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Students' Department

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The following problems have been submitted to this department by readers of THE JOURNAL OF ACCOUNTANCY, with requests for solutions:

A, B and C are incorporated companies, intimately related and engaged in similar business. In the early part of the year 1919 company A purchased in the open market 1,000 shares of the common stock of company B, having a par value of $100 a share, for which it paid $150 a share, and on August 10, 1919, it purchased preferred stock of company B for which it paid $50,000, that being the par value of fhe stock then acquired.

On January 2, 1920, company A acquired 1,000 shares of the common stock of company B, par value $100 a share, for which it gave in exchange 2,000 shares of its own common stock, having a par value of $100 a share. The rights to the dividend on the stock so acquired, payable January 10, 1920, were transferred to company A.

BALANCE-SHEET—COMPANY A—DECEMBER 31, 1920

Capital stock, common			$700,000.00
Land		$ 40,000.00	
Buildings		75,000.00	
Machinery		100,000.00	
Investments—Common stock—B	$350,000.00		
Preferred stock—B	50,000.00		
		400,000.00	
Cash		49,500.00	
Inventories		88,000.00	
Accounts receivable		85,000.00	
Accounts payable			51,500.00
Notes receivable, company B	$10,000.00		
Notes discounted	10,000.00		
Accrued wages			8,000.00
Accrued taxes			6,000.00
Deferred charges		1,500.00	
Dividends payable			35,000.00
Dividends receivable		31,750.00	
Surplus			70,250.00
		$870,750.00	$870,750.00

The following is an analysis of the surplus account:

Jan. 1, 1920	Balance	$ 10,000.00	
Jan. 2, 1920	Dividend preferred stock Co. B	1,750.00	
Jan. 10, 1920	Dividend common stock Co. B	20,000.00	
July 3, 1920	Dividend preferred stock Co. B	1,750.00	
July 10, 1920	Dividend common stock Co. B	30,000.00	
Dec. 31, 1920	Dividend preferred stock Co. B	1,750.00	
Dec. 31, 1920	Dividend common stock Co. B	30,000.00	
Dec. 31, 1920	Net profits for year	45,000.00	
			$140,250.00
June 30, 1920	Dividend declared, 5%	35,000.00	
Dec. 31, 1920	Dividend declared, 5%	35,000.00	
			70,000.00
Dec. 31, 1920	Balance		$ 70,250.00

Company B owns 900 shares of the common stock of company C, par value $100 a share, for which it paid $125 a share. This stock was acquired on January 1, 1920, without right to the dividend declared on December 31, 1919, and payable on January 10, 1920. The capital stock of company C outstanding on January 1, 1920, amounted to $100,000.

BALANCE-SHEET—COMPANY B—DECEMBER 31, 1920

Capital stock, common		$200,000.00
Capital stock, preferred 7%		100,000.00
Land	$ 25,000.00	
Buildings	50,000.00	
Machinery	75,000.00	
Cash	46,100.00	
Inventories	47,500.00	
Accounts receivable	66,500.00	
Investment, 900 shares C stock	112,500.00	
Dividends receivable	5,400.00	
Deferred charges	800.00	
Accounts payable		36,500.00
Notes payable (to company A)		10,000.00
Accrued wages		3,000.00
Accrued taxes		2,000.00
Dividends payable		33,500.00
Surplus		43,800.00
	$428,800.00	$428,800.00

Analysis of surplus account shows the following:

Jan. 1, 1920	Balance	$65,000.00	
June 30, 1920	Dividend company C, 6%	5,400.00	
Dec. 31, 1920	Dividend company C, 6%	5,400.00	
Dec. 31, 1920	Net profits for year	35,000.00	
			$110,800.00
June 30, 1920	Dividend common, 15%	$30,000.00	
June 30, 1920	Dividend preferred, 3½%	3,500.00	
Dec. 31, 1920	Dividend preferred, 3½%	3,500.00	
Dec. 31, 1920	Dividend common, 15%	30,000.00	
			67,000.00
Dec. 31, 1920	Balance		$43,800.00

NOTE: Dividends on the preferred stock of company B are payable on January 1 and July 1, and on the common stock, January 10 and July 10.

