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**Securities and Exchange Commission today announced the adoption of amendments to Article 1 of Regulation S-X making that Regulation applicable to the form and content of financial statements filed by investment companies in registration statements and annual reports under the Investment Company Act of 1940**

United States. Securities and Exchange Commission

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SECURITIES AND EXCHANGE COMMISSION  
Washington

SECURITIES ACT OF 1933

Release No. 2566

SECURITIES EXCHANGE ACT OF 1934

Release No. 2903

INVESTMENT COMPANY ACT OF 1940

Release No. 134

ACCOUNTING SERIES

Release No. 24

The Securities and Exchange Commission today announced the adoption of amendments to Article 1 of Regulation S-X making that Regulation applicable to the form and content of financial statements filed by investment companies in registration statements and annual reports under the Investment Company Act of 1940. Various amendments of Article 6 and the related rules of Article 12, which deal specifically with the form and content of balance sheets, income statements, and schedules for investment companies, also were adopted.

The amendments are designed to adapt the present requirements for use by companies subject to the Investment Company Act of 1940, but also are applicable to statements of investment companies filed under the Securities Act of 1933 and the Securities Exchange Act of 1934. It is contemplated, however, that further amendments or a general revision of the requirements as to the form and content of financial statements of investment companies may result from study of the financial statements filed as part of the registration statements of investment companies under the Investment Company Act of 1940.

The text of the Commission's action follows:

The Securities and Exchange Commission, acting pursuant to authority conferred upon it by the Securities Act of 1933, particularly Sections 7 and 19 (a) thereof, the Securities Exchange Act of 1934, particularly Sections 12, 13, 15 (d) and 23 (a) thereof, and the Investment Company Act of 1940, particularly Sections 8, 30 and 38 thereof, and deeming such action necessary and appropriate in the public interest and for the protection of investors and necessary for the execution of the functions vested in it by the said Acts, hereby amends Regulation S-X as follows:

Amendment No. 4 to Regulation S-X

I. Rule 1-01 is amended by adding thereto the following additional paragraph:

"(e) Registration statements and annual reports under the Investment Company Act of 1940."

II. Rule 1-02 is amended by deleting the present definition of an "Investment Company" and inserting the following in lieu thereof:

"Investment Company.--The term " investment company" means an investment company as defined in the Investment Company Act of 1940."

III. Rule 6-02 is amended by deleting captions 7, 8, 9 and 10, and by inserting the following captions in lieu thereof:

"7. Investment in securities.--Investments included under captions 7 to 10 shall be shown in the balance sheet either at value, showing cost parenthetically, or at cost, showing value parenthetically. For the purpose of this Rule 6-02 'value' has the meaning defined in Section 2 (a) (39) (B) of the Investment Company Act of 1940. Reserves for unrealized depreciation of securities, even if carried on the books, need not be shown if securities are shown in balance sheet at value; if securities are shown in the balance sheet at cost, such reserves if carried on the books shall be shown as deductions under appropriate captions. For securities which have been written down below cost in connection with a quasi-reorganization, such written-down amount may be stated in lieu of cost, provided the date of and a brief statement as to such write-down are shown in a footnote. State in the balance sheet for each caption the basis of determining the amount at which investments are carried.

(a) Marketable securities.--Show separately securities of other investment persons, exclusive of those to be included under caption 9 below.

(b) Other securities.--Include all securities not included under subcaption 7 (a) above, or caption 9 or 15 below.

(c) Reserves for unrealized depreciation in value of securities.

8. Investments--Other than securities.--State separately each major class. See instructions to caption 7.

9. Investments in securities of affiliates.--State separately in the registrant's balance sheet the amounts which in the related consolidated balance sheet are (a) eliminated and (b) not eliminated. See instructions to caption 7.

10. Indebtedness of affiliates.--State separately in the registrant's balance sheet that indebtedness which in the related consolidated balance sheet is (a) eliminated and (b) not eliminated. See instructions to caption 7."

