

### Certified Public Accountants

## Solve Intricate Problems for Modern Industrial Concerns

#### Corps of Experts Result of Rapid Growth of Business; All Enterprising Commercial Houses Now Recognize Value of Profession; Income Tax Law Adds New Field.

By JOHN M. GILCHRIST  
Dean of Nebraska Certified Public Accountants.

The profession of the certified public accountant today deals largely with three distinct divisions of effect—auditing, system work and income tax service.

When I entered the field in Omaha in 1901, there was no income tax, and even the auditing of corporations was a professional service was a comparatively new thing in this part of the country. The majority of borrowers at the banks at that time could secure a loan if desired without any certification whatsoever of their financial statements. Bankers knew personally the man who applied for loans, their family history and their business prospects, therefore they could make their loans almost off-hand on the basis of their personal knowledge.

Such audits as were made, were most frequently made for corporations that suspected irregularities in their accounts, and in those cases frequently "the horse was already stolen" when the accountant was called in to ascertain the extent of the loss.

During the last 22 years as consulting accountant for many of the larger corporations, I have been a close observer of those industries and stores whose growth has made Omaha what it is today. The development of extensive corporate organizations together with the growth of our city has to a large extent removed the personal element in financial transactions. The result has been a great demand for financial statements which would reflect the actual condition of a business, together with its earning power. The complexity of business required an accounting specialist whose integrity was certain and whose knowledge and capacity for correctly analyzing these financial statements in an unprejudiced way was beyond question.

#### Growth of Profession.

The growth of industrial organizations caused a corresponding growth in the accounting profession. Twenty years ago I could handle alone nearly all of the public accounting work done in Omaha. Now the staff of the John M. Gilchrist company consists of 14 accountants assisted by computer operators, and a highly specialized force of stenographers trained in the preparation of financial schedules and statements.

The staff of the audit department contains specialists in the various fields of industrial activity, for example: department stores, creameries, insurance companies, public utilities, cities and counties and the grain and lumber business, which require specialized knowledge. Now the volume of our practice in Nebraska, enables us to maintain a large staff of efficient accountants, thereby making it possible to render a specialized service with men experienced in the various fields of industry.

We also have a branch office in the Metropolitan Bank building, Washington, D. C., which facilitates the handling of income tax matters before the bureau of internal revenue.

The modern business organization has adopted the wise precaution of having an annual audit made as a matter of general efficiency. The business man who is responsible to his stockholders does not have this audit made annually because he anticipates the finding of a theft or some fraud committed each year a more than he would expect to have a fire each year that he carries fire insurance.

The primary purpose of an annual audit is protection. If irregularities exist, they are caught; if the system has become antiquated because of the growth of the business, the system is brought up-to-date; a check is also had of the items making up the profit and loss statement and therefore in turn affecting the income tax payable. The verification annually also provides a barometer for the banks to consider in making their loans. In addition, the more effect of an examination by a certified public accountant is a great aid to the general efficiency of any organization.

#### Gambler in Business.

In spite of the fact that the value of an annual audit is no longer questioned by 95 per cent of the bankers and prominent business men of the country, occasionally we hear of an isolated case where some local man controlling the affairs of a large corporation who had an audit made of his business and sees no necessity for it. There are one or two such men in Omaha.

In such a case we can not help but consider such a man somewhat of a gambler. The worst of it is, in our opinion, he is not only gambling with his own investment in the business, but with the money invested by the stockholders who have employed him to protect their interests. That man would probably laugh at you if you were to suggest to him that he could save money by going without his fire and burglary insurance, because of the efficiency of our city fire and police departments, or because of the efficiency of his store sprinkler system or burglar alarm. I consider the two cases as being comparable.

A man who is willing to take such a risk, sometimes has to suffer a loss personally before he will wake up to the chance he is taking.

