

The Accountant

THE RECOGNISED WEEKLY ORGAN OF CHARTERED ACCOUNTANTS
AND ACCOUNTANCY THROUGHOUT THE WORLD.

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THE ACCOUNTANT

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The Accountant is published at 2 o'clock on Friday afternoon.

THE LONDON ASSOCIATION OF ACCOUNTANTS.

APPOINTMENT OF FIRST ASSISTANT— SECRETARY'S OFFICE.

THE Council of the above Association invite applications for the position of First Assistant in the Secretary's Office.

The person appointed will be required to devote the whole of his time to the duties of the office.

Applicants must have had Secretarial and Accountancy experience, be a good organiser, and be capable of taking charge in the Secretary's absence.

Applications, stating age, experience, salary required, degrees or diplomas held, etc., endorsed "First Assistant," accompanied by two recent testimonials, must reach the office of the Association not later than first post on the 30th day of April 1923.

By Order of the Council.

J. C. LATHAM,
Secretary.

Temple Chambers,
Temple Avenue, E.C.4.

GLOUCESTERSHIRE COUNTY COUNCIL. DEPUTY COUNTY ACCOUNTANT.

The Gloucestershire County Council invite applications for the position of Deputy County Accountant at a commencing salary of £400 per annum (without bonus).

Candidates must be experienced in Local Government finance and audit work and must hold one of the following qualifications:—

- (1) Associate of the Institute of Chartered Accountants.
- (2) Associate of the Society of Incorporated Accountants and Auditors.
- (3) Member of the Institute of Municipal Treasurers and Accountants.

Age must not exceed 45.

Applications, with copies of not more than three recent testimonials, must be received by me not later than the 5th May 1923. The appointment to be determined by three months' notice on either side.

Form of application may be obtained from the undersigned on receipt of a stamped addressed envelope.

Canvassing is prohibited.

EDWD. T. GARDOM,

Clerk of the Council.

Shire Hall,
Gloucester.
17th April 1923.

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"WINDOW DRESSING."

A CORRESPONDENT has written asking us to express our views upon the subject of "window dressing," particularly as applied to the case of a Bank established some years, which borrows large sums of money from other banks just prior to the close of its financial year and repays these loans a day or two thereafter. It is (our correspondent says) not disputed that this is window dressing, but it is contended that it is justifiable window dressing. The points that arise are :

(a) Should current, deposit and other accounts be inflated in the Balance Sheet by such short loans?

(b) If current accounts are shown separately in the Balance Sheet from deposit accounts and the other liability headings, should such short loans be allowed under current accounts or fixed deposits, or should they go under a separate heading such as "loans payable," or "loans for short periods"?

(c) To what extent does the fact that the Bank has deposited securities as cover for such short loans affect the matter?

(d) Is it customary for large and old-established Banks to window-dress in the manner indicated?

It seems to us that there are two essentially different types of window dressing. There is the window dressing which is the natural result of a deliberate and successful attempt to set one's house in order before rendering an account thereof to the public generally, and there is the window dressing which is the natural result of embarking upon transactions not necessary or profitable to the business itself, but embarked upon solely with the object of enabling a Balance Sheet to be produced which gives the impression that the house has been set in order when, as a matter of fact, it has not. The first type of window dressing is to our minds entirely legitimate. The second type, having for its sole object the creation of a false impression, is to our minds absolutely indefensible.

Assuming, however, that it be admitted that the practice to which our correspondent draws attention comes under the second category, we very much question whether his suggested attempt to differentiate between window dressing loans and ordinary liabilities could be enforced in practice. There is nothing whatever to prevent one Bank from opening a current account or deposit account with another Bank, and if the window dressing could be carried out more effectively by so doing than by borrowing on short loan, no doubt the transaction would take the particular form that best lent itself to the desired

deception. It would, of course, be quite possible for the Legislature to stipulate that Banks should show separate totals upon the liabilities' side of their Balance Sheets in respect of liabilities against which some security has been lodged, and liabilities against which no security has been lodged, and similarly there would be no difficulty about making statutory provision that liabilities to other Banks were to be stated separately from liabilities to the public. But we very much doubt whether legislation upon these lines would have any useful effect, as placing difficulties in the way of the more undesirable forms of window dressing.