IV. Rule 6-02 is further amended by deleting the second sentence of caption 22, and by inserting the following sentence in lieu thereof:

"If assets are carried in excess of cost, the amount of such excess shall be shown as reserve for unrealized appreciation arising from revaluation of assets either here or as a separate item under caption 24--Surplus."

As amended caption 22 of Rule 6-02 reads as follows:

"Reserves, not shown elsewhere.--State separately in the balance sheet the total of each major class. If assets are carried in excess of cost, the amount of such excess shall be shown as reserve for unrealized appreciation arising from revaluation of assets either here or as a separate item under caption 24--Surplus."

V. Rule 6-02 is further amended by adding the following preface to the second sentence of caption 24 (c) thereof:

"In the case of closed-end companies, as defined in the investment Company Act of 1940, indicate clearly ... "

As amended caption 24 (c) of Rule 6-02 reads as follows:

"(c) An analysis of each surplus account setting forth the information prescribed in rule 11-02 shall be given for each period for which a profit and loss statement is filed in the form of a separate statement of surplus, and shall be referred to in the balance sheet. In the case of closed-end companies, as defined in the Investment Company Act of 1940, indicate clearly in this analysis gains or losses from transactions in securities of the person for which the statement is filed and show in a note (1) the number of shares and principal amount of bonds purchased during the period and the cost thereof, and (2) the number of reacquired shares and principal amount of bonds sold during the period, the cost, the amount received from sale, and the gain or loss realized."

VI. Rule 6-04 is amended by adding the following sentence to Schedule XIV:

"This schedule need not be filed, however, if all the information called for by Rule 12-17 is included in the profit and loss or income statement."

As amended the instructions for Schedule XIV of Rule 6-04 read as follows:

"The schedule prescribed by rule 12-17 shall be filed as to all income received from dividends included in each profit and loss statement filed. This schedule need not be filed, however, if all the information called for by rule 12-17 is included in the profit and loss or income statement."

VII. Rule 12-19 is amended in the following manner:

(a) By deleting the first three sentences of Note 2 (a), and by inserting the following in lieu thereof:

"Indicate by an appropriate symbol those securities which are non-income-producing securities. Evidences of indebtedness and preferred shares may be deemed to be income-producing if, on the respective last interest payment date or date for the declaration of dividends prior to the date of the related balance sheet, there was only a partial payment of interest or a declaration of only a partial amount of the dividends payable; in such case, however, each such issue shall be indicated by an appropriate symbol referring to a note to the effect that, on the last

interest or dividend date, only partial interest was paid or partial dividends declared. If, on such respective last interest or dividend date, no "interest was paid or no dividend declared, the issue shall not be deemed to be income-producing."

thereof: (b) By deleting Note 2 (b), and by inserting the following in lieu

"Each issue shall be listed separately:

Provided, however, That an amount not exceeding five percent of the total of column H may be listed in one amount as 'Miscellaneous securities,' provided the securities so listed have been held for not more than one year prior to the date of the related balance sheet, and have not previously been reported by name to the shareholders of the person for which the statement is filed or to any exchange, or set forth in any registration statement, application, or annual report or otherwise made available to the public."

(c) By adding the following sentences to Note 4 thereof:

"For securities which have been written down in connection with a quasi-reorganization, such written-down amounts may be stated in column F in lieu of costs, provided an appropriate explanation is given. State in a footnote to this column the aggregate cost for purposes of the Federal income tax."

(d) By adding the following sentence to Note 5 thereof:

"If the amounts to be shown in column G are identical with the amounts to be shown in column F or H, a statement to that effect will suffice."

As amended the Notes to Rule 12-19 read as follows:

1/ The required information is to be given as to all securities which were held at any time within the period. As to any class of such securities, none of which were held at the end of the most recent period, the classification required by note 2 need not be made.