BALANCE-SHEET—COMPANY C—DECEMBER 31, 1920

Capital stock		$100,000
Land	$ 10,000.00	
Buildings	15,000.00	
Machinery	20,000.00	
Cash	28,000.00	
Accounts receivable	46,500.00	
Inventories	34,000.00	
Deferred charges	500.00	
Accounts payable		32,500.00
Dividends payable		6,000.00
Accrued wages		1,500.00
Accrued taxes		1,000.00
Surplus		13,000.00
	$154,000.00	$154,000.00

Analysis of surplus account shows the following:

Jan. 1, 1920	Balance	$ 15,000.00	
Dec. 31, 1920	Net profits for year	10,000.00	
			25,000.00
June 30, 1920	Dividend declared, 6%	6,000.00	
Dec. 31, 1920	Dividend declared, 6%	6,000.00	
			12,000.00
Dec. 31, 1920	Balance		$13,000.00

NOTE: Dividends are payable January 10 and July 10.

From the data given you are required to submit a consolidated balance-sheet, showing the minority interests.

Solution

There are two distinct methods for making eliminations from stock investment accounts to determine the goodwill to appear in a consolidated balance-sheet.

If the holding company carries the investment in the subsidiary at cost and takes up dividends received as a credit to surplus, the book value of the subsidiary stock ownings at the date of acquisition of the stock should be eliminated. This elimination is made, of course, from the investment account on the asset side and from the subsidiary's capital stock and surplus accounts on the liability side.

If the holding company has taken up subsidiary profits since acquisition by a debit to the investment account and a credit to surplus and has taken up dividends from the subsidiary by a debit to cash or dividends receivable and a credit to the investment account, then the eliminations should be based on the book value at the date of the consolidated balance-sheet.

The second method is much the easier to use when, as in this case, stock purchases are made at different dates, and particularly when the major holding company (company A in this case) owns stock in a minor holding company (company B) and thus indirectly controls a minor subsidiary (company C).

We are therefore faced by this situation: Companies A and B have carried the investments at cost and have credited dividends to surplus; but the solution of the problem would be simplified if they had charged the investment accounts and credited surplus with their shares of subsidiary earnings and had credited the investment accounts with subsidiary dividends. The situation may be met by setting up a statement for each holding company, showing what the investment account and surplus account balances would have been if subsidiary profits had been credited to surplus and if subsidiary dividends had been credited to the investment accounts. Adjustments can then be made changing the investment and surplus balances to these revised figures, and eliminations can then be made on the basis of present book values.

Statements for company B and company A appear on pages 300, 301, 302 and 303.

Turning to company A, we are faced by two difficulties. First, the exact date of the acquisition of the stock of B "early in 1919" is not known, and company B's surplus at the date of acquisition is also unknown. This is a very serious flaw in a problem which is otherwise excellent, although in my opinion it is unreasonably difficult for a C. P. A. examination. It is not necessary to know the exact date when company A made its first acquisition of B's stock, but it is absolutely necessary to know B's surplus at that date. Without this information it is simply impossible to solve the problem; as impossible as it would be to prepare a profit-and-loss statement without knowing the final inventory. An assumption is necessary, and I shall assume that the dividend of $20,000 received on January 10, 1920, represented the profits of company

Exhibit A
COMPANY B

Statement Taking up Subsidiary Profits as Credits to Surplus and Dividends as Credits to the Investment Account

		Investment in Co. C		*Surplus*	
Jan. 1, 1920—Surplus					$ 65,000.00
Jan. 1, 1920—Investment in C stock, 90%		$112,500.00			
Profits, 1920:					
From own operations	$ 35,000.00				35,000.00
90% of company C's $10,000 profits	9,000.00	9,000.00			9,000.00
Total profits	$ 44,000.00				
Dividends from company C:					
June 30, 1920 (debit cash)			$ 5,400.00		
Dec. 31, 1920 (debit dividends receivable)			5,400.00		
Dividends declared:					
June 30, 1920:					
Common				$30,000.00	
Preferred				3,500.00	
Dec. 31, 1920:					
Common				30,000.00	
Preferred				3,500.00	
Adjusted balances			110,700.00	42,000.00	
		$121,500.00	$121,500.00	$109,000.00	$109,000.00
Adjusted balances—down		110,700.00			42,000.00
Balances—per balance sheet		112,500.00			43,800.00
Adjustments (see main working papers)		1,800.00 Credit			1,800.00 Dr.

