

AMERICAN INSTITUTE OF ACCOUNTANTS  
135 Cedar Street, New York

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John L. Carey, Secretary

Protest has been filed by the American Institute of Accountants with the banking and currency committee of the Senate against the provisions of the national securities exchange bill which would permit the imposition of uniform accounting methods upon industries, it has been announced by C. Oliver Wellington, of New York, chairman of the Institute's committee in charge of the matter.

“Section 18 of the bill would give the government power to dictate accounting methods to industry, “said Mr. Wellington. “This provision does not belong in a bill designed to regulate national securities exchanges. It is a matter of such great importance that if it is to be considered at all it should be considered as a separate problem.

“The application of attempted uniformity in the keeping of the accounts of public utilities and railroads has not resulted in more dependable financial statements by companies in those fields than has been the case with industrial companies. On the contrary, there has unquestionably been a greater advance in accounting practice, particularly in such problems as those of allowances for depreciation of plant and property, in the case of representative industrial companies than in the fields subject to government regulation of accounting. Standardization of principles is vastly more important than superficial uniformity of form.

“Rigidity of form may be dangerous because it does not allow for the proper treatment of new developments or new situations having an important bearing upon the statement of the results of a company's operations or of its financial condition. A sufficient and

at the same time more reasonable requirement would be for the disclosure in the financial statements of any information which the Federal Trade Commission deems essential to the completeness or clear understanding thereof.

“In the final analysis, the problem of disseminating reliable financial information to investors is not dependent upon the application of uniform accounting methods or upon a rigid uniformity in form of the statements to be submitted to investors. Uniform financial statements simply will not solve the problem. They might look alike, but in the very nature of the case they would not mean the same things. Investors would be deceived, rather than protected, by such requirements.

“Accordingly, we have asked that the provisions allowing the imposition of uniform accounting methods and forms be deleted from the proposed bill.”