THE RECOGNITION AND VALUATION OF CURRENT ASSETS ON THE BALANCE SHEET IN THE UNITED STATES, 1865-1940

Abstract: A. C. Littleton [1933, pp. 149-151] in Accounting Evolution to 1900 wrote that the sub-division of financial statements and the valuation of assets were two of the most important elements in the development of modern financial statements. The purpose of this paper is to explore the historical evolution of the recognition, grouping, and valuation of current assets on the balance sheet in the United States between 1865 and 1940 at which time the basic format for reporting such assets had been adopted. The paper expands the examination of the balance sheet beyond a traditional emphasis on long-life assets to an investigation of the evolving classification of current assets with a special emphasis on the influence of financial users (especially creditors) for its unique development. Historical illustrations of the ways in which companies presented and valued current assets on the balance sheet are presented.

In matters of form the greatest change which later statements showed was the grouping of data into subsections [A. C. Littleton, 1933, p. 149].

INTRODUCTION

In 1913, Charles Sprague [1913, p. 26] wrote that “the balance sheet may be considered as the groundwork of all accountancy, the origin and the terminus of every account”. At that time, however, some companies still issued annual reports that did not include balance sheets or, if balance sheets were in-

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