Exhibit B

COMPANY A

Statement Taking up Subsidiary Profits as Credits to Surplus and Dividends as Credits to the Investment Account

	Investment in B Common		*Investment in B Preferred*		*Surplus*	
"Early in 1919": Investment in B common (50%)	$150,000					
Aug. 10, 1919: Investment in B preferred (50%)			$50,000			
Jan. 1, 1920: Surplus						$10,000
Jan. 2. 1920: Investment in B common (50%)	190,000					
Jan. 2, 1920: Dividend on preferred						1,750*
Jan. 10, 1920: Dividend on common						10,000**
On stock acquired "early in 1919"; on stock acquired Jan. 2, 1920, credit dividends receivable.						
July 3, 1920: Dividend on preferred						1,750
July 10, 1920: Dividend on common		$30,000				
Dec. 31, 1920: Dividend on preferred (debit dividends receivable)						1,750
Dec. 31, 1920: Dividend on common (debit dividends receivable)		30,000				
Dec. 31, 1920: Profits:						
From own operations						45,000
From ownership of B stock:						
Total profits (Ex. A) $44,000						
Less pref. dividends 7,000						
Earnings for common $37,000	37,000					37,000
June 30, 1920: Dividends					$35,000	
Dec. 31. 1920: Dividends					35,000	
Adjusted balances		317,000		$50,000	37,250	
	$377,000	$377,000	$50,000	$50,000	$107,250	$107,250
Adjusted balances—down	317,000		50,000			37,250
Balances—per balance sheet	350,000		50,000			70,250
Adjustments	33,000	Credit	0			33,000 Debit

*This $1,750.00 is a dividend for six months. Company A did not own the stock for the full six months period, but it paid nothing for accrued dividends. Hence the entire dividend is treated as income.

**Credited to surplus in accordance with the assumption (probably false, but some assumption is necessary in the absence of information) that the dividend received was equal to the profit earned since "early in 1919."

COMPANY A AND SUBSIDIARIES B AND C

CONSOLIDATED WORKING PAPERS—DECEMBER 31, 1920

Assets—	*Co. A*	*Co. B*	*Co. C*	*Adjustments Dr.*	*Adjustments Cr.*	*Eliminations*	*C. B. S.*
Land	$40,000	$25,000	$10,000				$75,000
Buildings	75,000	50,000	15,000				140,000
Machinery	100,000	75,000	20,000				195,000
Investment in common stock of Co. B—100%	350,000						
Adjustment—as per exhibit B					$33,000 a		
Eliminate present book value:							
Capital stock						$200,000 A	
Surplus—as adjusted						42,000 B	
Goodwill							75,000 G
Investment in preferred stock of Co. B—50%	50,000						
Eliminate book value—par						50,000 C	
Cash	49,500	46,100	28,000				123,600
Inventories	88,000	47,500	34,000				169,500
Accounts receivable	85,000	66,500	46,500				198,000
Notes receivable—Co. B	10,000					10,000 F	
Deferred charges	1,500	800	500				2,800
Dividends receivable from Co. B:							
Common	30,000					30,000 G	
Preferred	1,750					1,750 H	
Investment in stock of Co. C—90%		112,500					
Adjustment as per exhibit A					1,800 b		
Eliminate present book value:							
Par						90,000 D	
Surplus—90% of $13,000						11,700 E	
Goodwill[1]							9,000 G
Dividends receivable from Co. C						5,400 I	
	$880,750	$428,800	$154,000		$34,800	$440,850	$987,900

