the preparation of reports under section 19A of the act

to regulate commerce, returns filed by common carriers, preparing the simpler sections of the reports relating to accounting transactions, or assisting in the examination of the accounts of carriers for the purpose of verifying the accuracy of their reports of changes in physical property;

(5) Assisting in the review of depreciation reports; or

(6) Assisting in the compilation of accounting data from reports submitted by common carriers for use in solving accounting problems, or assisting in the conduct of special examinations to determine the accuracy of the carriers' application of the accounting classification prescribed by the Interstate Commerce Commission.

Minimum qualifications: High-school education or equivalent practical training; four years' experience in the performance of clerical duties, a major portion in the field of accounting and auditing or similar experience of equal value; a thorough general knowledge of office procedure and practice; a thorough acquaintance with the principles and methods of double-entry bookkeeping; investigative ability.

Salary range \$1,860—\$2,400

Principal Accounting and Auditing Assistant

Duties and typical tasks: Under general supervision, to perform exceptionally difficult and responsible work in the field of accounting or auditing; or to supervise a group of accountants or auditors engaged in routine work. As the following:

(1) Determining, in accordance with the revenue laws and regulations, the tax liability of individuals, fiduciaries, and partnerships as disclosed by income-tax returns involving problems of exceptional difficulty;

(2) Reviewing audit conclusions on tax returns of individuals, fiduciaries, and partnerships which do not involve problems of extreme difficulty;

(3) Determining, in accordance with the revenue laws and regulations, the income and profits tax liability of corporations, as disclosed by income-tax returns involving problems of moderate complexity; or

(4) Supervising a group of auditors charged with the scrutiny of income-tax returns of individuals, fiduciaries, and partnerships for the purpose of determining whether an intensive audit is necessary.

Minimum qualifications: High-school education or equivalent practical training; five years' experience in the performance of clerical duties, a major portion in the field of accounting and auditing or similar experience of equal value; a thorough general knowledge of office procedure and practice; a thorough

understanding of the principles and methods of accounting; investigative and administrative ability.

Salary range \$2,100—\$2,700

Assistant Accountant and Auditor

Duties and typical tasks: Under general supervision, to perform responsible office work along specialized and technical lines in the field of accounting and auditing; or to supervise a large group of accountants or auditors engaged in difficult and specialized work. As the following:

(1) Assisting, on major assignments, in auditing the books of account and records of manufacturing and commercial concerns or Government establishments, assisting in making investigations and studies of accounting methods or assisting in developing improved accounting systems; on minor assignments, performing such work individually;

(2) Reviewing audit conclusions on income-tax returns of individuals, fiduciaries, and partnerships which involve problems of extreme difficulty and which have as a rule been the subject of conference with the taxpayer or have been appealed for reconsideration;

(3) Determining, in accordance with the revenue laws and regulations, the income and profits tax liability of corporations as disclosed by income-tax returns involving problems of exceptional difficulty;

(4) Reviewing audit conclusions on income-tax returns of corporations;

(5) Determining, in accordance with the revenue laws and regulations, the income and profits tax liability of consolidated corporations as disclosed by income-tax returns involving problems of moderate complexity;

(6) Determining the application of the relief provisions of revenue laws and regulations and the equitable tax liability of corporations involving problems of moderate complexity;

(7) Supervising a group of auditors charged with the audit of the income-tax returns of individuals, fiduciaries, and partnerships for the purpose of determining the tax liability;

(8) Analyzing schedules prepared from the accounts and records of minor or so-called "short-line" common carriers and preparing reports on the corporate history, construction, and growth of the property, history of financing, earnings, investments, etc., under section 19A of the act to regulate commerce;

(9) Assisting in the preparation of final accounting reports on major steam railroads, and assisting in the examination of the accounts of common carriers for the purpose of verifying the accuracy of carriers' reports of changes in physical property under section 19A of the act to regulate commerce; or

(10) Analyzing returns filed by common carriers under sections 204 and 209 of the act to regulate commerce, and determining accounting adjustments required under these sections preliminary to certifying amounts to the Secretary of the Treasury for payment.

Minimum qualifications: High-school education or equivalent practical

training; three years' experience in the performance of responsible and important duties in the field of accounting and auditing or similar experience of equal value; a thorough general knowledge of office procedure and practice; a thorough understanding of the principles and methods of accounting; investigative and administrative ability.

