

[fol. 172] Mr. Bauersfeld: I ask that this be marked as Petitioner's Exhibit for identification No. 30.

The Court: It will be marked for identification as Petitioner's Exhibit No. 30.

(The schedule referred to was marked as Petitioner's Exhibit No. 30, for identification.)

By Mr. Bauersfeld:

Q. I hand you Petitioner's Exhibit No. 30 and ask you to identify it, please.

A. This is a schedule I prepared reflecting the aging of deferred income balances at the end of each fiscal year by year of sale for each of the fiscal years ended March 31, 1951 through March 31, 1954. This classification of this aging of deferred income balances is based on the total contract deferred income less the students' accounts receivable thereon. In other words, for the year ended March 31, 1954, the total amount of deferred income less receivables amounted to \$163,563.20, of which the sum of \$34,869.21 was sold prior to the beginning of the year. In other words, the amount sold prior to the beginning of the fiscal year represented 21.3 percent of total income outstanding at the end of the year so most of the deferred income does represent the current year's sales. The amount that was previous to the beginning of each year for each one of these fiscal years is 19.7 percent for the year 1951 and 19.6 percent for the year ended March 31, 1952 and 13.7 percent for the year ended March 31, 1953.

The Court: All right, it will be received as Petitioner's Exhibit No. 30, subject to the right of respondent to object later, if he sees fit.

(The schedule referred to, heretofore marked as Petitioner's Exhibit No. 30, for identification, was received in evidence as Petitioner's Exhibit No. 30.)

[fol. 173]

PETITIONER'S EXHIBIT 30

Schedule Reflecting Aging of Deferred Income Balances at End of Each Fiscal Year by Year of Sale

Arthur Murray Dance Studio - A Partnership

Period of Sale	March 31 1951	For the Fiscal Year Ended March 31 1952	March 31 1953	March 1954
March	\$ 7,206.23	\$ 4,551.00	\$ 9,752.05	\$ 13,479.40
February	6,641.50	15,437.95	18,332.39	11,916.27
January	2,319.30	5,091.97	14,206.18	11,581.01
December, November, October & September	11,940.36	17,159.61	51,541.52	47,689.65
August, July, June, May and April	11,779.67	12,727.11	34,951.59	44,024.60
Previous to Beginning of Each Year	10,112.74	12,538.02	9,161.27	34,869.21
Total Contract Deferred Income Less Balance of Students Ac- counts Receivable	\$ 51,299.11	\$ 67,516.65	\$149,244.00	\$163,563.20
Cash Reserve Fund (Restricted as to Withdrawals)	8,112.28	7,943.74	37,747.61	34,533.23
Net Cash Balance of Deferred In- come	\$ 43,186.83	\$ 59,572.91	\$111,496.39	\$129,029.97
Percent of Deferred Income Balance Sold Prior to Beginning of Each Year—To Total Deferred Income at End of Year	19.7%	18.6%	13.7%	21.3%

Mr. Bauersfeld: May this be marked as Petitioner's Exhibit No. 31.

The Court: It will be marked for identification as Petitioner's Exhibit No. 31.

(The schedule referred to was marked as Petitioner's Exhibit No. 31, for identification.)

By Mr. Bauersfeld:

Q. I hand you Petitioner's Exhibit No. 31 and ask you to identify it, please.

A. This is a schedule I prepared reflecting the effect of different accounting methods on net taxable income as between the contract executed basis and the accrual basis.

[fol. 174] I beg your pardon, that is for each fiscal year from March 31, 1950 through March 31, 1954. The upper half of this exhibit refers to the contract executed basis wherein the taxable income was computed for each of those years, and I'd like to call your attention particularly to the year ended March 31, 1953 as compared to the year ended March 31, 1954. It shows that although sales increased from \$430,293.65 to \$452,040.70, or a five percent increase in sales, that the net profit for the year ended March 31, 1954, was only 45 percent of the profit in 1953. This is on the contract executed basis. Now, going down to the accrual basis, which is the lower half of the schedule the gross income is comprised of earned income and gain on cancellations, it shows the gross income increased 34.6 percent for the year ended March 31, 1954 over March 31, 1953, and that the net profit on that basis increased 32.3 percent. In other words, on the contract executed basis for these two years it shows an absolute distortion of income with the lack of cost being properly matched against the income and the effect of practically no provision for costs incurred to produce that income, whereas under the accrual basis expense does exist and they are more in line.