WORKING PAPERS—*Continued*

Liabilities—	*Co. A*	*Co. B*	*Co. C*	*Adjustments* *Dr.*	*Adjustments* *Cr.*	*Eliminations*	*C.B.S.*
Adjustment column total forward					$34,800		
Capital stock:							
Co. A	$700,000						$700,000
Co. B—common		$200,000				$200,000 A	
Co. B—preferred		100,000				50,000 C	50,000 M
Co. C			$100,000			90,000 D	10,000 M
Accounts payable	51,500	36,500	32,500				120,500
Notes receivable—Co. B—discounted	10,000						10,000
Accrued wages	8,000	3,000	1,500				12,500
Accrued taxes	6,000	2,000	1,000				9,000
Dividends payable	35,000						35,000
Notes payable—Co. A		10,000				10,000 F	
Dividends payable:							
Common		30,000				30,000 G	
Preferred		3,500				1,750 H	1,750 M
Dividends payable			6,000			5,400 I	600 M
Surplus:							
Co. A	70,250						
Adjustment—exhibit B					$33,000 a		
Adjusted balance							37,250
Co. B		43,800					
Adjustment—exhibit A					1,800 b		
Eliminate present adjusted surplus						42,000 B	
Co. C			13,000				
Eliminate Co. B's 90%						11,700 E	
Minority 10%							1,300 M
	$880,750	$428,800	$154,000	$34,000	$34,800	$440,850	$987,900

B from "early in 1919" to the end of 1919. Of this amount, only $10,000 is income to company A, for payment was made for the right to the dividend on 1,000 shares of B stock purchased on January 2, 1920. In other words, when the A company paid $200,000 of its own stock for the stock of B, it should have recorded the transaction thus:

Investment in stock of company B	$190,000.00
Dividends receivable	10,000.00
Capital stock	$200,000.00

When the dividend was received on January 10, dividends receivable should have been credited with $10,000.00; surplus should have been credited with $10,000.00; and cash should have been debited for the total. It is to be remembered that surplus is credited because we are assuming that the dividend is exactly equal to B's profit since "early in 1919."

The second difficulty arises from the necessity of determining the rights of the preferred stockholders in B's surplus. The law provides that preferred stock is participating when not definitely stated to be non-participating, but the fact that 15% dividends have been paid on common stock and 3½% dividends have been paid on preferred stock gives adequate information that the preferred stock is non-participating and that its book value is par.

Company A and Subsidiaries B and C Consolidated Balance-sheet
December 31, 1920

Assets

Fixed assets:		
Goodwill	$ 84,000.00	
Land	75,000.00	
Buildings	140,000.00	
Machinery	195,000.00	
		$494,000.00
Current assets:		
Inventories	$169,500.00	
Accounts receivable	198,000.00	
Cash	123,600.00	
		491,100.00
Deferred charges:		
Total all items		2,800.00
		$987,900.00

Liabilities

Current liabilities:			
Accounts payable		$120,500.00	
Notes payable		10,000.00	
Accrued wages		12,500.00	
Accrued taxes		9,000.00	
Dividends payable—company A		35,000.00	
			$187,000.00
Minority interests:	Co. B	Co. C	
Preferred stock	$50,000.00		
Common stock		$10,000.00	
Surplus		1,300.00	
Dividends payable	1,750.00	600.00	
Total	$51,750.00	$11,900.00	
			63,650.00

Capital:		
Capital stock	$700,000.00	
Surplus	37,250.00	
		737,250.00
		$987,900.00

Problem:

A and B are partners engaged in the business of manufacturing. Desiring additional capital so as to extend their operations, they make overtures to C and submit the following balance-sheet for his consideration:

BALANCE-SHEET—A AND B—JANUARY 1, 1918

Land			$ 10,000.00	
Buildings			25,000.00	
Machinery			65,000.00	
Inventory:	Raw material	$ 40,000.00		
	Finished goods	6,000.00		
	Goods in process	3,000.00		
			49,000.00	
Cash			6,000.00	
Accounts receivable			15,000.00	
Deferred			1,000.00	
Accrued taxes				$2,000.00
Accrued wages				14,000.00
Accounts payable				20,000.00
Notes payable				5,000.00
A's capital				70,000.00
B's capital				60,000.00
			$171,000.00	
				$171,000.00

Examination discloses that buildings and machinery had not been depreciated and that the inventory of raw materials was overstated. It was finally agreed that the following deductions be made from the values shown on the balance-sheet:

Deduct:	Buildings	$ 5,000.00
	Machinery	15,000.00
	Inventory—raw materials	4,000.00
	Accounts receivable	1,000.00
		$25,000.00

The deductions for depreciation are to be set up on the books as a reserve for depreciation; the deduction for raw materials is to be charged off and the inventory accordingly corrected; accounts receivable is to be adjusted by charging off $400.00 for uncollectible accounts, and $600.00 is to be set up as a reserve for bad debts.

