Uniformity in Accounting

by JULIUS W. PHOENIX, JR.
Partner, Executive Office

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There is a lot of loose talk today about uniformity in accounting. Much of it is related to the investor's understandable desire to make meaningful comparisons between financial statements of different companies. Some accountants seem to think that uniformity is essential to the accounting process because it creates comparability. Other accountants seem to think that uniformity is a bad thing because it would eliminate all alternatives in accounting. It is not clear what the two sides mean by uniformity. At what levels of accounting is uniformity proposed; at what levels is it opposed? As frequently happens, the arguments are made on one extreme or the other and many of us see merit in the arguments of each side. The result is that we are confused and do not know what position to take.

My purpose tonight is to analyze the uniformity issue and give you my appraisal of what the profession should do about it.

THE PROBLEM

A logical starting point is to define uniformity. Dictionary definitions cannot always be applied directly to technical areas. Nevertheless, we are dealing with a common word that is familiar to accountants and non-accountants.

Two dictionary definitions seem particularly to fit our discussion: "conforming to one rule" and "absence of variation." Putting these two definitions together and relating them to accounting, a working definition of uniformity in accounting might be "accounting for a given transaction should conform to one rule and there should be no variation in the results."

Before going further, consider why we do not have uniformity today. This is not the first time the question has been considered. As early as the 1930s, the uniformity approach was rejected by special committees of the AICPA and the New York Stock Exchange. At that time those two bodies agreed that a realistic goal of accounting was "to make universal the acceptance by listed corporations of certain broad principles of accounting which have won fairly general acceptance, and within the limits of such broad principles to make no