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## Corporation Reports

New York Stock Exchange. Stock List Committee

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## Corporation Reports

On January 12th the stock list committee of the New York stock exchange issued the following letter addressed to the chief executives of corporations:

Dear Sir: In line with our constant efforts to secure reasonable uniformity in annual reports for the benefit of listed companies, their share-holders, accountants, and the investing public, this committee is herewith advising you of its general attitude as to the following features of such reports:

(1) When the books and accounts have been audited by public accountants, the text of their auditor's certificate should be given.

(2) The number of shares of capital stock, both common and preferred, authorized by the charter and the amount outstanding should be shown in the balance-sheet.

(3) The number of shares and the amount of holdings of own unretired stock and bonds should be separately disclosed, with indication of the valuation and the basis at which carried.

(4) Surplus should be separated at least into capital surplus and earned surplus. If all surplus is earned surplus (representing realized profits) it should be so designated.

(5) Any changes for the period covered in either capital surplus or earned surplus should be indicated by adjustments thereto.

(6) Differences between cost and subsequent retirement or resale of the company's own stock should be fully disclosed. This committee prefers that such differences be reflected directly to the capital surplus account, especially where common stock, and preferred stock without compulsory retirement features are involved. There is, however, some difference of opinion among accountants upon this point, and there are those among them who consider that such differences may properly be reflected in earned surplus instead of in capital surplus. Listed corporations are generally under agreement to submit future statements to stockholders in the same form as those contained in the listing application. Where it has been the practice of such corporations to reflect any so-called profits arising from these transactions through the capital surplus account, this committee feels that it would be a violation of the agreement in question should any change in the practice be made. Until further consideration of the matter, however, no objection will be made if corporations, whose practice in this respect is not affected by the agreement to publish in the same form, should follow the advice of their accountants upon this point, provided full disclosure of the source of such additions is given and that the transactions are included directly in the surplus account and not in the income account.

(7) Full disclosure should be given of any change since the previous annual report in the basis of valuation in investments, inventories, or property account.

(8) Full disclosure of any change in the depreciation policy should be given.

(9) If other income represents a substantial part of total income, the principal component items of other income should be disclosed.

(10) This committee does not deem it advisable to establish at this time requirements as to the method by which revised or fluctuating rates of foreign exchange should be reflected in the consolidated balance-sheets or earnings statements of listed American companies having foreign subsidiaries subject to these

## *Corporation Reports*

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factors, or in the parent company statements of listed American companies themselves having assets, liabilities, or earnings similarly affected. Irrespective of the method followed, disclosure should be given of the basis on which such items are reported.

(11) A list of officers and directors should be included in the report.

This circular letter is not intended to affect in any way cases in regard to the above points which already have been taken up individually with this committee.