If he could have had the experience of a client of ours last year, he probably would be converted to annual audits for the rest of his life. This man was robbed systematically by his partner who padded the payroll efficiently to keep his interest in the business forever increasing. Finally, the honest partner was convinced that something must be wrong. We were called in to make a complete audit and found that, largely through the padding of the payroll, there had been a defalcation of approximately

### Dean of Nebraska Accountants



John M. Gilchrist

a substantial reduction in tax, as follows:

Married man with earned income of \$3,000 will pay tax of \$7.50	Income of \$4,000 will pay tax of \$12.50
Married man with earned income of \$5,000 will pay tax of \$22.50	Married man with earned income of \$6,000 will pay tax of \$32.50
Married man with earned income of \$7,000 will pay tax of \$42.50	Married man with earned income of \$8,000 will pay tax of \$52.50
Married man with earned income of \$9,000 will pay tax of \$62.50	Married man with earned income of \$10,000 will pay tax of \$72.50

If the earned income is only \$5,000; the tax on an income of \$6,000 would be \$37.50; the tax on an income of \$7,000 would be \$47.50; the tax on an income of \$8,000 would be \$57.50; the tax on an income of \$9,000 would be \$67.50; the tax on an income of \$10,000 would be \$77.50.

Each tax law attempt to clarify point on which there has been question under the previous law. This, in itself, does not make the new law retroactive in any way, nor cause it to stand as the accepted interpretation of the old law, for example:

#### Deductible Capital Losses.

The 1921 revenue act pertaining to the gain or loss on the sale of property, reads as follows:

If the amount realized therefor is more than such cost but not more than its fair market price or value as of March 1, 1913, or less than such cost but not less than such fair market price or value, no gain shall be included in an income computed from the gross income.

This has been interpreted as not admitting any real loss on a transaction unless the selling price was actually less than the cost prior to 1913, regardless of what the 1913 value might have been. The 1924 act, presumably because of former controversies on this point, emphasizes the fact that the gain or loss on the sale of property purchased prior to 1913 shall be calculated on the cost or market value at March 1, 1913, whichever is higher.

The 1913 act on this point was interpreted by the commissioner of internal revenue to coincide in meaning with the 1921 act. On the other hand, two prominent court decisions have interpreted the 1913 act to be in effect the same as the 1924 act.

#### Courts Differ With Commissioner.

This brings about the following controversy: A taxpayer bought a piece of real estate in 1913 for \$5,000. The 1913 value of the property was \$5,000. In 1913 it was sold for \$30,000. In accordance with the commissioner's interpretation of the 1913 law, there was no taxable profit or deductible loss on the transaction. If the court decisions on similar cases are correct, this could be considered a loss of \$25,000 on the basis of the 1913 value of \$5,000 and the selling price of \$30,000. In this particular case this loss would have equalled all the profit made by the concern during the year, and therefore, no tax would have to be paid for the year. The commissioner, by refusing to allow this loss deductible, made it necessary for the taxpayer to be taxed on the corresponding amount of the business profits, which could have been offset by the loss. Therefore the taxpayer has made a claim for this refund.

Where the commissioner's ruling has so openly disagreed with the courts on their treatment of these similar cases, the only relief left to the taxpayer is in the United States district court. In the meantime he must file his claim for refund or his case may be outlawed before a decision is reached by the supreme court.

The 1924 law provides that capital gains are taxable at 12 1/2 per cent. In calculating the deduction because of capital losses, a partial tax shall be first computed on the basis of the ordinary net income and the total tax shall be this amount minus 12 1/2 per cent of the capital net loss.

#### Tax Free Securities.

The inequality of taxation caused by the holding of tax-exempt securities such as the obligations of the federal government, states, counties, and cities has been a cause of much criticism in the last session of congress. There is little question about the inequality, but the chief difficulty comes in the discovery and application of a remedy.

Practically, congress was unable to solve this problem for no remedy was put into effect in 1924 and the status of tax free securities remains the same. There was, however, a provision made requiring the taxpayer to file a statement showing the number and amount of such tax-exempt securities which he holds and the income received from the same.

#### Esiate Taxes.

Effective June 2, 1924, federal estate taxes are increased practically 50 per cent but the new law provides that you may deduct your state inheritance tax from the amount to be paid the federal government providing that this credit does not exceed 25 per cent of the federal tax.

