

# Lucky

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January 7, 1976

JAN 12 AM

Hon. Carl Albert  
House Office Building  
Washington, D. C. 20515

Dear Mr. Albert:

Knowing your time, like ours, is very limited, this will be as short as possible. However, because of what I believe is vital to the economy of this country, it is hoped you will read it all - and act.

What are you doing about what the Securities and Exchange Commission is doing to the economy of this country?

I have been an accountant for over thirty-five years for Lucky Stores, Inc. - a diversified retailer (mostly food) operating in twenty-eight states. Accounting is the method organizations use to record what has happened. It would be nice if companies were alike so reports could all be the same. However, no two companies are alike, and reports are different.

In the name of conformity the SEC has been, and is continuing to put out rules so that reports are on an "if" basis, having no connection with reality.

Inflation accounting, purchasing power accounting - no matter what it is named, it is not fact, and all it can do is raise prices and diminish any credibility left in business accounting.

In effect, the proposed new rules will require us to account for a retail building built for \$200,000 in 1950 as if it were built this year. In other words, we must determine its cost as if built now (even though materials and ideas of size, etc., have changed drastically). So if the cost is estimated at five times that of twenty-five years ago, the depreciation expense will be five times as presently recorded. It doesn't make any difference that what is bought or built today is based upon the expected return on investment in 1975, and what was bought or built twenty-five years ago would not be repeated in 1975. The same fallacies pertain to accounting for all buildings and equipment, receivables and payables, as well as inventories. The SEC proposal would also require that cost of merchandise sold be recorded at its "replacement" cost on the "date of sale".

The retail food business, irrespective of the rampant current un knowledgeable statements, is very competitive, and product in most cases is sold based upon the actual cost to the retailer, not replacement cost. If, on the

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other hand, the retailer is required to confuse the owner (shareholder), his banker, and customer, with "if" results there will be more pressure to charge more based upon the replacement cost - this will not help alleviate the upward press of inflation.

Companies and company managements are judged upon the results they obtain based upon facts. If results are reported upon an if basis confusion will reign. A recent article in the October 31, 1975 issue of the Wall Street Journal outlined some of the ridiculous results that would be reported on the if basis. It was estimated that the 1974 results of Sears, instead of being a \$511 million profit would be a \$29 million loss. Is this conducive for the owners to keep the same management - for investors or bankers to lend money to keep the company in shape - to keep employing thousands of people? Certainly taxes will not be allowed to be paid on any if basis.

Three years ago the SEC made a rule that leases be reported on an if basis, and confusion does reign in this area. On our latest annual report we were required to state that if the leases were not leases and the company owned the property and paid interest for its if invested funds and had depreciation on its if owned property, profits would have been \$2 million less than recorded. It is my belief that this if reporting just puts more clouds on reports and, therefore, is one of the items that has slowed the recovery of the economy. Assuming clouds or doubts are legitimate they should not be hidden - but doubts based on if accounting and not facts should not be required by our government.

Now, at the urging of the SEC, the Financial Accounting Standards Board has put out a proposal that would require the leases of companies to be recorded on the books of companies on an if basis:

Record as if owned when such is not the case.

This country needs more productive jobs. However, hiring accountants and engineers in nonproductive make-work jobs required by government edict is ridiculous.

Without a doubt, the SEC, since putting in a theory man rather than a practical accountant as Chief Accountant, and the amazing theoreticians of the Federal Trade Commission, with their silly and dreadful requirements, have cost the consumer and the economy of the country each year more than the earnings (reported on a reasonable basis) of the entire retail food industry.

Profits beget investment and investment begets jobs - there is no other way.

Please do something to stop these theoreticians from ruining a "going machine" which is this country's productive economy.

Yours very truly,

LUCKY STORES, INC.

  
I. Owen  
Senior Vice President

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