Salary range \$2,400—\$3,000

Associate Accountant and Auditor

Duties and typical tasks: Under general supervision, to perform difficult and responsible office work along specialized and technical lines in the field of accounting and auditing; or to supervise a large group of accountants or auditors engaged in work involving specialized training. As the following:

(1) Having responsibility for the conduct of conferences with taxpayers or their representatives in individual, fiduciary, or partnership income-tax cases involving problems of unusual complexity;

(2) Supervising a small group of auditors charged with the determination of the income and profits tax liability of corporations or the review of audit conclusions reached in these cases; or

(3) Supervising a group of accountants engaged in analyzing returns filed by common carriers under sections 204 and 209 of the act to regulate commerce, and in determining accounting adjustments required under these sections preliminary to certifying amounts to the Secretary of the Treasury for payment.

Minimum qualifications: High-school education or equivalent practical training; four years' experience in the performance of responsible and important duties in the field of accounting and auditing or similar experience of equal value; a thorough general knowledge of office procedure and practice; a thorough understanding of the principles and methods of accounting; investigative and administrative ability.

Salary range \$2,700—\$3,300

Accountant and Auditor

Duties and typical tasks: Under general supervision, to perform exceptionally difficult and responsible office work along specialized and technical lines in the field of accounting and auditing; or to supervise a large group of accountants or auditors engaged in work involving specialized training. As the following:

(1) Auditing, individually or with a small number of trained assistants, the books of account and records of manufacturing and commercial concerns or Government establishments; making investigations and studies of accounting methods; or devising and installing accounting systems;

(2) Supervising a section composed of groups of auditors charged with the audit of income-tax returns of individuals, fiduciaries, and partnerships;

(3) Having responsibility for the conduct of conferences with taxpayers or their representatives in corporation

income and profits tax cases involving problems of unusual complexity;

(4) Determining, in accordance with the revenue laws and regulations, the income and profits tax liability of consolidated corporations as disclosed by income-tax returns involving problems of unusual complexity;

(5) Assisting in the examination of the accounts and records of consolidated corporations for the purpose of obtaining additional data for use in determining the income and profits tax liability;

(6) Determining the application of the relief provisions of revenue laws and regulations and the equitable tax liability of corporations where problems of unusual complexity are involved;

(7) Examining income and profits tax returns which appear to be based on fraudulent representations for the purpose of determining the tax liability, including assessable penalties, and recommending criminal action against the taxpayers;

(8) Analyzing schedules prepared from the accounts and records of major steam railroads, and preparing reports on the corporate history, construction, and growth of the property, history of financing, earnings, investments, etc., under section 19A of the act to regulate commerce; or

(9) Reviewing the conclusions reached in the examination of returns filed by carriers under sections 204 and 209 of the act to regulate commerce to determine whether proper adjustments have been recommended and to calculate allowable deductions on account of disproportionate or unreasonable charges; conferring with carriers in respect to unaudited items for the purpose of reaching an agreement on the allowances to be made therefor.

Minimum qualifications: High-school education or equivalent practical training; five years' experience in the performance of responsible and important duties in the field of accounting and auditing or similar experience of equal value; a thorough general knowledge of office procedure and practice; a thorough understanding of the principles and methods of accounting; investigative and administrative ability.

Salary range \$3,000—\$3,600

Senior Accountant and Auditor

Duties and typical tasks: Under general supervision, to perform the most difficult and responsible office work along specialized and technical lines in the field of accounting and auditing; or to supervise a large group of accountants or auditors engaged in work involving considerable technical training and experience. As the following:

(1) Supervising a section composed of groups of auditors charged with the review of audit conclusions reached in the examination of income-tax returns of individuals, fiduciaries, and partnerships;

(2) Supervising a small group of auditors charged with the determination of consolidated corporation income and profits tax liability or the equitable

tax liability under the relief provisions of internal revenue laws and regulations, or determination of the assessable tax, and penalties, and the criminal action to be taken in cases in which fraudulent returns have been filed; or

(3) Reviewing audit conclusions in consolidated corporation income and profits tax cases which do not involve extremely complex problems.