Effective June 1, 1924, any persons making gifts of over \$50,000 during one year will be obliged to pay the same rate of tax as the estate tax law provides. This law was passed to prevent the disposition of property

by wealthy persons for the purpose of reducing their estate tax.

#### Miscellaneous and Special Taxes.

Certain other reductions or eliminations of taxes were made on a number of items such as telegrams, telephone messages, small admission charges and so forth.

#### Difficulties of Revenue Bureau.

The history of the bureau of internal revenue during the past seven years has shown that there is a physical impossibility to expand rapidly enough following the war to handle efficiently the greatly increasing volume of tax work thrust upon them. The result has been that many field audits made during 1917, 1918 and 1919 were made the basis of improper assessments. The taxpayers naturally made their claims against these improper assessments, and in the review of these cases during the past two years, the bureau of internal revenue has acknowledged errors made previously and have granted abatements of assessment and refunds of taxes paid.

The ethics of the American institute of accountants requires the highest integrity for its members. In spite of that fact a few accountants, lawyers and so called tax experts accept claims on behalf of their clients which have no merit, and the honesty of which would be doubted by any reasonable man. Such claims clog the work of the bureau and endanger the cause of the honest taxpayer who has a just grievance.

#### Fraudulent Tax Returns.

The Omaha Bee June 25, carried the story of the millionaire head of Brown and Bigelow, printers of St. Paul, Minn., being forced to pay \$188,000 to the United States government, a considerable portion of which represented a fine imposed by Federal Judge William A. Cant. Bigelow was also sentenced to two years in the federal penitentiary at Leavenworth for defrauding the government of income taxes.

We believe a reputable accountant should not accept an income tax case that does not contain honest merit. There have been tax claims presented to us which appeared to be extremely irregular if not actually fraudulent in conception.

We see no reason why there should be a double standard of integrity for an accountant, the honest side of which is exposed to the client and the banker, and the other which is willing to wink at fraud when dealing with the government.

Therefore, we refuse to handle shady tax claims where there appears a suspicion of underhand work or fraud.

Just as the old maxim "Honesty is the best policy" is still found to be a truth in business, from a selfish standpoint, we believe our adoption of the principle places us in a stronger position to fight for and obtain justice for the taxpayer who has a claim which contains merit.

### Big Business Boom Report

#### Bankers Reserve Life Insurance Company Looks for Prosperous Period.

"Now and then we hear talk about dull business in one locality and another," said a prominent official of the Bankers Reserve Life company, "but the volume of business coming to our home office from 35 states belies any report of business depression. The plans our company made for expansion both in the southern states and northern states were more ambitious than ever before in this proposition. A second difficulty of the insurance companies met with, was the notion that all good insurance came from the established companies in the east and that a Nebraska life insurance policy was necessarily an inferior product.

In the face of discouraging conditions how has it been possible for the Lincoln companies to make the progress which has attended their efforts?

As a basic cause I would name the fact that there is nothing mysterious about the management of a life insurance company, nor is there such technical knowledge necessary that it cannot be readily acquired by the average alert man who has a liking for the work. Thus the proposition is sound is evidenced by the fact that, so far as I know, without a single exception, there is not an executive officer in any one of the seven Lincoln companies who has not gained his knowledge and experience in his own company or in some Nebraska company which with which he was previously associated.

#### Universal Operation Basis.

All of the companies in the United States are operating upon practically the same basis. That is, the net premiums are based upon the American experience table of mortality and 3 1/2 per cent compound interest. Each company assumes that its investment will net it 5 1/2 per cent compound interest and that its death rate will

follow the American experience table; that is, from a given number of people at any age, a certain number of them will die each year. But whether the companies all use one mortality table or each company uses one of its own, that fact will have no effect upon the number who will die each year, insured or uninsured.

The men and women are here to live and they are the raw material of life insurance companies just as cotton is the raw material of the great cotton mills, or as iron is the raw material of the steel industry. A fair sized company could be developed and never write a policy outside of Nebraska.

Our farm lands offer first class security for the loaning of insurance funds. Mortgage loans are being sought in increasing amounts by insurance companies, and none are viewed more highly than those on farms in the central western states, probably the greatest food-producing area in the world.

