A Report Prepared By

Andrew Barr, C.P.A.
Chief Accountant
U. S. Securities and Exchange Commission

representing

The Federal Government Accountants Association

on the topic

The International Harmonization of Accounting Principles

NINTH INTERNATIONAL CONGRESS OF ACCOUNTANTS

PARIS - September 1967

The international harmonization of accounting principles is a topic of rapidly increasing importance as the jet age brings the financial centers of the world within a few hours of each other and improved means of data processing and of communication make the exchange of information almost instantaneous. Accountancy as the common language of business must keep up with this accelerated pace in order to maintain meaningful financial reporting. The expanding research programs of the professional accounting organizations participating in this Ninth International Congress of Accountants are evidence of a serious effort to do this. This paper is a status report on the progress being made in the United States of America. 1/

First International Congress of Accountants

It is well known that English and Scottish accountants who were sent to America to report to Old World investors in companies in the United States were largely responsible for the establishment of the public accounting profession in the New World. It may not be so well known that it was some of these accountants who organized the First International Congress of Accountants held in St. Louis, the "Gateway to the West," in September 1904. One of these was John B. Niven, son of one of the founders of the Society of Accountants in Edinburgh in 1854. The site for the meeting was the exposition grounds of the World's Fair commemorating the Louisiana Purchase from France in 1803.

Of the ten papers read at this First Congress four pertained to aspects of municipal accounting, three concentrated on the development

---

1/ The Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publication by any of its employees. The views expressed herein are those of the author and do not necessarily reflect the views of the Commission or of the author's colleagues on the staff of the Commission.

and practice of the profession, and three covered topics of accounting principles still the subject of vigorous debate today. Francis W. Pixley, past president of the Institute of Chartered Accountants in England and Wales, discussed "The Duties of Professional Accountants in Connection with Invested Capital Both Prior to and Subsequent to Investment" (this sounds like a foreshadowing of things to come under the Securities Act of 1933 and the Securities Exchange Act of 1934!). The sound advice in this paper is just as pertinent today as it was when delivered. In addition to giving advice on the duties of the auditor, the author commented on matters of accounting principle and disclosure, including the distinction between charges against revenue or capital, accounting for depreciation, the divergent practices of amortizing goodwill by charges to income or retaining it intact as fixed capital, the extinction of development costs of mines, and the propriety of secret reserves.

As the title indicates, the paper was developed in two parts. In closing the first part dealing with an invitation to invest, the author said:

> "Before any prospectus inviting capital containing a professional accountant's certificate is issued, it ought to be approved by him in its entirety, so that he may satisfy himself not only that his certificate is correctly inserted, but also that no unwarrantable deduction is made from its contents which might mislead an intending investor." 2/

And in comments on the capacity of shareholders to understand financial statements, a problem persisting today is recognized in the following passage:

2/ Official Record of the Proceedings of the Congress of Accountants, 1904, p. 133.

> "As regards the debit side of a Balance Sheet, or the liability side, as it is frequently called, the only fact which appears to puzzle shareholders is that it includes their capital, amounts placed to reserve, and unappropriated profits; but, as regards the credit side, which is so frequently called the asset side, it is exceedingly difficult to make shareholders understand that the values placed against the items are merely those of the books, and that it does not necessarily mean that their commercial values in any way approach the figures set out." 3/

Robert H. Montgomery (then 32 years old and partner in charge of the New York office of Lybrand, Ross Bros. & Montgomery) wrote on "The Importance of Uniform Practice in Determining the Profits of Public Service Corporations Where Municipalities Have the Power to Regulate Rates." This paper was prepared at a time when there was a trend toward municipal ownership of public utilities. In commenting on pending utility cases Mr. Montgomery observed that some would be decided wholly on points of law, the majority would "require accurate statements of the corporations' accounts, and the most important statement will be that of profits." 4/ This is an early recognition of "the cardinal importance of the income account, such importance being explained by the fact that the value of a business is dependent mainly on its earning capacity." 5/ (However, it may be noted here that a revival of interest in the balance sheet is currently taking place.) Mr. Montgomery went on to say that:

> "Of course, no one denies that it is important to have uniformity of practice wherever the question of determining profits is an issue, but no such uniformity exists, and we can make better progress and reach the desired end far sooner by taking up definite questions than to attempt a general reform at first."

3/ *Ibid.*, p. 139.

4/ *Ibid.*, p. 144.

