

AMERICAN INSTITUTE OF ACCOUNTANTS

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Calling it a "most valuable discussion of a subject of prime importance" John F. Forbes, president of the American Institute of Accountants, said today that all investors should study the report of W. S. Gifford's committee on uniform accounting for industry recently submitted to the business advisory and planning council for the Department of Commerce.

"It can not be too frequently emphasized", Mr. Forbes said, "that investors must understand the nature of accounting statements before they can judge to what extent such statements may be relied upon. It is no less important that the public as a whole understand that any attempt to impose rigid uniformity of accounting upon industry would have unfortunate results for all concerned. The report of Mr. Gifford's committee will do much to clarify public thought on both points.

"In hearings in Washington during the past few years there have been frequent loose references to the desirability of uniform accounting, and in some legislative proposals there is evidence that a great many people think the problem much simpler than it is.

"Leading accountants have often said that the accounting practices of public utilities and railroads, which are subject to governmental regulation and are more or less standardized according to groups, are less conservative than those of industrial corporations as a whole. This contention is supported by the following paragraphs from the report of Mr. Gifford's committee:

"Complete uniformity in accounting practices throughout the whole field of business enterprise is often cited as an objective toward which business should constantly strive. Such an objective _____ granting that it were susceptible of attainment, would by no means represent an ideal situation. To attempt now to standardize accounting procedures for all business would inevitably result in a standard far below the accounting practices of leading business concerns at the present time, and would tend to stifle the evolutionary progress which has been constantly under way in accounting for many years and should be permitted to continue. Moreover, it is clear that, except for well-known basic principles which should find recognition in all

accounting, the most effective accounting for a particular company must be a system specifically designed to meet the peculiar requirements of that company.

“A far better objective is first: the recognition, adoption and consistent application by all business concerns of the basic principles of accounting, and second: the development and adoption, within each reasonably homogeneous field of industry, of uniform accounting practice especially adapted to the needs of that industry. Experience has shown that a trade association, for example, representing a group of manufacturers all engaged in the same industry may, with full knowledge of that particular business, develop a system of accounts that will conform to these fundamental principles and at the same time be better suited to that business than would a system designed for general application. Likewise, the experience of the Interstate Commerce Commission and other regulatory agencies has demonstrated that, while certain basic principles may be generally applied, it is necessary to devise a separate accounting system for each class of public utility coming under their jurisdiction.

“These points have been frequently emphasized by the American Institute of Accountants in conversations with the New York Stock Exchange, the Investment Bankers Association, the Securities and Exchange Commission and others. The accountancy profession will welcome the report of Mr. Gifford’s committee as a means of increasing general knowledge of a subject whose importance has been widely underestimated until recently.”