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What's New in Reading

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ogy in this respect are contained in Bulletin No. 39 dated in October 1949. They recommend the use of the term "surplus" be discontinued, and that the term "earned surplus" be replaced by terms which will indicate source, such as retained income, retained earnings, accumulated earnings, or earnings retained for use in the business. Appropriations or segregations of retained income for general contingencies, possible future inventory losses, etc., should be included as a part of the stockholders' equity. Where there has been a quasireorganization, retained income thereafter should be dated. Where there has been a transfer from unrestricted to restricted capital by stock dividend or other resolution, the amount of retained income thereafter should indicate that it has been reduced and is the remainder after such transfer.

It is further recommended that the contributed portion of proprietary capital be designated as;

Capital contributed for or assigned to shares to the extent of the par or stated value of each class of shares outstanding, and

Capital contributed in excess of such par or stated value and capital received other than for shares.

While these recommendations were for-

malized in October 1949, they had been adopted by many corporations in their published reports long prior to that date and, together with other new terminology, have had very enthusiastic acceptance.

There have been many other changes in terminology and endless variations of the terms in use. There has been a concerted effort to make financial statements more understandable, particularly in their presentation to the public, and there have been some noteworthy accomplishments.

In bringing these random observations to you, I have attempted to show that the accounting profession is seriously trying to keep pace with our changing economic system; that it is diligently striving to obtain uniformity in accounting procedures and to produce financial statements which more clearly reflect financial results and financial position. While some of the pronouncements themselves may sound dogmatic, there has been no intention of finality in their publication. It has taken some courage to admit that some past principles were not the best and perhaps that some were not even proper. To me it is a healthy sign that we have come to a full realization that changing conditions require changes in thinking. It is an indication that the infant accounting profession is rapidly approaching maturity.

WHAT'S NEW IN READING

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COMPANY ANNUAL REPORTS TO STOCKHOLDERS EMPLOYEES, AND THE PUBLIC. By Thomas H. Sanders (Copyrighted by The President and Fellows of Harvard College, 1949, and printed by The Andover Press, Ltd., 338 pages.)

This book points out the growing attention of the accounting profession toward corporate reporting, sponsored by the American Institute of Accountants and the Securities and Exchange Commission, as well as the profession at large.

The book contains excerpts from many letters from stockholders, corporate representatives, investment analysts, and labor union representatives expressing their criticism of corporate reports. The author outlines the steps being taken by many corporations toward meeting the divergent needs of these groups.

The book is practical and deals with all phases of the report: the trend toward presenting the balance sheet, income and sur-

plus statements in a manner which can be understood by readers unfamiliar with accounting technique; the accountants' responsibility toward compliance with "generally accepted accounting principles"; the disclosure of pertinent facts in the notes to the financial statements; the presentation of charts, graphs, and pictures which are a part of many reports; the auditor's report and the report of the president to the stockholders.

It analyzes the recent trends in accounting practice which are engaging the attention of everyone in the accounting profession, from the student to the topmost accounting executive.

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A man should choose a friend better than himself; if only like himself, he had better have none. There are plenty of acquaintances in the world, but very few real friends.

—Chinese Proverb.