5/ "Audits of Corporate Accounts," Correspondence between the Special Committee on Co-operation with Stock Exchanges of the American Institute of Accountants and the Committee on Stock List of the New York Stock Exchange, 1932-34, p. 9.

> "Even in England, where the affairs of Public Companies are frequently regulated directly by act of Parliament, and where one might think that uniformity would exist, in their cases at least, accountants differ as to what constitutes net profits." 6/

How familiar this sounds! The importance of proper provisions for depreciation and maintenance and the recognition of an allowance for goodwill of the going concern were emphasized in the paper.

As this paper is being written in early 1966, the Federal Communications Commission has ordered a full-scale study of the rates charged by the American Telephone and Telegraph Company and it also has before it the problems presented by the new venture COMSAT (Communications Satellite Corporation). The Interstate Commerce Commission is considering the question of whether rates charged by railroads need to be adjusted to be competitive with other means of ground and water transportation, and the Civil Aeronautics Board is confronted with the problems arising from change in facilities of the airlines. The Federal Power Commission recently published an opinion dealing with rates of gas producing companies, 7/ while the Securities and Exchange Commission (SEC) is engaged in, among other matters, studies of investment companies, investment advisers, and brokers and dealers in securities. 8/

Arthur Lowes Dickinson, in whose name a lectureship was to be established at the Harvard Graduate School of Business, explored "The Profits of a Corporation." The Chairman of the meeting referred to this paper as

---

6/ Congress of Accountants, op. cit., p. 145.

7/ Opinion No. 468, Federal Power Commission, August 5, 1965. (Opinion and Order Determining Just and Reasonable Rates for National Gas Producers in the Permian Basin.)

8/ See Appendix.

one of the most important of the Congress.[9/] Brief reference does not do justice to the significance of this paper. Much of it can be read today as a statement of present practice and, as far as disclosure is concerned, many improvements were urged which have since been generally adopted in the United States and to an increasing extent in other parts of the world. The discussion is tied closely to a determination of profits available for dividends as a legal matter but areas of conflict between law and accounting are pointed out. Dickinson arrives at a recommended form of Earnings Statement by way of a discussion of the accounting for balance sheet items and the effect on profit. The form and content of the profit and loss or income statement have been the subject of strongly opposing views in recent years. Current discussion of the problems involved[10/] are so nearly reflected in Dickinson's suggestion and related comment that a quotation seems warranted here:[11/]

"Form Of Profit And Loss Account.

> "Although the question of Profits has been considered from a Balance Sheet point of view, their presentation will always take the form of an Earnings Statement, each element in which will be accurately determined if due effect be given to the principles of valuations of Assets and Liabilities hitherto discussed. It will be useful now to consider shortly the form which such a Statement of Earnings should take.
>
> "The following, already in fairly general use, is submitted as perhaps the most complete short form, and by means of exhibits it is capable of amplification to any extent desirable:

9/ Congress of Accountants, op. cit., p. 171.

10/ See Bevis, Herman W., "Corporate Financial Reporting in a Competitive Economy," The Macmillan Company, New York, 1965. See also Powell, Weldon, "Extraordinary Items," The Journal of Accountancy, January 1966.

11/ Congress of Accountants, op. cit., pp. 188-189.

Gross Earnings (whether sales of products, transportation earnings, professional earnings, etc.) $.......

Deduct--Cost of Manufacture or Operation:

(a) Manufacture (for a manufacturing concern):

Labor	$.......	
Material	....	
General Manufacturing Expenses .	....	

(b) Cost of Operation (for concerns not manufacturing):

(Under suitable headings according to the nature of the business)	....	
		....
Gross Profits		$.......
Other Earnings		....
		$.......

Deduct--

Expenses of sale (manufacturing business only)	$.......	
Expenses of management (if distinct from operation)	....	
		....
Net Profits from Operations		$.......

Deduct--

Interest on Bonds	$.......	
Other Fixed Charges	....	
		....
Surplus for the year		$.......
Extraordinary Profits (detailed).		....
Surplus brought forward from preceding year		....
		$.......

Deduct--

Extraordinary charges not applicable to the operations of the year . . .	$.......	
Interest and Dividends on Stock . . .	....	
		....
Surplus carried forward		$.......

> "A word of warning may not be out of place against the too common practice of throwing back extraordinary charges on to the previous year's surplus without sufficiently disclosing the same. Cases are frequent in which the earnings for a series of years have been made use of in the public press to show the operating results, and therefore incidentally the earning capacity of a business, while charges made in any year against surplus, on the ground that they appertain to the operations of a preceding year, have been altogether ignored. The form suggested above, if generally adopted, would prevent the possibility of any such misstatements, at any rate without a clear knowledge on the part of those making them that they were altogether misleading."

