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To Presidents of Corporations Having Securities Listed on the New York Stock Exchange

Emil Schram

New York Stock Exchange

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18 EAST 41st STREET. NEW YORK 17, N. Y.

January 18, 1949.

TO THE MEMBERS OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS:

GENTLEMEN:

The New York Stock Exchange, under date of January 10, 1949, issued a letter to the presidents of corporations having securities listed on the Exchange. At the request of the committee on accounting procedure, that letter, signed by Mr. Emil Schram, president of the Stock Exchange, is reproduced on the reverse side of this sheet.

Sincerely yours,

CARMAN G. BLOUGH

Director of Research

NEW YORK STOCK EXCHANGE
ELEVEN WALL STREET

OFFICE OF THE
PRESIDENT

January 10, 1949.

*To the Presidents of Corporations having securities listed on the
New York Stock Exchange:*

The method of determining and reporting net income has been and is continually being studied by various interested groups. It is recognized that the reporting of earnings within the confines of a single year necessitates the exercise of judgment and the results, as reported, are based upon opinion of the management, supported by the opinion of its independent accountants as expressed in their certificate on the basis of objective accounting standards.

Due to the rapid price changes which have occurred over the past few years, there is a variety of opinion in relation to reporting net income or making appropriations of net income to be considered, particularly those relating to inventories and fixed assets. It would appear that until such varied opinions have become reconciled, the primary figures of the earnings or earnings per share reported to security holders and the investing public should be the net income for the year determined in accordance with generally accepted practice at the present time. It would then appear logical to include such other information concerning the need for the retention of earnings to maintain a continuing business enterprise as may be desired.

Your coöperation in following this procedure not only in the text of your annual report but also in any releases which you may make in relation to a report of earnings for the year would be appreciated.

There is enclosed for your information a copy of Accounting Research Bulletin No. 35, issued by the committee on accounting procedure of the American Institute of Accountants, relating to the presentation of income and earned surplus.

Very truly yours,

EMIL SCHRAM