Minimum qualifications: General collegiate education or equivalent practical training; extended experience in the performance of responsible important duties in the field of accounting and auditing or similar experience of equal value; a thorough general knowledge of office procedure and practice; a thorough understanding of the principles and methods of accounting; investigative and administrative ability.

Salary range \$3,300—\$3,900

Assistant Chief Accountant and Auditor

Duties and typical tasks: To perform the most difficult and responsible office work along specialized and technical lines in the field of accounting and auditing; or to supervise a large and important group of accountants or auditors engaged in work involving extended training and considerable experience. As the following:

(1) Conducting extensive and complicated audits of the books of account and records of manufacturing and commercial concerns or Government establishments; making investigations of involved problems of administration and organization, particularly in respect to accounting methods and procedure; preparing reports on audits and investigations with recommendations and supporting data; devising and installing accounting systems of a complex nature;

(2) Supervising a section composed of groups of auditors charged with the audit or review of non-consolidated or consolidated corporation income and profits tax returns;

(3) Having responsibility for the examination of the accounts and records of consolidated corporations for the purpose of obtaining additional data for use in determining the income and profits tax liability and directing the work of assistants;

(4) Reviewing audit conclusions in consolidated corporation income and profits tax cases involving extremely complex problems;

(5) Directing and having responsibility for the work of a group of accountants engaged in the preparation of reports on the corporate history, construction and growth of the property, history of financing, earnings, investments, etc., of the property of major steam railroads, under section 19A of the act to regulate commerce; or

(6) Originating changes in the accounting systems prescribed for common carriers by the Interstate Commerce Commission with a view to their improvement and development, or preparing rulings conforming to the theory of the accounting systems on important and unusual problems.

Minimum qualifications: General collegiate education or equivalent practical training; extended experience in the most difficult and responsible accounting and auditing work, including experience in administration; a thorough general knowledge of office procedure and practice; high administrative ability.

Salary range \$3,800—\$5,000

Chief Accountant and Auditor

Duties and typical tasks: To direct a staff of accountants and auditors engaged in conducting audits, in making investigations of accounting methods and procedure, or in designing and installing accounting systems. As the following:

(1) Supervising a major division of the Income Tax Unit engaged in the determination of tax liability under the various revenue laws and regulations;

(2) Having general direction of the field work, involving examination of the accounts and records of common carriers, including the correction and adjustment of deviations from the accounting rulings of the Interstate Commerce Commission;

(3) Having general direction of the formulation and revision of regulations prescribing systems of accounts to be followed by common carriers;

(4) Having general direction of the analysis of reports of the field audit of common-carriers' accounts to determine amounts due common carriers under sections 204 and 209 of the act to regulate commerce, or to determine whether the action recommended conforms to the accounting regulations and classification prescribed by the Interstate Commerce Commission; or

(5) Having general direction of research work relating to the development of basic data for classifying depreciable property of common carriers and for determining and applying depreciation rates.

Minimum qualifications: General collegiate education or equivalent practical training; extended experience in the most difficult and responsible accounting and auditing work, including experience in administration; a thorough general knowledge of office procedure and practice; proved executive ability of a high order.

Salary range \$5,200—\$6,000

Executive Accountant and Auditor

Duties and typical tasks: To direct and supervise a large staff of accountants and auditors engaged in conducting general audits, in making general investigations of accounting methods and procedure or in designing systems of accounts for corporations subject to regulation by the United States; or to act as technical consultant to a department head or a commission or board in connection with technical accounting and auditing problems.

Minimum qualifications: Extended experience in the most difficult and responsible accounting and auditing work; proven executive ability of a high order.

Salary range \$6,000—\$7,500

Importing and Its Accounting Features

(Continued from page 181)

the amount of gold in each of the different currencies by 23.22, the amount of gold in the dollar, gives the par of exchange between the dollar and each of foreign currencies: that is,

$$\begin{aligned} 113.001 \div 23.22 &= 4.8665; \\ 4.4803 \div 23.22 &= .193; \\ 9.3344 \div 23.22 &= .402; \\ 5.531 \div 23.22 &= .2382; \end{aligned}$$

Under theoretically normal conditions, therefore, the pound sterling is the equivalent of \$4.8665; the French, Belgian, and Swiss franc is the equivalent of 19.3 cents; the lire is the equivalent of 19.3 cents; the guilder is the equivalent of 40.2 cents; the German (gold) mark is the equivalent of 23.82 cents.

