GENERAL INTRODUCTION

In presenting its first statements of the results of studies of accounting questions, it seems desirable that the committee indicate the standpoint from which it has approached the subject. Its present and future pronouncements should be read in the light of these remarks.

Accounting and the Social System

The committee regards corporation accounting as one phase of the working of the corporate organization of business, which in turn it views as a machinery created by the people in the belief that, broadly speaking, it will serve a useful social purpose. The test of the corporate system and of the special phase of it represented by corporate accounting ultimately lies in the results which are produced. These results must be judged from the standpoint of society as a whole—not from that of any one group of interested parties.

The uses to which the corporate system is put and the controls to which it is subject change from time to time, and all parts of the machinery must be adapted to meet such changes as they occur. In the last forty years the outstanding change in the working of the corporate system has been an increasing use of it for the purpose of converting into liquid and readily transferable form the ownership of large, complex, and more or less permanent business enterprises. This development brought in its train certain uses of the processes of law and accounting, which have led to the creation of new controls, revisions of the law, and a reconsideration of accounting procedure.

Accounting Information for Transitory Owners of Securities

As a result of this development in the field of accounting, problems have come to be considered more from the standpoint of the current buyer or seller in the market of an interest in the enterprise than from the standpoint of a continuing owner. The significance of this change