These adjustments having been made, C agrees to contribute $60,000.00 in cash to the partnership in consideration for a third interest in the business, which offer was accepted by A and B as of January 1, 1919, and C made payment accordingly.

The capital of the partnership after the admission of C is to equal the net assets after making the adjustments agreed on, plus the cash contribution of C.

Prior to the entrance of C into partnership, the profits and losses were divisible between A and B in the proportions of 60% and 40% respectively.

The net profits for the year ended December 31, 1919, were $25,000.

From the foregoing data you are required to show (a) the adjustment of the respective capital accounts after settlement with C at the beginning of the year; (b) revised percentages of profits for the year 1919, and (c) division of profits for the year 1919.

Solution:

The problem does not ask for a revised balance-sheet after the admission of C. Therefore it is not necessary to do more than show the effect upon the capitals of A and B resulting from the stated deductions.

	A	B	Together
Capitals before adjustments	$70,000.00	$60,000.00	$130,000.00
Deduct adjustments in P. and L. ratio	15,000.00	10,000.00	25,000.00
Balances before admission of C	$55,000.00	$50,000.00	$105,000.00

The problem states that C is to obtain a one-third interest in the business for a payment of $60,000.00, and that the capital of the partnership after the admission of C is to equal the net assets after making the adjustments agreed on, plus the cash contribution of C. It is therefore necessary to determine whether C's $60,000.00 is exactly one-third of this total or whether a transfer must be made from A's and B's accounts to C's, or vice versa.

Total net assets before C's admission	$105,000.00
Add C's contribution	60,000.00
Total	$165,000.00
One-third thereof	$ 55,000.00

This shows that while C pays in $60,000.00 he is to be credited with only $55,000.00. In other words, $5,000.00 is to be transferred from his capital account to the capital accounts of A and B. This transfer is made in the profit and loss ratio, as follows:

Capitals before transfer	$55,000.00	$50,000.00	$60,000.00
Transfer	3,000.00	2,000.00	5,000.00
Final balance	$58,000.00	$52,000.00	$55,000.00

The admission of C dissolves the old partnership between A and B and abrogates the contract between them as to the division of profits. Unless a new agreement is specifically stated, the assumption is that the profits in the new partnership will be divided in equal thirds of $8,333.33 to each.

If the former 60% and 40% ratio is to govern the distribution of the profits remaining for A and B after allowing C one-third of the profits, the problem should say so. Otherwise the $8,333.33 division is correct. If the old ratio between A and B does govern the division of their two-thirds, the distribution would be made as follows:

Partner	Ratio	Profits
A	60% of 66 2/3% or 40%	$10,000.00
B	40% of 66 2/3% or 26 2/3%	6,666.67
C	33 1/3%	8,333.33
Total	100%	$25,000.00

Problem:

On January 1, 1921, the directors of Simpson Company, Inc., decided to cease operations, liquidate the business and dissolve the corporation as soon as possible. The balance-sheet, as at December 31, 1920, was as follows:

SIMPSON COMPANY, INC.
BALANCE-SHEET AS OF DECEMBER 31, 1920

Assets		*Liabilities*	
Assets	$ 10,000.00	Accounts payable	$ 96,500.00
Accounts receivable	45,000.00	Dividends payable	3,500.00
Inventories	60,000.00	Accrued interest on bonds	1,750.00
Machinery and equipment	50,000.00	First mortgage gold bonds	100,000.00
Plant	200,000.00	Rental paid in advance	350.00
Goodwill	105,000.00	Reserve for bad debts	1,900.00
Deferred charges	2,500.00	Reserve for department machinery & equipment	10,000.00
Unamortized discount on bonds	3,333.33	Reserve for department plant	5,000.00
Bond sinking-fund cash	82,000.00	Reserve for contingencies	10,000.00
		Reserve for sinking fund	82,000.00
		Preferred stock (1,000 shares)	100,000.00
		Common stock (1,050 shares)	105,000.00
		Surplus	41,833.33
	$557,833.33		$557,833.33