Q. Will you explain the bad debts on that schedule?

A. The bad debts are those amounts that are actually charged off as uncollectible on the books of account. When the Commissioner picks up just the net increase in deferred income he is in effect saying that sales represent gross income but we will allow you this bad-debt deduction. That's what this statement shows.

Mr. Bauersfeld: I offer the document in evidence.

The Court: It will be received in evidence as Petitioner's Exhibit No. 31.

(The schedule referred to, heretofore marked as Petitioner's Exhibit No. 31, for identification, was received in evidence as Petitioner's Exhibit No. 31.)



**Schedule Reflecting Effect of Different Accounting Method  
on Net Taxable Income as Between Contract  
Executed Basis and Accrual Basis**

**Arthur Murray Dance Studio - A Partnership**

	March 31 1950	March 31 1951	March 31 1952	March 31 1953	March 31 1954
<b>Contract - Executed Basis</b>					
Gross Income - Sales	\$185,933.50	\$209,157.30	\$237,396.83	\$130,293.65	\$102,200.00
Operating Expenses	\$106,543.90	\$123,351.31	\$137,267.91	\$228,330.69	\$201,609.76
Expenses - Per Partnership Return	26,203.60	28,929.20	30,983.43	62,734.42	55,527.15
Bad Debts					
Total Operating Expenses	\$132,747.50	\$152,280.51	\$168,251.34	\$286,125.11	\$257,136.91
Net Taxable Income	\$53,186.00	\$57,172.79	\$69,145.49	\$14,168.54	\$45,063.09
% of Expenses Per Partnership Return to Gross Income	57.3%	58.9%	58.3%	47.9%	54.4%
% of Bad Debts to Gross Income	14.1%	13.8%	17.0%	4.8%	5.4%
% of Taxable Income to Gross Income	28.6%	27.3%	24.7%	10.7%	44.0%
% of Sales to Sales of Previous Year		112.6%	112.1%	57.7%	44.0%
% of Taxable Income to Taxable Income of Previous Year		107.5%	121.1%	24.7%	83.0%
<b>Accrual Basis</b>					
Gross Income (Comprised of Earned and Gain on Cancellations)	\$124,962.07	\$146,594.18	\$170,811.93	\$262,760.82	\$333,713.58
Operating Expenses - Per Return	106,543.90	123,351.31	137,267.91	228,330.69	201,609.76
Net Taxable Income	\$18,418.17	\$23,242.87	\$33,543.12	\$34,430.13	\$52,103.82
% of Operating Expenses to Gross Income	85.3%	84.1%	80.4%	86.9%	60.1%
% of Taxable Income to Gross Income	14.7%	15.9%	19.6%	13.1%	15.6%
% of Gross Income to Gross Income of Pre- vious Year		117.3%	116.5%	155.8%	134.6%
% of Taxable Income to Taxable Income of Previous Year		126.2%	144.3%	174.4%	162.3%

Partnership Exhibit 31

[fol. 176] Mr. Bauersfeld: Will you indulge me just a moment, Your Honor?

The Court: Yes, sir. Off the record.

(Discussion off the record.)

The Court: On the record.

By Mr. Bauersfeld:

Q. Supposing a student enters into a contract with the partnership here involved but is transferred to another city, for example Denver, Colorado, where there is, I understand, another Arthur Murray Dance Studio. Can he make arrangements to complete his contract at the latter?

A. Yes, sir, the Denver Studio would complete the course for him.

Q. What are the financial arrangements between Studios in that event?

A. The Denver Studio would bill the Omaha Studio for so much money for teaching out these lessons on that particular transfer student and then the Omaha Studio would write a check for that amount so billed.