In many of its aspects, the founding of a new life insurance company is a local proposition after all. By this I mean that, apart from general supervision, it is local men who bear the brunt of its development. Local agents secure the applications for insurance through their personal solicitation. Local physicians make the medical examinations. In the investment department the same thing is equally true. Local agents send in the applications for farm loans. State inspectors look the property over. While their recommendations are not controlling, yet these men constitute a material part of the machinery which builds up these large organizations.

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#### Man 74 Years Old Is "Rejuvenated" In 3 Weeks Without Gland Operation

Thomas J. Glascock, 74, well known old-time Kansas contractor, declares he has virtually been made young again by the recently discovered korex compound, which by many users is produced superior to "gland treatments," as an invigorator and revitalizer.

"I feel like I did at 35," says Mr. Glascock, "and seem to be getting stronger every day. During my three weeks' use of the discovery, pains and weaknesses of many years' standing disappeared almost magically. Today I am as vigorous and supple as I was in the prime of life. Furthermore, when I began using the compound, my memory was virtually gone and I was almost blind. Now my mind is clear and active and I can read the finest print without difficulty."

"In order to find out whether the results were lasting, Mr. Glascock waited six months before reporting on his test of the discovery. On this point he says:

"Every passing day strengthens my conviction that my restoration is not only complete but permanent. I can't express the happiness this great discovery has brought to me. It has made me 'young' again."

Similar reports are being made almost daily. For instance, D. W. Wood of New Orleans, past 60 years of age, says: "The compound has brought me back to a good, healthy physical condition as I enjoyed at 35. I am apparently as supple as at 25 and my eyesight is better than for years. I would not take \$5,000 for what the discovery has done for me."

The compound referred to by Mr. Glascock and Mr. Wood is put up in tablets for easy use at home by anyone. It has been used by thousands who suffered from nervous exhaustion, diminished or depleted vigor, neurasthenia, premature age and lack of animation and vital force. Elderly people have pronounced it a "fountain of youth."

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#### WHAT TO EAT TO PUT IRON IN YOUR BLOOD AND MAKE YOU STRONG

PHYSICIAN TELLS HOW IRON-CONTAINING VEGETABLES SUCH AS LENTILS, SPINACH, APPLES, ETC. WHEN REGULARLY TAKEN WITH ORGANIC IRON BUILD GREAT STRENGTH AND ENDURANCE.

At their own doors—in the very garden of their own homes—millions of those who are weak, nervous and languid find the simple, natural and valuable tonic and strength-building "Iron Food" in the lentils and spinach of their gardens. It is the iron in this vegetable food which builds up the blood and makes the body strong. It is the iron in this vegetable food which builds up the blood and makes the body strong. It is the iron in this vegetable food which builds up the blood and makes the body strong.

### Lincoln Insurance Companies Have Enviably Record

#### History of Companies Outlined, Showing Place They Now Hold in Finances of State.

By N. Z. SNELL,  
President of the Midwest Life Insurance Company of Lincoln.

In 1856 there came to Lincoln a man named William A. Lindly. He is still a resident of Lincoln and holds a position with the Security Mutual Life Insurance company. He came from Oskaloosa, Ia., where he had been engaged in banking. There he became acquainted with E. A. Temple and L. C. and J. R. Richards, all of whom were bankers in nearby towns. Later, the Richards brothers moved to Lincoln and organized the State National bank of this city and were its active officers for many years. In 1875, Temple and other bankers organized the Bankers Life association, an assessment company, since changed to a legal reserve, or old line company, under the name of Bankers Life company, with present headquarters at Des Moines.

When Lindley came to Lincoln, it was as manager of the mortgage loan department for Nebraska of the Colonial and United States Mortgage company of Hull, England. Before he was well started in this work, legislation of 1857 passed an act forbidding nonresident aliens from acquiring title to real estate in Nebraska. After the passage of this act, his company withdrew from the field.

In looking about, Lindly recalled the success which Temple had made of the Bankers Life association.