The preferred stock certificates contain a provision that preferred stock is to receive semi-annual dividends at the rate of 7% per annum, payable January 1st and July 1st, the dividends to be cumulative if not paid. On dissolution, the preferred stock is to be retired at 110, plus dividends accrued from the date of the last dividend declaration, December 31, 1920, to the date set by the directors in the notice to stockholders to surrender their preferred stock for cancelation. The holders of common stock are to receive, on dissolution, all of the remaining net assets.

On March 3, 1921, the directors, acting as liquidators, reported the following transactions in connection with winding up the company's affairs:

Accounts receivable had realized 80% of their face value.

All accounts payable and dividends payable had been settled.

All merchandise had been disposed of for $40,000.00.

Machinery and equipment had been sold for $22,000.00

The sinking-fund trustee had been paid sufficient additional cash to buy in all outstanding bonds at 98½, plus the interest accrued to December 31, 1920. Any additional accrual is to be disregarded.

The sinking-fund trustee had redeemed all bonds in accordance with the preceding paragraph and had been discharged. Any possible trustee's expenses and commissions are to be disregarded.

The bond liability having been liquidated, the plant was sold for $180,000.00 The purchaser of the plant would not assume the property subject to the lease held by a tenant who occupied the top floor, whose prepaid rental was reflected in the balance-sheet as at December 31, 1920. In order to consummate the sale of the plant, it was necessary to effect a cancelation of the lease, which was done by payment to the tenant of $3,500.00 and the refund to him of the advance payment mentioned.

Miscellaneous expenses of realization and liquidation were $4,000.00.

On April 9, 1921, the directors notified all stockholders to turn their stock certificates in for cancelation as of date April 19, 1921. On the latter date, all certificates having been received from the stockholdesr, the assets on hand were distributed pro-rata to each class of stockholders, and the stock certificates were canceled.

From the foregoing facts prepare:
(a) Realization and liquidation statement.
(b) Statement showing realized value per share of stock.

THE SIMPSON COMPANY, INC.
REALIZATION AND LIQUIDATION ACCOUNT
December 31, 1920, to April 19, 1921.
(Left side)

Assets to be realized:			
Accounts receivable	$ 45,000.00		
Less reserve for bad debts	1,900.00		
		$ 43,100.00	
Inventories		60,000.00	
Machinery and equipment	$ 50,000.00		
Less reserve for depreciation	10,000.00	40,000.00	
Plant	200,000.00		
Less reserve for derpeciation	5,000.00	195,000.00	
Goodwill		105,000.00	
Deferred charges		2,500.00	
			$445,600.00
Liabilities liquidated:			
Accounts payable		$ 96,500.00	
Dividends payable		3,500.00	
Bond payable—$100,000.00 par retired at 98½		98,500.00	
Accrued interest on bonds		1,750.00	
Rental paid in advance		350.00	
			200,600.00
Supplementary Charges:			
Premium for cancelation of lease		$ 3,500.00	
Expenses of realization and liquidation		4,000.00	
			7,500.00
			$653,700.00

THE SIMPSON COMPANY, INC.
REALIZATION AND LIQUIDATION ACCOUNT
December 31, 1920, to April 19, 1921.
(Right side)

Liabilities to be liquidated:		
Accounts payable	$ 96,500.00	
Dividends payable	3,500.00	
Accrued interest on bonds	1,750.00	
First mortgage gold bonds	100,000.00	
Rental paid in advance	350.00	
		$202,100.00
Assets realized:		
Accounts receivable	$ 36,000.00	
Inventories	40,000.00	
Machinery and equipment	22,000.00	
Plant	180,000.00	
		278,000.00
Loss on realization		173,600.00
		$653 700.00

THE SIMPSON COMPANY, INC.
REALIZATION PROFIT-AND-LOSS ACCOUNT
December 31, 1920, to April 19, 1921.