Mr. Bauersfeld: That's all. The witness is submitted for cross-examination.

The Court: We'll now recess until two o'clock.

(Whereupon, at 12 noon, a recess was taken until 2:00 p. m. of the same day.)

#### Afternoon Session

2:00 p. m.

The Court: All right, you can resume the stand now. I believe you had finished?

Mr. Bauersfeld: Yes, Your Honor.

The Court: You may then proceed, Mr. McCormick.

ROBERT J. DAVIS resumed his testimony as follows:

Cross examination.

By Mr. McCormick:

Q. Mr. Davis, you testified that certain notes were taken to the bank, notes such as Exhibit No. 21-U, which is at [fol. 177] attached to the Stipulation of Facts. Now, when the Studio, the partnership did that, did take such a note as that to the bank they would endorse the note on the back, would they not?

A. It was endorsed with complete recourse.

Q. I see. When you testified with respect to the reserve that the bank sets up on a note which is taken to the bank you stated that the note was not or the reserve was not available for use. You meant only until or not available to use until the note was fully paid, did you not?

A. That's right, in other words, the student had to make the final payment on the contract before the reserve funds on that particular contract would be released.

Q. There was only one general partnership bank account, was there not?

A. There, actually were several bank accounts but they were all general in nature.

Q. One of those was in the First National Bank of Omaha, is that right?

A. Yes, sir, that's right.

Q. And cash collections from students and from the Bank from discounted notes and from the Bank from reserve funds after the notes were fully paid were either deposited or credited to this partnership general bank account or one of the partnership general bank accounts, is that not correct?

A. If I understand your question correctly I believe your statement is correct. In other words, the proceeds from the notes when they were originally transferred to the Bank and also at the end of the note's life, when the student had paid it up, were those funds transferred to the partnership general bank account?

Q. Yes.

A. Yes, sir, they were.



Q. Those bank accounts were used to pay the expenses of the partnership?

A. Yes, sir.

Q. The Bank did not restrict in any way the use of those funds in the general bank account?

A. Not in the general bank account, no.

Q. What was the royalty-percentage agreement with Arthur Murray of New York?

A. The royalty percentage varied in rate according to the particular Studio. For Omaha the rate was 10 percent and was applied to the gross receipts received by the Studio.

[fol. 178] Q. Not the total sales?

A. Oh, no, sir. The royalty was applied to the actual money that went into the partnership's general bank accounts. That's what they paid royalty on.

Q. How about on the reserve?

A. No, sir, there was no royalty paid on the reserve fund until it was taken out of reserve fund and went into the general bank account.

Q. When was this paid, this percentage royalty paid to Arthur Murray of New York?

A. Every week.

Q. That was deducted on the return of the year in which paid?

A. Yes, sir.

Q. Now, what was the commission arrangement with sales personnel for selling lessons?

A. Well, that varied to a considerable extent. The general commission arrangement, for instance on a deferred payment plan that went through on the first half of the deferred payment plan. In other words on the first 50 percent the Studio received from the Bank there would be a commission paid on the first 50 percent and then when the note had matured and the money was taken out of the reserve fund and transferred to the general bank account then the commission was also paid on that portion of it at that time. In addition to that, the commissions were on somewhat of a continuing basis. In other words, if a sales person sold a course say for \$500.00 cash then they

would be paid on the basis of perhaps \$10.00 a week perhaps for the next four or five weeks on that sale.

Q. Now, as I understand you, 50 percent was received from the Bank, that 50 percent of the commission due would be paid at that time?

A. That's right, 50 percent of the total commission would be paid at that time.

Q. That would be deducted on the return for the year in which paid?

A. That's correct.

Q. I'd like to show you what we have stipulated as Exhibit No. 14-N, which I think you are familiar with as having helped in the preparation thereof and I'd like for you just to clarify the fact that the items here described as deferred income collected, in the last two items on the schedule, means deferred income cash collections, if that is true?

