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Letter from A. P. Richardson, Editor, American Institute Publishing Co., Inc., to Members of the American Institute of Accountants and Others Interested in Accountancy—Advance Publication Notice for The Nature of Dividends, by Gabriel A. D. Preinreich, CPA.

A P. Richardson

American Institute Publishing Company

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AMERICAN INSTITUTE PUBLISHING CO., INC.

135 CEDAR STREET, NEW YORK, N. Y.

TO THE MEMBERS OF THE AMERICAN INSTITUTE OF ACCOUNTANTS
AND OTHERS INTERESTED IN ACCOUNTANCY:

GENTLEMEN:

Although there has been improvement in the general condition of the publishing trade, the American Institute Publishing Co., Inc. still feels that it should proceed conservatively in the publication of new texts, especially those of a more or less general character. The time has not yet come when publishers can undertake the risk of publishing as frequently or as daringly as they did a few years ago. Still there are texts which should appear, and this company feels that, in some cases, it would be the part of wisdom to obtain some assurance of a substantial initial sale before actually embarking on publication.

This experiment was tried in the case of the *Third Supplement of Accountants' Index* and in the case of *Accounting Evolution to 1900*. Both ventures were assured of success before publication.

Now the committee on publication of the American Institute of Accountants has approved another important text, which the publishing company brings to your attention and asks that, if you are willing to subscribe in advance, you indicate it on the attached form.

The rapid development of the corporate form of business organization during the last two generations has brought into prominence a number of highly practical questions concerning the forms and methods of distributing corporate incomes. Up to the present, the literature of this subject has been limited almost entirely to pamphlets and essays dealing in a fragmentary fashion with specific problems and aspects.

After several years of intensive research, Gabriel A. D. Preinreich, C. P. A., a member of the American Institute of Accountants and a practising accountant of New York, has now coördinated this material and developed from it a unified theory of corporate distributions.

His book, *The Nature of Dividends*, presents the interplay between corporate earning power and ability to expand as the basic cause of the diversity in the methods of distribution and proceeds to describe and classify the various forms of dividends, rights, warrants, etc., assigning to each its proper place in an organic structure based upon economic, financial and accounting theory.

The scope of the book and the method of approach are indicated by the following table of contents:

CHAPTER I.—THE INVESTOR'S CAPITAL.

General considerations—The nature of a share of stock—Measuring invested capital—Investing in market equities—The economic laws governing market equities—Demand and supply as appraisers of permanent values—The trend of market values.

II.—WHAT IS INCOME?

Introduction—The measurement of income—The methods of recording income—Primary and secondary forms of income—The investor's requirements—The cash method—The evolution of hybrid methods—The accrual method—A logical hybrid method—Income from investments in market equities—The market method—Graphic comparison of the methods of recording income—Comparison of incomes realized—Conclusions.

III.—DIVIDENDS IN CASH, PROPERTY AND EVIDENCES OF INDEBTEDNESS.

The cash dividend—Liquidating dividends—The property dividend—Dividends paid in evidences of indebtedness—The distribution of preferred stock—Assessments.

IV.—STOCK DIVIDENDS.

Introduction—Are stock dividends income?—The futility of classifying stock dividends—Regulating the value of stock dividends—Are split-ups income?

V.—STOCK DIVIDENDS—Continued.

Optional dividends—Charging stock dividends against capital surplus or reserves—Stock dividends in case of extreme appreciation—Bonus shares—The reduction of capital stock—The yield of stocks paying stock dividends—The danger of inflation—Stock dividends and the market.

VI.—STOCK RIGHTS.

Introduction—The issuance of stock—The redemption of bonds by stock—Common stock issued in payment of interest or preferred dividends—The repurchase of stock—Subscription rights—Degrees of "generosity" in subscription rights—The penalty for failure to sell or subscribe—Subscription rights and the market.

VII.—WARRANTS.

The speculative nature of warrants—The fair value of warrants—Warrants and the corporate dividend policy—Protecting warrants against distributions of equity—Warrants and the stockholder—Protected warrants and the stockholder.

VIII.—REGULATION VERSUS EDUCATION.

Various regulatory ideas—The federal income-tax method—The arbitrary value theory—The book value theory—The stock stabilization theory—Advising the investor—The investor's declaration of independence.

IX.—DISTRIBUTIONS IN FIDUCIARY ACCOUNTING.

Life tenant and remainderman—Various judicial rules—Dividends in cash, property and evidences of indebtedness—Stock dividends—Subscription rights and optional dividends—Distributions disregarding the preëmptive right—Conclusions.

MATHEMATICAL APPENDIX:

The fair value and yield of common stock.

The publishing company will publish this manuscript as soon as it has received a sufficient number of advance subscriptions to justify publication. The volume will consist of approximately 230 pages, 6 inches by 9 inches, bound in the customary blue cloth which is the familiar form adopted by this company.

The committee on publication of the American Institute of Accountants expresses the hope that there will be no difficulty in obtaining the required number of advance subscriptions, as it believes the text to be of sufficient importance to merit prompt publication. A form of subscription is attached to this letter. You are asked in the interest of better knowledge of accountancy to participate with the publishing company in this proposed undertaking.

Yours truly,

A. P. RICHARDSON, *Editor.*

AMERICAN INSTITUTE PUBLISHING CO., INC.
135 Cedar Street, New York, New York

GENTLEMEN:

I agree to subscribe to copies of *The Nature of Dividends* by Gabriel A. D. Preinreich, at \$2.50 a copy, delivered in the United States. This subscription is made on the understanding that the book will be printed and published only if a sufficient number of subscriptions be received.

Signature

Address

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Date