Present Depreciation of Foreign Currencies

At present all foreign exchanges are more or less below par of exchange when compared to the American dollar. The major reason for this is that other countries, bare of raw materials and finished goods and in the throes of reconstruction after long years of destructive warfare, have been compelled to look to this country for enormous quantities of goods of all kinds, which they have been able only partially to offset by exports to this country. As a consequence, Americans have large credit balances in other countries. These balances can not be converted into gold because the stocks of gold in these countries have been depleted. In addition, they can not be converted into the normal amount of American dollars or sold except at a very low figure because of the absence of buyers of these balances. In addition, there is considerable demand in foreign countries for American dollars or American commercial paper payable in dollars (known as dollar credits). Consequently, dollars have risen in terms of the other currencies, and the other currencies have fallen in terms of dollars.

Current Fluctuations in Exchange

Current fluctuations in exchange are caused in the main by variations in the supply of and the demand for credits payable in foreign countries. If bankers who are in possession of credits in foreign countries have a greater demand from prospective purchasers of these credits than they can fill, the price in dollars of these credits rises to some figure which will tend to hinder prospective buying of such credits, or which will attract additional credits of this kind into the market.

On the other hand, if bankers have a larger supply of credits of a country than they have a demand for, the price in dollars of those credits will fall to some figure which will be attractive enough to bring out additional demands on the part of prospective buyers for

such credits, or which will cause credits that are offered to be withdrawn from the market.

Use of Sterling as an Intermediary

Owing to the large and long-continued direct trade of the British Isles with outlying countries, and owing to the extensive banking business conducted by British-controlled capital in those countries, London before the Great War was the financial center of the world. Because of this fact, drafts drawn on London were universally acceptable in settlement of debts. Previous to 1914, drafts payable in London in sterling were resorted to by practically all of the countries of Europe, South America, Australia, South Africa, the Orient, and Straits settlements.

The practice of paying for imports by means of sterling drafts drawn on London is still extensively followed by all trading countries. For example, when a Brazilian firm sells coffee to a Chilean firm, the goods are paid for by means of a draft on London. South American firms frequently remit sterling drafts to creditors in the United States, or send sterling letters of credit; and when Americans export to them, settlement is made by means of drafts drawn on London in terms of sterling.

Supply and Demand of London Exchange

We have seen that the law of supply and demand influences the rate of exchange. Since London is the most important foreign-exchange center, it will be of interest to note the most important of the factors of supply and demand for London exchange which cause constant changes in rates.

The reason for supply are: (1) balances created by reason of short-time loans made in New York by London; (2) balances created by sale of American securities in the London market; (3) balances due Americans for services, such as shipping, insurance, and the like.

The reasons for demand are: (1) necessity for liquidation of balances created by reason of merchandise imported from abroad into the United States; (2) necessity for liquidation of short-time loans made by London in the United States; (3) desire to transfer balances in the United States arising by reason of sale of European securities in the United States; (4) desire to liquidate liabilities to British firms for services, such as banking, insurance, and the like; (5) necessity for remitting interest on American securities held in Europe; (6) desire on part of immigrants to remit moneys to Europe.

Foreign exchange business, however, is not limited to dealings with London. Transactions are carried on with Paris, Rome, Amsterdam, Berlin, and other markets, all of which, in turn, have

financial relations with London and with each other. The markets are so closely interrelated that nothing can occur in any one exchange center without making its influence felt at other centers with which the market has dealings. It should therefore be borne in mind that the law of supply and demand is applicable to all foreign exchange markets.

Gold Points

The gold points are those rates at which it becomes profitable for bankers to import or export gold (coin or bullion) instead of to sell drafts against their balances abroad or to buy exchange in the market.

In normal times, the maximum rate of sterling exchange is about \$4.8665 + \$.02 or \$4.88 +; the minimum is \$4.8665 minus \$.02 or \$4.84 +. The two cent limits which determine the upper or the lower level, are known as the gold points, and represent the cost of shipping a pound sterling from New York to London. The cost of shipping varies according to the rates of interest, insurance, and freight. If the price in the United States of a draft on London were more than \$4.88, it would pay to ship the actual gold bullion or coin rather than buy the draft. On the other hand, if the price of exchange fell below \$4.84, the holder of London exchange would prefer to import the gold, which would be worth at least \$4.84 +, rather than sell the draft at a rate lower than \$4.84. Between these two gold points, in normal times, exchange is constantly fluctuating and although, temporarily, the rates may be higher or lower, the tendencies are strongly toward these limits.