Loss on realization of			
Accounts receivable	$ 7,100.00		
Inventories	20,000.00		
Machinery and equipment	18,000.00		
Plant	15,000.00		
Goodwill	105,000.00		
Deferred charges	2,500.00		
		$167,600.00	
Premium to cancel lease		3,500.00	
Expenses of realization and liquidation		4,000.00	
Total			$175,100.00
Deduct discount on redemption of bonds			1,500.00
Net loss on realization			$173,600.00

THE SIMPSON COMPANY, INC.
STATEMENT OF CASH
December 31, 1920, to April 19, 1921.

Cash balance, December 31, 1920	$ 10,000.00	Accounts payable		$ 96,500.00
Sinking-fund cash, December 31	82,000.00	Dividends payable		3,500.00
Accounts receivable	36,000.00	Bonds payable		98,500.00
Inventories	40,000.00	Accrued interest on bonds		1,750.00
Machinery and equipment	22,000.00	Rental refund		350.00
Plant	180,000.00	Cancelation of lease		3,500.00
		Expenses		4,000.00
		Balance for stockholders		161,900.00
	$370,000.00			$370,000.00
Balance down	$161,900.00	Payment to preferred:		
		Par	$100,000.00	
		Premium	10,000.00	
		Dividend	2,090.00	
				$112,090.00
		Payment to common		49,810.00
	$161,900.00			$161,900.00

THE SIMPSON COMPANY, INC.
STATEMENT OF CAPITAL

Capital—December 31, 1920:			
Preferred stock		$100,000.00	
Common stock		105,000.00	
Surplus	$ 41,833.33		
Less discount on bonds	3,333.33		
		38,500.00	
Reserve for contingencies		10,000.00	
Reserve for sinking fund		82,000.00	
			$335,500.00
Deduct loss on realization			173,600.00
Capital—April 19, 1921			$161,900.00

Liquidating dividends:

To preferred stockholders:		
Par	$100,000.00	
Premium	10,000.00	
Dividend: 109/365 of $7,000.00	2,090.00	
		112,090.00
To common stockholders		$49,810.00

The payment of the dividend for the fractional period is an absolute requirement, based on an agreement between the common stockholders and preferred stockholders. It is not conditional upon the existence of a surplus.

Realized value per share:
Preferred: $112,090.00 ÷ 1,000 = $112.09
Common: 49,810.00 ÷ 1,050 = 47.44

ADIN S. HUBBARD

Adin S. Hubbard, member of the American Institute of Accountants, certified public accountant of Rhode Island, died August 18, 1922. To everyone in New England acquainted with accountancy Mr. Hubbard was well known. He was a regular attendant at meetings of the American Institute of Accountants. He was a member of the Rhode Island Society of Certified Public Accountants and was also a member of the state board of accountancy.

Allen R. Smart, Edward E. Gore, David A. Houston and William B. Boulter announce the formation of the firm of Smart, Gore & Co., with offices at 111 West Monroe street, Chicago, Illinois.

Alfred N. Maas and Philip Sohmer announce the formation of a partnership under the name of Maas & Sohmer, with offices at 1170 Broadway, New York.

Washington Society of Certified Public Accountants

At the annual meeting of the Washington Society of Certified Public Accountants held August 26, 1922, William McAdam, J. P. Robertson and James M. McConahey were elected directors for a term of two years. They, with the holdovers, A. S. Hansen and E. P. Jarvis, will constitute the board of directors for the next year.

A. S. Hansen was re-elected president, J. P. Robertson re-elected vice-president, James M. McConahey elected secretary-treasurer, and W. O. Atwood, auditor.

The by-laws were amended to provide for local chapters in addition to the state society. A local chapter was immediately formed in Seattle and the officers and directors of the state society were elected to the same positions in the chapter. Chapters are also now being formed in Spokane and Tacoma. The reports of the officers showed the most successful year in the history of the society.