

4-1927

## Correspondence: Exoneration of William Henry Dennis; "Confusion of Terms"

John T. Madden

George O. May

Follow this and additional works at: <https://egrove.olemiss.edu/jofa>



Part of the [Accounting Commons](#)

---

### Recommended Citation

Madden, John T. and May, George O. (1927) "Correspondence: Exoneration of William Henry Dennis; "Confusion of Terms"," *Journal of Accountancy*: Vol. 43 : Iss. 4 , Article 9.

Available at: <https://egrove.olemiss.edu/jofa/vol43/iss4/9>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Journal of Accountancy by an authorized editor of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).

## Correspondence

### EXONERATION OF WILLIAM HENRY DENNIS

*Editor, The Journal of Accountancy:*

SIR: To remain under indictment from the early part of the year 1922 until November 27, 1926, and then to receive full exoneration by the court has been the experience of William Henry Dennis, a certified public accountant of the state of New York, a former professor of accounting in the school of commerce, accounts and finance of New York University, and for some time a member of the state board of examiners. Although the newspapers carried front-page notices of his indictment, the report of his exoneration was not so prominently displayed.

It is deplorable that a man of the personal and professional standing of Mr. Dennis should have been indicted without evidence of any wrong-doing, and that his good name should have remained under this cloud for so many years without an opportunity of having his standing judicially determined. It did not become necessary for Mr. Dennis to offer any proof in defense of the charges against him. The indictment was dismissed at the end of the government's proof, and Judge Thomas D. Thacher of the United States district court for the southern district of New York held that the United States government had wholly failed to establish any wrongful act on the part of Mr. Dennis. No one who knew Mr. Dennis doubted for a moment his innocence.

Every member of the profession will feel a keen sense of personal satisfaction in knowing that Mr. Dennis has upheld in his own practice high standards of ethics which all of us endeavor to maintain. Mr. Dennis graduated from the school of commerce, accounts and finance of New York University in its first class of 1902, and in the same year obtained his certified public accounting license from New York state. He served for many years on the faculty of the university, and owing to the demands of his private practice, he retired from his professorship in the year 1912. Mr. Dennis faced the problem of organizing accounting instruction, and the methods which he developed were a significant contribution to education in the field of business.

From 1914 to 1920 Mr. Dennis served as a member of the New York state board of examiners. He is a member of the New York State Society of Certified Public Accountants, the American Institute of Accountants and the National Association of Cost Accountants.

Yours truly,

JOHN T. MADDEN.

New York, March 11, 1927.

---

### "A CONFUSION OF TERMS"

*Editor, The Journal of Accountancy:*

SIR: There are a number of points in Professor Cole's interesting article\* in your March number, which it would be interesting to discuss.

I am, for instance, less amazed at the difficulty which some business men find in interpreting financial statements to which he refers than the certitude with

---

\* *A Confusion of Terms*, by William Morse Cole.

## *Correspondence*

---

---

which others interpret them and the undue significance they attribute to their interpretations.

Again, while I agree with Professor Cole that the significance of a reserve for depreciation is frequently misapprehended, I believe that far more misapprehension arises in respect of the word "depreciation" than in respect of the word "reserve". Professor Cole seems at times to be himself a victim of this misapprehension. The reserve for depreciation of plant in common practice is not an attempt to measure "overvaluation of assets." The treatment of depreciation is based not on valuation, but on exhaustion. Depreciation is frequently provided where values are increasing.

My object in this letter is, however, merely to suggest a solution of the problem of ambiguity in the use of the word "reserve" different from that proposed by Professor Cole.

The use of the term "reserve" for profits withheld from distribution is, I think, becoming less and less frequent in the United States. The practice of allocating practically the whole of the profits of a year, which is usual in England, is not ordinarily followed here. Where they appropriate part of the profits for dividends and carry a further sum to "general reserve", leaving a small amount to be carried forward in undivided profits account we should ordinarily declare the dividend and allow the balance automatically to fall into surplus. The fact that surplus is unavailable for distribution in dividends and not intended to be so used is sometimes emphasized by showing it as "appropriated surplus". It might be satisfactory and probably it would be easier to standardize the use of "appropriated surplus" in the sense to which Professor Cole would restrict the word "reserve" and limit the word "reserve" to those uses to which he would apply the terms "allowance" and "provision".

I can not agree with Professor Cole that such a use of the word "reserve" is incorrect. It is quite true that what he would call an allowance for depreciation is not a reservation of profits, but it is a reservation nevertheless (if not of gross income at least of gross proceeds from sale), and there is no reason why a reserve should necessarily be a reserve of profits. One advantage of the course I have suggested is that a reservation of profits is a part of surplus, not something distinct from surplus and is therefore most appropriately described by the use of the word "surplus" with a qualifying word or phrase which indicates in what respect it differs from the rest of the surplus.

This leaves the term reserve available for the use in the sense in which it is, I believe, most commonly used in this country, a reservation out of the gross proceeds of past business to meet charges which will or may arise in the future out of that business.

From the standpoint of history, convenience, practicability and psychology, I believe this line of distinction is preferable to the distinction suggested by Professor Cole.

Yours truly,

GEORGE O. MAY.

New York, March 14, 1927.