In the past there have been free gold markets only at London and New York. France welcomes imports of gold, but hinders exports of it by certain restrictions. This condition was also true of the old German government. If the free movement of gold between foreign cities and New York is restricted, as was the case during the war, the gold points cease to exist, and there is no limit to which the rate of exchange can be forced by reason of supply or demand.

Arbitrage

The conversion of dollars into sterling or francs through the purchase here of foreign exchange is the direct form of remittance. However, it may be more profitable to resort to a procedure known as arbitrage. For example, the exchange between London and New York may be high, the exchange between New York and Paris may be low, and the exchange between Paris and London may be lower than the New York rate on London. It may then be more profitable for a New York debtor to remit to a London creditor by the following means: (1) to buy Paris exchange; (2) to forward this exchange to a Paris correspondent; (3) to instruct the Paris correspondent to buy sterling with the exchange; (4) to instruct the Paris correspondent to remit to the London creditor with this sterling draft.

(To be concluded in the next issue)

All-Day Conference New York State Society of C.P.A.'S.

THE second annual all-day conference of the New York State Society of Certified Public Accountants was held at the Waldorf-Astoria Hotel, New York City, on Wednesday, October 15. The conference was highly successful. Excellent addresses on subjects pertaining to accountancy characterized the entire program. Mr. Homer S. Pace, president of the Society, presided.

A most interesting address was given by Walter E. Sachs, of the banking house of Goldman, Sachs & Company. Mr. Sachs, from the viewpoint of the banker, spoke on, "The Importance of the Verification of Inventories in Connection with Frauds." Mr. Sachs declared that no item on the balance sheet was more likely to lend itself to misrepresentation than the item of inventory. With respect to the difficulty in handling of the inventory item, Mr. Sachs said:

"This difficulty regarding the inventory item has been recognized by bankers and accountants for years past. Nevertheless, little progress, it appears to me has been made in a standardization of certificates as they refer specifically to inventory. I think it would be quite possible to select at random fifty balance sheets bearing the certificates of different accounting firms, and find fifty totally divergent methods of phraseology in regard to inventory items."

Mr. Sachs emphasized the necessity for alertness on the part of the accountant to detect the recording of fake sales. He called to the attention of his audience the procedure sometimes used when such sales are shown in the accounting records, just previous to the taking of an inventory and the rendering of a statement, then a reverse process being used by showing an item of "returns" after the statement date.

Mr. Sachs suggested that accountants include in their staff personnel, men who have a knowledge of and can judge different lines of merchandise.

Hon. Charles S. Hamel, chairman of the United States Board of Tax Appeals, gave an interesting description of the functions of the board and expressed confidence in the activities of the board in building an organization, altho it had been in existence but several months. "The Board of Tax Appeals is in effect," said Mr. Hamel, "a judicial tribunal of limited jurisdiction. It has power to review determinations of the Commissioner of Internal Revenue with respect to income and profits taxes, estate taxes, and the new gift tax. There are some interesting questions capable of argument on either side as to the extent of jurisdiction of the Board over taxes assessed under past revenue acts. With respect to these, of course, it would not do to express any opinion. It has already been necessary to decide, however, in a litigated case, that the Board has no jurisdiction over claims for refund."

Another interesting address was that of James J. Wilson, assistant district attorney of New York County. Mr. Wilson spoke on, "Legal Means of Reducing Commercial Crimes." He said that bankruptcy cases should be taken out of the hands of lawyers and placed under the direction of a body which would have Governmental supervision. Mr. Wilson declared that, if such a course were adopted, there would be less cost to creditors in the administration of bankrupts' cases and an intensive study of bankrupt cases would be made.

Col. Robert H. Montgomery and Homer A. Dunn spoke on society matters—Col. Montgomery speaking on legislation and Mr. Dunn on club facilities.

A most interesting part of the program was the collation luncheon at the Waldorf during the noon intermission period. During this part of the program and throughout the entire conference informal goodfellowship was in evidence.

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