These three papers make very interesting reading in light of the efforts of the accounting profession today to reach agreement on what constitutes generally accepted accounting principles. Such efforts have been intensified in recent years in the United States as a result of strong demands for the narrowing of areas of differences and inconsistencies in accounting practice.

Current Developments in the United States

The American Institute of Certified Public Accountants (the Institute or AICPA), which is perhaps the most influential professional accounting group in the United States with over 50,000 members, has taken a number of significant steps. In 1959 it established an Accounting Principles Board which was given authority to issue pronouncements on accounting principles and to revise or revoke, or issue interpretative statements on, any pronouncements previously issued. Since it was established the Board has issued a number of opinions, one of which revised in part many of the fifty-one Bulletins issued by the predecessor Committee on Accounting Procedure. The review of these Bulletins was specifically directed by the Council of the Institute.[12/] An Accounting Research Division was also established to aid the Board in its studies of problems which may require the issuance of opinions.

The pronouncements of the Accounting Principles Board of the AICPA have been given greater force by the requirement of the AICPA Council that members of the Institute disclose in their reports, or insure that footnotes disclose, any material departure from an accounting principle accepted by the Board and, if practicable, the effect on the financial statements, even though there may be other authoritative support for the principle in question. Thus, steps have been taken to obtain better agreement on accounting principles and to insure closer adherence to such principles.

Other professional organizations, such as the American Accounting Association, Financial Analysts Federation, Financial Executives Institute, National Association of Accountants, as well as trade associations and other industry groups, are devoting much time and attention to the improvement of financial reporting and have made many important contributions. Within the Federal Government senior accounting officials of the regulatory agencies meet from time to time to consider problems of mutual concern.

By the end of 1965 the research division of the Institute had issued or had initiated several studies on the problem areas of accounting. An indication of the wide range of the problems that exist is given by a partial listing of the topics of these studies: pension plans, income taxes, leases, intercorporate investments, foreign operations, goodwill

---

12/ See Accounting Principles Board Opinion No. 6, October 1965, and Appendix A, Special Bulletin of the Council, October 1964.

and business combinations, product research and development expenditures, operations peculiar to extractive industries, and income and retained earnings.

No attempt will be made to detail the problems in all of these areas, as such an undertaking for any one subject would require a discussion of greater length than the prescribed limits of this report. The first two topics might be considered illustrative. Pension costs have been subject to a considerable lack of uniformity and consistency in accounting on a year by year basis. It has long been the position of the SEC that the accrual basis is the appropriate method of accounting for these costs and the pertinent Institute bulletin has indicated a preference for this basis, but many companies have been reluctant to abandon the cash basis or to provide adequate disclosure of pension costs. The study [13/] of the Institute has recommended adoption of the accrual basis. With the number of pension plans and the resultant costs continuing to increase, it becomes more and more important that pension costs be recorded and reported on an orderly basis.

The matter of tax allocation or the accounting for deferred taxes when there are differences in timing in reporting income and expense for tax returns and for corporate reports for other purposes continues to be the subject of much debate and controversy. Opinions vary widely with respect to several segments of the problem. There are some who still contend that deferred tax accounting is not necessary. Regulations of

---

13/ "Accounting for the Cost of Pension Plans" by Ernest L. Hicks, Accounting Research Study No. 8, AICPA, 1965.

federal and state agencies are not consistent, and positions taken in some agencies have been, or are in the process of being, reversed. Others concede that deferred tax accounting is necessary but differ as to how the effect should be determined and the manner in which it should be reported. It is hoped that the Institute's study will provide solutions adequately supported to induce general acceptance.

One of the published research studies 14/ of the Institute has provided an inventory of accounting principles as they existed at the time of publication in 1965. The comprehensive codification of existing standards and practices and the authorities in support of them in this volume provides an excellent base from which to continue further efforts to eliminate undesirable alternative accounting practices. The long list of alternative practices in the study is additional evidence of the problems confronting the profession. It encompasses variations in dealing with revenues, excise and property taxes, pension costs, depreciation, inventory valuation, stock dividends, investments in unconsolidated subsidiaries, research and development costs, and many other topics.