A. There are two tabulations here under the general [fol. 179] heading of deferred income collected. The first tabulation on deferred income collected is on the assumption, in other words the words are "considering reserve fund held by Bank as collected". I believe that is the Commissioner's part on this schedule, that they are assuming that the cash is collected on the reserve fund. The bottom half of the schedule "deferred income collected considering reserve fund held by Bank as not collected until funds are released and made available for withdrawal by Bank". The difference between the two, of course, represents the reserve fund held by the Bank.

Q. Yes. I just wanted for you to show clearly that the word "cash collections" is what is meant in both of the items.

A. On the two different questions that are involved, that is right.

Q. Yes, sir. You testified that the Studio was required to give parties. Was that to encourage sales and to help in the sales program?

A. That would have nothing to do with obtaining sales, nor sir. That's the obligation of the Studio to give those parties to the students that they have already enrolled, that are their present customers.

Q. Would the total amount of those expenses for giving those parties be deducted in the year in which they were paid?

A. Yes, sir.

Q. You testified with regard to transferring a certain amount to earned income as lessons were given. How did you determine exactly how much to transfer?

A. On the basis of the actual number of hours taught on each particular course.

Q. How did you determine the exact amount?

A. By multiplying the rate per hour in each course times the hours involved in that particular course, each course. Of course, some courses are at different rates per hour. As I said before, they range from five hours up to 1,000 hours and better so each course has a different hourly rate attached to it so we determine the actual earned income on each course for that particular fiscal year.

Q. You mentioned that the refunds were made to students. What was the exact amount of those refunds in the years ended March 31, 1950, 1952, 1953 and 1954?

[fol. 180] A. I don't know.

Q. Isn't it true, Mr. Davis, in fact that the partnership discouraged refunds?

A. That is true.

Q. Isn't the amount of the refunds given, isn't that shown in the books?

A. Yes, sir.

Q. Do you have the books here in which you could show us?

A. The books are in the courtroom, yes, sir.

Q. Could you show us them from the books?

A. We could dig it out. They happen every year. It would be a matter of picking out the months and so forth those refunds were made.

Mr. McCormick: If the Court would permit the time, I think that would be important.

The Court: Well, Mr. McCormick, I think if they are not in certain accounts so that they can easily be identified that might be a very troublesome procedure. If you have,

for example, let us say I believe the first fiscal year was the fiscal year of 1950, was it?

The Witness: Yes, sir.

The Court: If you have an account on the books for that year that shows in detail the funds, I think that wouldn't be very troublesome to get as explaining how it was done. Do you have any such account?

The Witness: No, sir, there is no account in the book headed "refunds". We'd have to go through the check register and dig out the checks.

The Court: You had no account you carried on the books so when a refund was made you would record it in a certain account?

The Witness: The refunds were generally, I'd say, charged to deferred income.

The Court: For which—

The Witness: —there is an account in the books.

The Court: I didn't quite understand.

The Witness: I said the refunds were charged generally to an account headed deferred income.

The Court: Yes. Then again you would have to search them out, I suppose?

[fol. 181] The Witness: Pretty much so, yes, sir.

The Court: How were they figured on the income-tax return? I suppose on that deferred income?

The Witness: Gain on cancellations was determined after that refund in considering the unpaid balance, of course, and the unearned portion of the contract. Gain on cancellations was computed and reported on courses cancelled.

The Court: What counsel is now asking would probably be rather difficult matter to answer. As I understand it, in effect what he is asking you is for the first fiscal year, your question is, Mr. McCormick, how much refunds were made in that fiscal year?

Mr. McCormick: Yes, sir.

The Court: In order to answer that you say you would have to go through the cash disbursements books?

The Witness: Yes, sir, I'd have to go through the books. ~~Since~~ it didn't actually have any bearing on the account.



ing method employed by the taxpayer there wasn't any particular segregation.

The Court: Yes.