About this time the Richards brothers had disposed of their interest in the State National bank and had erected the Richards block at Eleventh and O streets. Lindly approached them with the proposition of organizing a life insurance company in Lincoln. The suggestion was favorably received and it resulted in the organization of the Bankers Life with a capital stock of \$100,000. This was in April, 1887.

#### Security Mutual.

In 1893 Lindly severed his connection to become one of a group of six to take over the Security Mutual Life, then of Fremont, now of this city. The other five were S. E. Burnham, Albert Watkins, F. W. Dinsmore, H. D. Brooks and myself.

My connection with this company terminated on January 17, 1906, and I immediately started to organize Midwest Life.

Lindly was instrumental in the organization and development of two of our seven companies (reduced to six after July 1, 1924).

At this time, Lincoln has seven life insurance companies as follows:

Name	Amount of Insurance	Assets
Bankers Life	\$1,000,000	\$1,200,000
Lincoln Life	\$1,000,000	\$1,200,000
Midwest Life	\$1,000,000	\$1,200,000
Old Line	\$1,000,000	\$1,200,000
Security Mutual	\$1,000,000	\$1,200,000
Total	\$7,000,000	\$8,400,000

The figures show the insurance in force and the admitted assets of these companies as of December 31, 1923. At the same date, December 31, 1923, the assets of the seven banks in the city were as follows:

Central National	\$1,814,929.66
Commercial	\$1,644,457.87
Lincoln	\$1,312,227.94
Lincoln State	\$1,250,000.00
National	\$1,200,000.00
State	\$1,200,000.00
Total	\$9,421,615.47

Measured in the amount of assets, life insurance companies have already outstripped the banks as the total assets of the insurance companies are \$31,950,465, while those of the banks amount to only \$29,174,537.47.

One of the basic struggles in the establishment of these companies, was the method of valuation that was to be employed in determining their assets and liabilities. The controversy all hinged over the amount of the first year's premium which was to be carried as a reserve. It is from this reserve that cash and loan values are built up and the policy values are available. In banking "reserve" means the percentage of the total deposits of the bank held in cash in its own vaults or in another legal reserve bank. This may be 10 per cent of such deposits, 15 per cent, or 25 per cent.

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### Beginnings of Life Insurance Are Told

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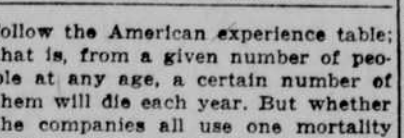
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### Life Insurance Is Best Stabilizer for All Business

#### Through co-operative saving and investment 40,000,000 American citizens of all ages from a century down, representing every walk in life, have built up a fund of \$5,000,000,000 and this will pay to those individuals and their families \$50,000,000,000.

Probably the greatest impetus given in 1917, when the government decided to substitute life insurance for the pension system for the protection of American soldiers. It adopted the old line policies and plans. It advertised in every city, village, hamlet and crossroads the necessity of soldiers purchasing policies. The production of old line companies increased from \$7,500,000,000 in 1917 to \$10,000,000,000 in 1920, and this growth has continued to increase. The production in 1923 was \$11,500,000,000.

Only in recent years life insurance has been looked upon as a business stabilizer. Banking institutions throughout the country are seeing to it that their heavy borrowers are adequately covered. Corporations are placing policies on individuals who are shaping the plans and directing the progress of their companies. Partners in small business enterprises are covering their liabilities with insurance.

But above business is the income policy which makes it possible for the individual to leave to his family a monthly income for a term of years or for life, thus insuring the necessity and danger of retaining funds. This will prove one of the greatest conservers of wealth and destroyers of poverty.

Life insurance exists for service to others. It conforms with the American ideal of progress. It is always building and not tearing down. It is founded on permanent and changeless moral and mathematical laws and sound economics. Every one who has put something into it will get something out of it. The past record speaks well for the future.

When I entered the field in Omaha in 1901, there was no income tax, and even the auditing of corporations was a professional service was a comparatively new thing in this part of the country. The majority of borrowers at the banks at that time could secure a loan if desired without any certification whatsoever of their financial statements. Bankers knew personally the man who applied for loans, their family history and their business prospects, therefore they could make their loans almost off-hand on the basis of their personal knowledge.

