

AMERICAN INSTITUTE OF ACCOUNTANTS
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Advice regarding the form and content of annual reports of corporations to stockholders, in the light of requirements of the securities and exchange commission and the stock exchanges, has been issued by the two special committees of the American Institute of Accountants which co-operate with those bodies.

The Bulletin of the Institute, just published, contains the following joint statement of the special committee on co-operation with the S. E. C., of which C. Oliver Wellington is chairman, and the special committee on co-operation with stock exchanges, of which Frederick H. Hurdman is chairman:

“The only reports falling under the liabilities of the securities exchange act of 1934 are those filed with the commission under the provisions of that act. The commission has prescribed the form of reports for companies registered on the exchanges, form 10, and is now drafting a form which it proposes to require for the fiscal year following the period covered by form 10. It is expected that in general the requirements as to financial statements and accountants’ certificates in this proposed new form will be similar to those in form 10.

“On the other hand, there is no requirement that the annual report to stockholders, which is filed with the stock exchange, need be filed with the securities and exchange commission, and therefore the annual report does not fall under the provisions or the liabilities of the securities exchange act of 1934. The requirements as to form and content of annual reports, therefore, are governed, in so far as the stock exchanges are concerned, by the listing

agreements, which usually provide for the submission of financial data in the same general form as at the time of original listing.

“While, therefore, there is no legal requirement that the annual report to stockholders conform with the report on form 10, or the new form which will extend this information, there can, of course, be no material differences between them, inasmuch as the balance-sheets and income statements are for the same period. In general, it is expected that the reports to stockholders will be in more condensed form than the reports to the securities and exchange commission, but that no condensation of material will be made in such a way as to fail to disclose information that is relatively important in each individual case.

“With reference to the form of financial statements and of accountants’ certificates, the committees call attention again to the special report dated January 16, 1935, of the special committee on co-operation with the securities and exchange commission, in which no important change is recommended in the form of report and certificate outlined in the booklet ‘Audits of Corporate Accounts.’ issued in January, 1934.

“The securities exchange act of 1934 and the forms and regulations promulgated thereunder will undoubtedly influence the submission of annual reports in greater detail to the extent that may be necessary to disclose essential information, but it is not desirable to have the annual report in such detail and accompanied by so many foot-notes as to be confusing rather than helpful.”