By Mr. McCormick:

Q. Well, if you had refunds to students, Mr. Davis, why would it be necessary to have a gain on cancellations?

A. Well, maybe the entire amount was not refunded.

Q. Mr. Davis, these are the partnership returns for the years involved here which contain on the back of them net-worth balance-sheet statements?

A. Yes, sir.

Q. The figures therein seem to conflict with the figures in this net-worth statement that you have submitted here as Exhibit No. 25. I was wondering if you could reconcile the differences there?

A. What particular figures are different that you want a clarification of? We know the cash is different because of the partners' personal bank accounts which were used in the preparation of Exhibit No. 25. Are you referring to the deferred income?

[fol. 182] Q. Yes, that's one thing. One of the figures I'm referring to is the deferred income.

A. The deferred income on Exhibit No. 25 is stated in the amount of cash received by the taxpayer. In other words, the deferred income shown on Exhibit No. 25 does not include the accounts receivable. It is included only the actual amount received by the Studio. This is the amount paid on deferred income price that is shown on Exhibit No. 25 whereas the deferred income shown on the partnership tax returns is the contract price.

Q. I have here the partnership returns for the year ended March 31, 1951, which is Exhibit No. 3-C. This balance sheet on this return shows cash at the beginning of the year of \$21,926.96 and the end of the year as \$28,106.78. Now Exhibit No. 25 shows cash at the end of the year of \$46,744.14.

A. That is correct. I have stated before we took into consideration the partners' personal bank accounts as of the end of the fiscal year in the preparation of Exhibit No. 25.

Q. And that is true with respect to all years?

A. That is correct.

Q. I hand you what has been marked as Petitioner's Exhibit No. 26. You will notice that the middle column there is entitled "gross income on cash basis". Does that include the amounts in the reserve fund?

A. No, sir. If I may clarify that, it includes the amounts from the reserve fund when they are released and made available and transferred to the general bank accounts.

Q. Mr. Davis, I hand you what has been marked as Petitioner's Exhibit No. 29. There is an item on this exhibit entitled cash receipts and disbursements. Cash receipts, does that item include the reserve fund in the bank at the end of the year?

A. No, sir.

Q. Mr. Davis, I show you Petitioner's Exhibit No. 31 and there are two principal readings on that exhibit, one is "contract executed basis" and the other "accrual basis". Just for clarification, the first subject, "contract executed basis", by that you mean in effect the Commissioner's conception of the accrual method basis that should be employed here?

A. It is the Commissioner's method, yes, sir.

Q. His idea also of the accrual basis, the Commissioner's conception of the accrual basis?

[fol. 183] A. Yes, and of course you think of only one method as being the true accrual method of accounting. I don't know what the conception of the Commissioner is on this contract-executed basis.

Q. That is what you are attempting to show?

A. I am showing the basis on which the Commissioner is assessing these deficiencies, which they are taking into consideration in those total dollar dues when the contract is signed, but I would not refer to it as the accrual basis of accounting.

Q. It has been agreed in this case in the pleadings that the petitioner is on the accrual basis of accounting?

A. That's correct.

Q. And that the Commissioner is not disputing that?

A. I understand they are not disputing that the method is on the accrual basis of accounting.

Q. You were merely attempting to show what the Commissioner has done?

A. I am showing the Commissioner's method of arriving at the tax deficiencies, yes, sir.

Q. You testified with regard to payments made to other Studios in other localities to cover lessons of students who had transferred to another locality and some other Studio had instructed the lessons that had originally been contracted for in Omaha or one of the branch offices?

A. Yes, sir.

Q. In the years involved here - 1950, 1952, 1953 and 1954 - what was the exact amount of those payments made to other Studios?

A. Well, I don't have the figures here in front of me. I couldn't recall them.

Q. Do you have the figures in your books?

A. Yes, sir.

Q. Are those books in the courtroom?

A. Yes, sir.

Q. Could you show us, do you have an account that would show us?

A. I believe that could be shown for each particular Studio.

Mr. McCormick: Well, again, if the Court please, I think that would be a helpful item to be shown.

