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TIPS FOR BUSY READERS

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"Change of Accounting Method Versus Correction of Error," Jack Macy, *The Journal of Accountancy*, November 1964, Volume 118, Number 5.

A myriad of cases, followed closely by *Revenue Procedure 64-16, 1964-9 IRB 35*, makes the reading of this article a "must." Revenue Rulings concerning the treatment of vacation pay accruals, coupled with Presidential concern in 1961 of tax abuses within the inventory area, have given rise to substantial litigation predicated on changes in accounting methods.

The author carefully traces the development of Treasury Department examinations through the review of pertinent cases. He points out the fine line of distinction that is being drawn between corrections of errors and outright changes in accounting methods. It is important to note that under Regulation 1.481-1(a)(2) where a change in accounting method results in additional income, the portion of the adjustment applicable to periods prior to January 1, 1954 escapes taxation, *provided the change is initiated by the Commissioner*. On the other hand, if the taxpayer originates the change, the entire amount of income resulting therefrom is taxable. As a result of the stalemate that must arise under these circumstances, Mr. Macy discusses the partial relief afforded by *Revenue Procedure 64-16, supra*. Under this procedure the taxpayer may request a change in accounting "practice" which permits any increases in income to be spread over a ten-year period, beginning with the transitional year.

Those paragraphs dealing with corrections of error are most revealing. Almost every business, regardless of size, is guilty of at least one of the enumerated mistakes. As accountants, therefore, we should be familiar with the faults that are presently under surveillance, the tax consequences of their correction, and the possible conflict between Sections 1311-15 and 481 of the Internal Revenue Code. A

study of these sections alone will not supply us with the answer, and it is for this reason Mr. Macy's article is recommended for your "required reading" list.

D.L.B.

"Some Aspects of Measurement and Accounting," Hector R. Anton, *Journal of Accounting Research*, Spring 1964, Volume 2, Number 1.

In this rather technical article, Mr. Anton compares the requirements for an effective accounting system with the basic properties of a military command-control system.

He discusses the fact that systems require input of data, but output of information. He arrives at a five-part process for measuring the information which is the end-product of the accounting system. The five parts are independent actions but form one integrated process.

He concludes the article with the thought that accountants have done relatively little in testing efficiency of information relative to its cost although much time has been devoted to the problems of generating and processing data. This article points out the need for additional research in the areas of (1) data language, (2) data specifications, (3) data standardization, and (4) data accuracy and control.

M.E.D.

Milestones

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tion of net income arrived at in conformity with generally accepted accounting principles. Another problem facing the profession is the achievement of an understanding and a modus operandi with the Revenue Service with respect to the extent of responsibility and liability of the public accountant in the preparation of tax returns for clients. This problem appears to have been reasonably worked out in England and on the continent but not in this country. A solution in this country would be another milestone of significance.

The most recent milestone in the history of public accountancy has been the passage by the various states of legislation to license or register all practicing public accountants, hitherto restricted to those who met the requirements to become certified public accountants. Legislation providing for the enrollment and registration of public accountants (not certified) was passed in New York State in 1959. In 1963, there were about 16,000 cer-

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