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## Correspondence

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## CORRESPONDENCE

### “What’s Wrong with Accounting”

*Editor, THE JOURNAL OF ACCOUNTANCY:*

DEAR SIR: In Notes of the Month, March issue, you prove that a partial quotation may be a vicious misquotation.

Your second excerpt implies that I advocated politicians taking over business. Any fair reading of my article will show that I regretted the accounting distortions which deceived the public into clamoring for political regulation of business.

Mr. Wilcox, whom you describe in the same issue as a member of the committee on professional ethics, was not so unfair in his reply to be printed in the next issue of *Advanced Management*. Another of your Chicago contributors was enthusiastic, merely suggesting that your JOURNAL would have been a more appropriate medium.

Yours truly,

BILLY E. GOETZ

Chicago, Ill.

### Streamlined Financial Statements

*Editor, THE JOURNAL OF ACCOUNTANCY:*

DEAR SIR: The following comments, in view of your editorial entitled “Streamlined Financial Statements,” which appeared in the March issue, may be of interest to JOURNAL readers:

Following the trend among business houses and banks, to tell the average stockholder how the company in which money is invested weathered the storm during the fiscal year, what was spent for various purposes, and how much was left in the cash box for paying dividends, in terms anyone who cares to may read, Wisconsin industrial companies and financial houses have been telling their stockholders what has been going on. While the certified public accountant still prepares his statement as to the condition of the company, such information is rewritten in terms familiar to the average man or woman who may own stock in the company or bank.

A Milwaukee industrialist, not the largest, but a healthy company, decided this year to tell the company’s story in simple manner, reserving the more dignified form of statement for the eyes of the directors and others who would rather see the figures in C.P.A. form. This is what President C. W. Pendock of the Le Roi Company, Milwaukee, has just sent out to stockholders in the way of information as to the company’s condition at the end of the latest fiscal year:

Income from sales made and interest received . . .	\$2,226,000	100%
Paid out for castings, finished parts, etc. . . . .	1,053,000	47%
Power, fuel, freight, supplies . . . . .	215,931	9%
Set aside for machinery and plant a/c wear . . .	85,433	3%
Paid out in wages and salaries . . . . .	737,236	33%
Federal state and city taxes . . . . .	96,376	4%
Paid to stockholders as dividends . . . . .	30,000	1%
Set aside undistributed earnings for future use	8,184	4%
Cash in the banks, to pay wages and bills. . . . .	227,045	
Amount owed to company by customers . . .	242,461	
Material on hand for future use (inventory) . .	710,350	
Land and buildings owned by company . . . . .	848,388	
Miscellaneous assets of the company . . . . .	30,277	
Debts to other companies, not yet paid . .	117,991	
Wages, salaries and taxes not yet due . . . . .	90,171	
Miscellaneous bills yet to be paid . . . . .	55,504	
Stockholders investment	1,420,000	
Earnings reinvested to finance growth of company . . . . .	374,817	

All of this may look like a jumbled statement to an accountant who is accustomed to

## Correspondence

see the conventional balance-sheet made up to serve income-tax purposes, but to the stockholder, at least those whom your correspondent interviewed, the new way of telling the company's financial story looks simpler than the old way. Examining the company's conventional balance-sheet, we find that current assets are given as \$1,183,000 and current liabilities as 242,738 as against \$1,090,000 and \$381,719, respectively, for 1938.

President Pendock also told the stockholders, in his new way of describing the affairs of the company for the past fiscal year, that total taxes of \$93,375 were equal to \$212.75 additional wages to every employee, if there had been no taxes, or 80 cents a share if the taxes could have been paid out as dividends to stockholders.

It is reported that more industrial firms in Wisconsin contemplate making "easy to read" annual statements, in view of the fact that stocks of companies are now so widely held by persons who could never read one of the conventional financial statements.

JOHN E. HUBEL

Nashotah, Wis.

### Students' Societies

*Editor, THE JOURNAL OF ACCOUNTANCY:*

DEAR SIR: I should like to express my opinion of the comments of M. E. Murphy, of New York, N. Y., appearing in the February issue of *THE JOURNAL* on the establishment and maintenance of students' societies by the American Institute of Accountants and the various state societies.

As a student I was naturally impressed and very solicitous toward the suggestions of Miss Murphy. Her reference to a suggested survey of the activities of English students' societies calls to mind the two articles appearing in the published papers presented at the 1938 annual meeting of the American Institute of Accountants. The

first of these papers was entitled "Accountancy Examinations of Canada"; the second, "Accountancy Examinations of Great Britain." The authors: Austin H. Carr and Harold R. Caffyn, respectively. Undoubtedly these two distinguished representatives of the profession in our neighboring English-speaking nations could contribute much to the success of any survey such as that suggested by Miss Murphy.

Students with an insatiable desire to become better, more worthy members of your profession will, it is believed, wholeheartedly welcome any attempt by the Institute or the state societies to establish and sponsor student accounting societies.

As for the benefits to be derived from such a program by the accounting profession in particular, I should like to quote, for the sake of commendatory emphasis, two excerpts from Miss Murphy's letter:

"The students' societies would provide opportunity for social intercourse between their members and established accountants. Through this informal association, practitioners would expand their contact with the neophytes and would assume some responsibility for their training, and students would be stimulated by personal conversation with men who would otherwise be known to them only by reputation. The gulf between the older members of the profession and candidates for the Institute's examinations would tend to be less wide. . . .

"Other outcomes of students' societies would be the increase of their members' interest and participation in a professional organization, the furtherance of their knowledge of the profession's heritage, and the development of their individual distinction of manner and clarity of thought — indices of the learned profession of which, it is hoped, they will eventually become distinguished members."

Yours truly,

EARL J. OSBURN

Lansing, Mich.