Much remains to be done in achieving national harmonization of accounting principles. When international harmonization is considered, additional differences which require attention are observed between accounting as practiced in the United States and in other countries. Some of the major differences relate to consolidation practices, accounting for business combinations, valuation of fixed assets, price-level

14/ "Inventory of Generally Accepted Accounting Principles for Business Enterprises" by Paul Grady, Accounting Research Study No. 7, AICPA, 1965.

accounting, the costing and valuation of inventories, and secret reserves. The SEC, in its consideration of these matters, is aware that principles and practices vary between countries as elaborated below and has developed special procedures with respect to the reports filed by foreign issuers.

Consolidated Financial Statements

The prevailing practice in the United States is, with certain exceptions, to include in consolidation all majority-owned subsidiaries. This is consistent with an SEC rule [15/] which states that "the registrant shall follow in the consolidated statements principles of inclusion or exclusion which will clearly exhibit the financial position and results of operations of the registrant and its subsidiaries."

Some companies are reluctant to include subsidiaries in consolidation on the basis of a bare majority ownership, such as fifty-one percent, particularly when there is considerable debt or preferred stock outstanding in the subsidiary which might inhibit the payment of dividends on the common stock. Other companies, especially chain store operators, wish to omit from consolidation subsidiaries which were created to take over real estate and related debt. In some unusual situations companies have asserted, on the basis of arrangements which purport to show lack of ownership or control, that a subsidiary need not be consolidated. In some such cases the SEC has insisted upon consolidation because of evidence that the results would otherwise be misleading.

Under SEC rules companies which are owned fifty percent by each of two other companies are excluded from consolidation but where such

---

15/ Rule 4-02 of Regulation S-X.

companies are significant separate financial statements must be furnished, either singly or on a group basis. In such cases the trend is for each parent to reflect in its consolidated financial statements the fifty percent interest in underlying earnings and equity. In the not too distant past some international companies and an occasional U. S. company have included in the consolidated statements only the parent's percentage of all balance sheet and income statement items of majority-owned subsidiaries, thereby omitting the minority interest from the consolidated statements.

Some exceptions to the requirements for consolidation of majority-owned subsidiaries exist where the subsidiaries are types of institutions such as banks and insurance companies which are basically dissimilar to the parent company. Omission from consolidation is also appropriate for foreign subsidiaries where political restrictions in the country of domicile cause the earnings to be inaccessible to the U. S. parent or economic conditions render the earnings unreliable. However, with increased stability and the relaxation of financial restrictions in many countries and the ever-expanding international operations of so many American companies, the trend has been generally toward consolidation of the foreign subsidiaries. As the expansion continues the need increases for more detailed information regarding the diverse and conglomerate operations of consolidated foreign, as well as domestic, subsidiaries which in many cases represent a very significant segment of the parent's business.

Business Combinations

In another area of consolidation problems, the practice of accounting for business acquisitions in exchange for stock on a pooling of interests basis widely followed in the United States contrasts sharply with accounting in other countries wherein, with perhaps some exceptions, such acquisitions are treated as purchases. The pooling concept is accepted in the United States on the basis that a combination accomplished by an exchange of shares is a continuation of both parties as a single entity and no change in accounting basis is necessary. Thus assets and earned surplus of the constituent companies are carried forward at existing amounts and there is no necessity to set up "goodwill" or "negative goodwill" as in a purchase. This theory of business combinations is considered by some to be a violation of well-established rules that accumulated earnings cannot be purchased and made available for dividends and that goodwill may not be written off to earned or capital surplus immediately after acquisition.

A research study 16/ of the AICPA presents a conclusion that the pooling idea has gone too far and that all combinations should be accounted for as purchases except in the rare situation in which it is difficult to determine which party was the acquiring company. For such a situation the author recommends what he calls a "fair value pooling" in which new current values are assigned to the accounts of both parties, but with the penalty that instead of the combined earned surplus being carried forward, as is customary in a pooling, it is frozen and a new start is made. Although

16/ "A Critical Study of Accounting for Business Combinations" by Arthur R. Wyatt, Accounting Research Study No. 5, AICPA, 1963.

the conclusions of this study do not appear to be an acceptable solution to this troublesome problem, it is evident that more definitive criteria are needed for the application of this concept of business combinations. As noted previously, the Institute has sponsored a further study on goodwill and business combinations in an effort to resolve the problem.

Accounting for Property, Plant and Equipment

In the United States cost to the reporting company is the generally accepted basis of valuation of property, plant and equipment. From time to time efforts have been made, often by registrants with no record of earnings, to induce the SEC to accept appraisals of property as a basis for restating the accounts, but such write-ups have not been accepted except in a very few cases where they appeared to be warranted by circumstances which were unusual.