The Court: Well, if Mr. Davis can by referring to his books answer that question without too much searching of the books, it will be all right.

[fol. 184] The Witness: I believe I can find the information all right. I don't know how long it will take but I can find it in the books all right.

The Court: What the Court is anxious to do, of course, is to enable you to answer the inquiry. We would know readily you had five Studios, didn't you?

The Witness: Yes, sir.

The Court: You had an account with each one and each one would show the amount of refunds in some separate account. I don't think it would be hard to find but if it is in a cash disbursements, it might be difficult.

The Witness: I think we have an account headed "transfer hours" I think we can turn to for each year that may be requested.

The Court: Do you want to take a recess for about 10 minutes so that the witness can see if he can assemble that data?

Mr. McCormick: Yes, sir, and at this time I'd like to then offer no objection to the exhibits that were submitted this morning.

Mr. Bauerfeld: If the Court please, would this be a suggestion to save time, we will agree on having, after this trial, Mr. Davis make a schedule which will show this information and verify it with the agent and put it in the record so we can go on.

Mr. McCormick: Yes, that will be all right.

The Court: All right. We will agree Mr. Davis will compile this, and let the revenue agent check it if he desires, and file it.

Mr. McCormick: May that ruling also apply to the refunds as well as payments to other Studios?

The Court: I understand the refunds can be ascertained, perhaps not so quickly.

Mr. McCormick: If the Court please, I don't want to hold the record open forever for putting in exhibits. I will agree on this one which can be readily obtained, but it will take considerable time during Mr. Davis' busy [fol. 185] period of making out tax returns and I would object to that.

The Court: I don't see just what the advantage of it would be anyhow. What effect does it have on the tax liability - that's the important thing in these years?

Mr. McCormick: Well, it shows merely that they had this money which they were going to keep for the most part, the cash collections.

The Court: As I understand it, they had certain

Mr. McCormick: It is not going to be returned.

The Court: -contracts. I understood this morning that really the contracts said they were not to make any refunds but as a matter of fact they did make refunds and I assume whenever they made a refund that a deduction of some kind was made on them.



Mr. McCormick: Well, maybe we could agree then to withdraw or strike out the portion of the testimony that said that refunds were made unless we can determine the exact amount.

The Court: I imagine the Commissioner had ample time, himself and his agents, to examine these books very thoroughly.

Mr. McCormick: Well, sir, as I said, the contracts, of course, say no refunds.

The Court: What do you say?

Mr. McCormick: The contracts say no refunds.

The Court: The Court has no desire to keep out any evidence that might throw any light on the case. Now, you have agreed on the question of paying some other Studios for filling out contracts. Mr. Davis is going to get that information for you to be filed as a schedule. Now, what you would like to have is another schedule that would show the refunds. The Petitioner's objection to that is not so much to the evidence as that it will be difficult to assemble that information. They don't want to take the time. Maybe your agent could take the books and go through them and have it verified. Do you want to do that?

[fol. 186] Mr. McCormick: Yes, sir.

Mr. Bauersfeld: Of course, Mr. Davis would have to spend the time to do it to see it was correct if the agent did it or Mr. Davis did it.

The Court: The Court is not disposed, as I say, to keep out any relevant evidence but I don't see how at this stage without the evidence being obtainable without Mr. Davis going through the books in detail, I don't think that requirement should be made of him at this time. I don't know what effect it would have on the tax liability. At the present moment I don't think it would have any. Well, as I understand it, now, you are to later file as a schedule information that will show the amount paid to these other Studios for carrying out contracts with another one. You may proceed, Mr. McCormick. The answer of the witness, as I understand it, to your general question is can he tell how much was refunded to students in these fiscal years and his answer is he doesn't have any account which shows

that, that he would have to go through the cash disbursements and check and ferret it out. That couldn't be done without considerable delay of the trial.

By Mr. McCormick:

Q. As to the amounts of deferred income at the end of a particular year, Mr. Davis, isn't it true that most of the lessons which that represents will be taught within say the next 12 months?

