

AMERICAN INSTITUTE OF ACCOUNTANTS
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FOR RELEASE: Immediately

In requiring issuers of securities to state in financial statements filed for permanent registration on national exchanges "the basis of determining the amounts" in the balance-sheets rather than the "basis of valuation", the Securities and Exchange Commission has taken a distinctly forward step in the education of investors, The Journal of Accountancy, official publication of the American Institute of Accountants, says editorially in its current issue.

Commenting on the requirements of Form 10, for registration under the securities exchange act, the journal declares that the common fallacy that balance-sheets present value has done much to deceive those who rely on financial statements for information regarding investments.

"The analytical accountant," it says, "reading the form of registration will be gratified to find that the commission calls for 'the basis of determining the amount' of items in the financial statements, particularly the balance-sheet. This is a departure from tradition and custom, and it indicates recognition of a vital truth which too often has been overlooked. The items appearing on balance-sheets have generally been spoken of as 'values' expressed in dollars and cents. As a matter of fact, some are based on cost without regard to value, yet it would not have been astonishing had the commission called for a 'basis of valuation'. There would have been ample precedent behind it.