The reporting of the financial effects of price-level changes is a related area where differences exist. In some countries the effects are recorded in the accounts and reported in the financial statements, while in the United States the reports reflect historical cost although a few companies include limited supplemental disclosure on the matter as recommended in several of the studies that have been made of the subject. Opinions vary on the solutions to this problem and many questions remain unanswered. Should specific indices by classes of property or a general index of prices be used? Should the adjustments be incorporated into the accounts and reports or should supplemental reports be used? What is intended to be accomplished--provision for replacement or a measurement of depreciation of existing property in terms of current price levels? The latter alternatives in each of the three problem areas cited seem to be in the ascendancy in the United States but price-level accounting has not yet acquired the status of a generally accepted accounting practice. A research study [17/] of the Institute has helped to clarify the issues but has not resulted in unanimity of opinion as to the solution. From as far away as Australia there have been strong criticisms of the study. [18/]

Inventory values in the United States are generally determined on the basis of the lower of cost or market, cost being determined by various methods such as "first-in, first-out" (fifo) and "last-in, first-out" (lifo). Still further variations would be created by those who advocate the acceptance of the direct costing method of valuing inventories wherein only variable overhead costs would be included, a method the SEC does not accept.

The establishment of secret reserves is not acceptable practice in the United States. There seems to be a trend toward prohibition in other countries. Of course, in any country secret reserves can be said to exist if excessive provisions for depreciation or for losses on receivables and investments have been made or there have been liberal interpretations of the distinction between maintenance charges and improvements to property or liberal estimates of liabilities. These devices might be employed by strong companies but in the United States most of the difficulties arise at the other end of the scale--the failure to make timely recognition of

---

17/ "Reporting the Financial Effects of Price-Level Changes" by the Staff of the Accounting Research Division, Accounting Research Study No. 6, AICPA, 1963.

18/ See Mathews, R. L., "Price-Level Changes and Useless Information," and Chambers, R. J., "The Price Level Problem and Some Intellectual Grooves," in the Spring and Autumn 1965 issuesof the Journal of Accounting Research, a joint publication of the University of Chicago and the University of London.

losses sustained on a project or the overly optimistic appraisals of the collectibility of accounts, the salability of merchandise or the useful lives of assets.

SEC Requirements for Foreign Issuers Subject to United States Securities Laws

The principal U. S. laws under which foreign issuers are required to file reports with the SEC are the Securities Act of 1933 and the Securities Exchange Act of 1934. Under the 1933 Act new issues of securities (including those of foreign companies) to be sold in the United States must be registered with the SEC. With regard to the registration statements filed under this Act the SEC recognizes that differences in foreign accounting principles and practices exist and accepts either conformance with or reconciliation to U. S. standards but requires the observance of U. S. auditing standards.

Prior to 1964 the 1934 Act required the filing of annual reports with the SEC by those foreign issuers who had previously registered securities under the 1933 Act and those who had securities listed on a national stock exchange in the United States. The reporting requirements applicable to such foreign issuers remained unchanged since their development after the law was enacted. The financial statements required of listed companies could conform to those previously filed with an exchange in the United States or, if none were so filed, with those issued to the security holders.

In 1964 the U. S. Congress amended the 1934 Act to require, among other things, that companies having 750 (500 after 1966) equity security holders and total assets exceeding $1,000,000 must file annual reports with the SEC. The amendment empowered the SEC to determine when and to what extent the law should be applied to foreign issuers who have United States security holders. The SEC granted a general exemption from this provision of the Act until November 30, 1965, in order that a study could be made to determine what requirements would be appropriate in the circumstances.

The SEC consulted with American brokers, dealers, financial analysts, and banks who are interested in foreign securities and received recommendations from other interested domestic and foreign groups. It also investigated the extent of the trading market for foreign securities in the United States, the disclosure and reporting requirements and practices in many foreign countries, and the requirements of many leading foreign stock exchanges. The survey revealed, as stated by the Commission at its conclusion, "continuing improvement in the reporting of financial and economic information by foreign issuers. This improvement has resulted from changes in foreign corporate laws, stock exchange requirements and increasing voluntary disclosure by the companies themselves. 19/

On the basis of the information developed in the study, it was proposed to strengthen somewhat the annual reporting requirements for foreign issuers who have securities listed on a national exchange and those who file annual reports because of a prior 1933 Act filing. As proposed, the rules would require that the financial statements to be furnished be prepared (or reconciled to) and certified in accordance with Regulation S-X which reflects U. S. accounting and auditing standards.