The crux of the whole matter is, of course, that the class of window dressing to which exception may reasonably be taken is the result of transactions that never ought to have been embarked upon at all; but while this may easily be conceded in general terms, it is extraordinarily difficult to prescribe any rules that would be really effective. It has already been laid down judicially that it is no part of the duty of the auditor of a Bank to inquire whether the business of the Bank is being conducted wisely or unwisely, and accordingly, any suggestion that undesirable forms of window dressing would be impossible where an effective audit had taken place is expressly ruled out, for while responsible practitioners have plenty of courage, and no wish whatever to pare down their legal responsibilities unduly, it would be a serious matter for a company auditor to publish information that the directors of that company desired to withhold, in circumstances where it had already been decided judicially that it was no part of the auditors' duty to concern themselves in the matter one way or the other. The point is one that we should be glad to see discussed fully in these columns, but our own impression is that there would not ordinarily be any particular difficulty experienced by a competent auditor in reporting to shareholders in all cases where undesirable cases of window dressing had been indulged in upon a perceptible scale. But, if it is desired that auditors

should undertake this new duty, the Legislature should expressly empower them so to do. We do not anticipate that any objection would be raised by the directors of the well-known Banks, whose window dressing is of the innocuous type.

TRUE ACCOUNTS.

HOW many manufacturing businesses are there whose Revenue Accounts really do reflect the true expenditure under all of the heads of expense shown in them?

In the accounts one will commonly find heads for "materials," "stores," "wages" and "repairs," and it will take little investigation to discover that the amount under "repairs" represents only the expenditure incurred by the employment of outside firms, while the cost of repair work done by the company's own employees still remains hidden in the other heads of "materials," "stores," "wages," &c. The expenditure upon repairs shown by the accounts will therefore be misleading, untrue.

There are other activities of a factory, such as power plant, transport, storekeeping, &c., whose costs are, either wholly or in part, often treated in the same way as repairs, and consequently the final accounts do not provide an effective review of the year's working on a true basis for comparison with other years.

Each expense heading should be designed to describe fully the expenditure that will be entered in the account. For example, "Wages" is too generic, and accounts covering this item of expense should be "Productive Wages" (i.e. wages earned by men directly engaged upon production) and "Indirect Wages" (i.e. wages earned by men not themselves directly engaged on production but directly assisting those who are). All other wages (on repairs, power plant, transport, storekeeping, &c.) should be included under the headings for these activities. In a similar manner the item for "materials" in the Trading Account should represent only the materials actually used directly on production,

while there should not appear in the Trading or Profit and Loss Account any item for "general stores," all stores consumed being charged in the accounts for "repairs," "maintenance," &c.

The ascertainment of the wages chargeable to each expense heading entails the analysis of the wages earned, while the value of materials and stores consumed on production, repairs, power, &c., can be obtained only by the proper recording of the issues from stock. In other words true accounts are impossible without costing, while an efficient costing system will produce accounts which will change the manufacturer from being like an ostrich with its head buried in the sand into a live man looking facts in the face.

Liability of a Government Department to be Sued.

The Marshal Shipping Company, Ltd. v. The Board of Trade.

In the Court of Appeal, 10th and 11th April 1923. Before Lord Justice BANKES, Lord Justice SCRUTTON, and Lord Justice ATKIN.

This case, in which Mr. A. M. Latter, K.C., and Mr. Raymond W. Needham appeared for the Marshal Shipping Company, and the Attorney-General (Sir Douglas Hogg, K.C., M.P.) and Mr. Ricketts appeared for the Board of Trade, is one of considerable interest and importance.

It raises the question of the liability of a Government Department to be sued, and the Court of Appeal, affirming an Order of Mr. Justice Rowlatt reversing an Order of a Master in Chambers, unanimously held that in the circumstances of this case the Government Department in question, namely the Board of Trade, could be sued. The short facts of the case are as follows:—

A year after the Armistice the shipping company wished to sell a steamship to a foreign buyer. At that time the Shipping Controller was still in existence and under the powers granted to him under D.O.R.A., he had the power to prevent a vessel leaving port except under his licence. For this licence he charged the Marshal Shipping Company the sum of £20,000. It was subsequently contended on behalf of the company that the money had been paid by them under duress and had been extorted by the Shipping Controller *colore officii*, and the Board of Trade, which took over the rights, duties and liabilities of the Shipping Controller under an Act of 1921, were asked to refund the money. This they declined to do, and an application was made by the company