Such audits as were made, were most frequently made for corporations that suspected irregularities in their accounts, and in those cases frequently "the horse was already stolen" when the accountant was called in to ascertain the extent of the loss.

During the last 22 years as consulting accountant for many of the larger corporations, I have been a close observer of those industries and stores whose growth has made Omaha what it is today. The development of extensive corporate organizations together with the growth of our city has to a large extent removed the personal element in financial transactions. The result has been a great demand for financial statements which would reflect the actual condition of a business, together with its earning power. The complexity of business required an accounting specialist whose integrity was certain and whose knowledge and capacity for correctly analyzing these financial statements in an unprejudiced way was beyond question.

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#### Watch your pimples vanish

Why? Pimple-Poison goes when Red-Blood-Cells increase! S.S.S. builds these Red-Blood-Cells!

You can be sure of this, nature has no substitute for red-blood-cells. Pimple-poison can't live in the red rivers of your blood as long as there are face-clearing Red-Blood-Cells!

Every woman, every man, can now have a face clear of Red-Blood-Cells are enough rich red-blood-cells in it. More red-blood-cells! That is what you need when you see pimples staring at you in the mirror. Black-headed pimples are worse! Eczema, skin eruptions, you can cry everything under the sun—you'll find only one answer, more cell-power in your blood! The tremendous results, produced by an increase in red-blood-cells is one of the A. B. C's of medicine. Red-cells mean clear, pure, rich blood. They mean clear, ruddy, lovable complexions. They mean nerve power, because all your nerves are fed by your blood. They mean freedom forever from pimples, from the blackhead pest, from boils, from eczema and skin eruptions. Red-blood-cells are the most important thing in the world to each of us. S. S. S. will build them for you. S. S. S. has been known since 1833. Red-cells mean clear, pure, rich blood. They mean clear, ruddy, lovable complexions. They mean nerve power, because all your nerves are fed by your blood. They mean freedom forever from pimples, from the blackhead pest, from boils, from eczema and skin eruptions. Red-blood-cells are the most important thing in the world to each of us. S. S. S. will build them for you. S. S. S. has been known since 1833. Red-cells mean clear, pure, rich blood. They mean clear, ruddy, lovable complexions. They mean nerve power, because all your nerves are fed by your blood. They mean freedom forever from pimples, from the blackhead pest, from boils, from eczema and skin eruptions. Red-blood-cells are the most important thing in the world to each of us. S. S. S. will build them for you. S. S. S. has been known since 1833. Red-cells mean clear, pure, rich blood. They mean clear, ruddy, lovable complexions. They mean nerve power, because all your nerves are fed by your blood. They mean freedom forever from pimples, from the blackhead pest, from boils, from eczema and skin eruptions. Red-blood-cells are the most important thing in the world to each of us. S. S. S. will build them for you. S. S. S. has been known since 1833. Red-cells mean clear, pure, rich blood. They mean clear, ruddy, lovable complexions. They mean nerve power, because all your nerves are fed by your blood. They mean freedom forever from pimples, from the blackhead pest, from boils, from eczema and skin eruptions. Red-blood-cells are the most important thing in the world to each of us. S. S. S. will build them for you. S. S. S. has been known since 1833. Red-cells mean clear, pure, rich blood. They mean clear, ruddy, lovable complexions. They mean nerve power, because all your nerves are fed by your blood. They mean freedom forever from pimples, from the blackhead pest, from boils, from eczema and skin eruptions. Red-blood-cells are the most important thing in the world to each of us. S. S. S. will build them for you. S. S. S. has been known since 1833. Red-cells mean clear, pure, rich blood. They mean clear, ruddy, lovable complexions. They mean nerve power, because all your nerves are fed by your blood. They mean freedom forever from pimples, from the blackhead pest, from boils, from eczema and skin eruptions. Red-blood-cells are the most important thing in the world to each of us. S. S. S. will build them for you. S. S. S. has been known since 1833. Red-cells