19/ Securities Exchange Act Release No. 7764, November 16, 1965.

For foreign issuers not in the two categories noted immediately above who have 300 or more American security holders, registration statements and annual reports are to be required. These must include a balance sheet as of the close of the last fiscal year and a profit and loss statement for that year. Although such statements are not required to be certified, if statements certified in accordance with Regulation S-X or otherwise are available, they must be furnished in the registration statement but not in the annual report. The Commission proposes to compile a list of foreign issuers who should have registered under the above provisions but have not and intends to furnish the list to American brokers and dealers who must inform customers when they acquire securities of firms whose names are on the list.

Work by Professional Groups

The study by the SEC of foreign corporate reporting practice and the participation in the study by various interested groups have been noted. The accounting profession, both in the United States and in other countries, has exerted a strong influence on the improvements that have occurred in national and international practices through studies, accounting forums, and other efforts at improving professional practices. The AICPA in 1964 published a comprehensive survey of accounting and auditing practices in 25 countries.[20/] In 1965 it made a supplemental survey on the form and content of financial statements available in twelve countries.

The published proceedings of these international congresses and others, such as the European Congress of Accountants and the conferences

20/ "Professional Accounting in 25 Countries," A Publication of the Committee on International Relations, AICPA, 1964.

of the Asian and Pacific Accountants, also contribute much to a better understanding of the problems and to their eventual solution. With this increasing body of knowledge on international practices, the goal suggested by Lord Plender in his opening remarks at the 1933 Congress in London may be approaching realization. He said: "What is wanted is to bring together in concise and clear form essential material information concerning the relevant law and accounting practice in each country as affecting matters of common interest to the profession throughout the world and to keep such information revised to date so that it embodies new legislation, recent decisions of the Courts and the latest experience. Volumes so compiled would form a compendium of universal interest and be of great value to practitioners in each country."[21/]

21/ See "The Seven International Congresses of Accountants" by Mary E. Murphy, The Accounting Review, October 1961, p. 560.

APPENDIX

Civil Aeronautics Board (CAB) - An independent agency of the United States Government. It has jurisdiction over tariffs, rates and fares charged the public for air transportation. It regulates mergers, acquisitions of control and interlocking relationships involving air carriers, and passes on contracts for cooperative working arrangements between air carriers. It regulates the accounting practices of air carriers and requires them to file regular financial and operating reports with the Board. Much of the information from these reports is published by the Board and thereby made available to the public.

Federal Communications Commission (FCC) - An independent agency of the United States Government. It has jurisdiction over telephone and telegraph companies engaged in interstate and foreign communication services. Its jurisdiction is limited to interstate toll communication services and rates. It has been given exclusive jurisdiction over the accounting of all companies engaged in interstate communication. Some of its accounting functions are the prescribing, interpreting, and enforcing the uniform systems of accounts, the participation in rate regulation, and participating in prescribing depreciation rates.

Federal Power Commission (FPC) - An independent agency of the United States Government. The Commission regulates wholesale rates of electric utilities and their securities, mergers and consolidations, acquisitions, and accounts. It investigates and regulates rates, charges, and services for natural gas transported or sold for resale in interstate commerce. For these purposes it prescribes and enforces a uniform system of accounts for electric utilities and natural gas companies subject to its jurisdiction. Information regarding these industries is published by the Commission.

Interstate Commerce Commission (ICC) - An independent agency of the United States Government. It regulates railroads, express companies, sleeping car companies, certain motor carriers, certain water carriers, certain pipe lines and freight forwarders. Regulation includes the establishment of uniform systems of accounts, records and reports; the publication, filing and posting of tariffs of rates, fares, and charges, preservation of records and valuation.

Securities and Exchange Commission (SEC) - An independent agency of the United States Government. The Commission administers several statutes but those of most interest to readers of this paper are the Securities Act of 1933 and the Securities Exchange Act of 1934, often known as the "truth in securities" laws. These laws relate in general to the fields of securities and finance and seek to provide protection for investors in their securities transactions. These acts require the filing with the Commission and in certain instances with national securities exchanges registration statements, applications for registration, annual and other periodic reports which contain non-financial and financial information prescribed by rules and forms adopted by the Commission. Rules and regulations of the Commission govern the form and content of financial statements included in such filings. The financial statements, by statute or rule, are required to be certified (except in certain cases) by independent public or certified public accountants. They reflect the application of generally accepted accounting principles and practices and auditing standards and procedures known to and followed by the accounting profession in the United States.