

# 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 cooperation 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