A. Of the amount deferred at the end of any particular year, isn't that true that most of that would be taught out within the next 12 months?

Q. Yes.

A. That is correct.

Q. Now, as to arrangements with students for lessons and times, students were permitted to call up the Studio and arrange for their dates for taking their lessons, isn't that true?

A. Do you mean were the lessons made by appointment?

Q. Yes, by appointment, the time.

A. Yes, sir, they were scheduled.

Q. Schedule a lesson from time to time, say from lesson to lesson they could call up and make arrangements to take their lesson. If they took a lesson today, as far as [fol. 187] next week is concerned they could call up during the next week and arrange to take a lesson say on Thursday of next week?

A. I think it was a little bit more routine than that. When a student took a lesson on a particular day, the teacher generally schedules his next lesson before he leaves.

Q. Yes, but they would schedule it at that time. It wasn't any fixed schedule when they contracted with a student for a certain lesson on a certain day at a certain hour in the next year which the student had to abide by, was it?

A. No, sir.

Q. How long did you testify you had practiced accounting, Mr. Davis?

A. About 13 years.

Q. Excuse me, 13 years?

A. Yes.

Q. When did you receive your degree?

A. In 1948.

Q. When did you set up the books for this Studio?

A. In 1946, when I was associated with the Irwin-Imiz Company, certified public accountants.

Q. When did you receive your certified public accountant rating?

A. In 1948.

Q. In 1948?

A. Yes.

Q. So that you were not certified at the time you set up this method of accounting for this Studio?

A. No, sir. That is correct.

Mr. McCormick: I believe that's all.

The Court: Have you anything else, Mr. Bauersfeld?

Mr. Bauersfeld: Will you indulge me just a moment, please, sir?

The Court: All right.

Mr. Bauersfeld: No further questions.

The Court: All right, Mr. Davis, you're excused.

(Witness excused.)

Mr. Bauersfeld: May we call the next witness?

The Court: Yes, sir, you may.

Mr. Bauersfeld: Mr. Cole.

[fol. 188] Whereupon, DANA F. COLE, called as a witness for and on behalf of the Petitioner, having been first duly sworn, was examined and testified as follows:

Direct examination.

The Clerk: State your name and your address, please.

The Witness: Dana F. Cole, 425 Stuart Building, Lincoln, Nebraska.

The Clerk: Spell your name, please, sir.

The Witness: D-a-n-a F. C-o-l-e.

The Clerk: Thank you.

By Mr. Bauersfeld:

Q. What is your profession, Mr. Cole?

A. I'm a college teacher and practicing public accountant.

Q. Where is your public accounting business located?

A. Our office is at Lincoln, Nebraska.

Q. And how long have you practiced public accounting?

A. Oh, 42 or 43 years.

Q. What is the name of your firm?

A. Dana F. Cole & Company.

Q. How many people are in your organization?

A. Oh, it ranges from 15 to 20.

Q. And what territory does your practice cover?

A. Well, it covers the practice around the Lincoln area, which is in Nebraska, northern parts of Kansas, eastern Colorado and Wyoming, western part of Iowa, it goes into Illinois and Missouri.

Q. What has been your experience in public accounting?

A. Well, I've been in general practice of public accounting since 1915, I guess, doing every type of work a public accountant might be called on to do.

Q. Where do you teach?

A. University of Nebraska.

Q. And what subjects do you teach?

A. At the present time I am teaching advanced cost accounting and income-tax accounting in both introductory and advanced courses.

[fol. 189] Q. How long have you taught at the University of Nebraska?

A. I started teaching in February of 1915.

Q. What is your title at the University?

A. Professor of accounting.

Q. What subjects have you taught since 1915?

A. I have taught all the principal courses, principles of accounting, principles of cost accounting, advanced cost accounting, tax courses, which are income tax, estate taxes, gift taxes, Social Security taxes. For a while I taught the marketing courses in the field of salesmanship, marketing, advertising.

Q. Have you written any books?

A. Yes.