2/ (a) Indicate by an appropriate symbol those securities which are non-income-producing securities. Evidences of indebtedness and preferred shares may be deemed to be income-producing if, on the respective last interest payment date or date for the declaration of dividends prior to the date of the related balance sheet, there was only a partial payment of interest or a declaration of only a partial amount of the dividends payable; in such case, however, each such issue shall be indicated by an appropriate symbol referring to a note to the effect that, on the last interest or dividend date, only partial interest

was paid or partial dividends declared. If, on such respective last "interest or dividend date, no interest was paid or no dividends declared, the issue shall not be deemed to be income-producing. Common shares shall not be deemed to be income-producing unless, during the last year preceding the date of the related balance sheet, there was at least one dividend paid upon such common shares. List separately (A) bonds; (B) preferred shares; (C) common shares. Within each of these subdivisions classify according to type of business, insofar as practicable, e.g., investment companies, railroads, utilities, banks, insurance companies, or industrials. Give totals for each group, subdivision, and class.

(b) Each issue shall be listed separately: Provided, however, That an amount not exceeding five percent of the total of column H may be listed in one amount as 'Miscellaneous securities,' provided the securities so listed have been held for not more than one year prior to the date of the related balance sheet, and have not previously been reported by name to the shareholders of the person for which the statement is filed or to any exchange, or set forth in any registration statement, application, or annual report or otherwise made available to the public.

3/ Indicate any securities subject to option at the end of the most recent period and state in a note the amount subject to option, the option prices, and the dates within which such options may be exercised.

"4/ Columns F, G and H shall be totaled. The total of column G at the close of the most recent period shall agree with the related balance sheet caption. For securities which have been written down in connection with a quasi-reorganization, such written-down amounts may be stated in column F in lieu of costs, provided an appropriate explanation is given. State in a footnote to this column the aggregate cost for purposes of the Federal income tax.

5/ If the amount shown in column G differs from the amount shown in either column F or H, state the basis of determining the amount in column G. If the amounts to be shown in column G are identical with the amounts to be shown in column F or H, a statement to that effect will suffice.

6/ If market value is determined on any other basis than closing prices reported on any national securities exchange, explain such other basis in a note."

VIII. Rule 12-20 is amended in the following manner:

(a) By deleting the first three sentences of Note 2 (a), and by inserting the following sentences in lieu thereof:

"Indicate by an appropriate symbol those securities which are non-income-producing securities. Evidences of indebtedness and

preferred shares may be deemed to be income-producing if, on the respective last interest payment date or date for the "declaration of dividends prior to the date of the related balance sheet, there was only a partial payment of interest or a declaration of only a partial amount of the dividends payable; in such case, however, each such issue shall be indicated by an appropriate symbol referring to a note to the effect that, on the last interest or dividend date, only partial interest was paid or partial dividends declared. If, on such respective last interest or dividend date, no interest was paid or no dividend declared, the issue shall not be deemed to be income-producing."

(b) By adding the following sentences to Note 4 thereof:

"For securities which have been written down in connection with a quasi-reorganization, such written-down amounts may be stated in column F in lieu of costs, provided an appropriate explanation is given. State in a footnote to this column the aggregate cost for purposes of the Federal income tax."

(c) By adding the following sentence to Note 5 thereof:

"If the amounts to be shown in column G are identical with the amounts to be shown in column F or H, a statement to that effect will suffice."

As amended the Notes to Rule 12-20 read as follows:

1/ The required information is to be given as to all securities which were held at any time within the period. As to any class of such securities, none of which were held at the end of the most recent period, the classification required by note 2 need not be made.

2/ (a) Indicate by an appropriate symbol those securities which are non-income-producing securities. Evidences of indebtedness and preferred shares may be deemed to be income-producing if, on the respective last interest payment date or date for the declaration of dividends prior to the date of the related balance sheet, there was only a partial payment of interest or a declaration of only a partial amount of the dividends payable; in such case, however, each such issue shall be indicated by an appropriate symbol referring to a note to the effect that, on the last interest or dividend date, only partial interest was paid or partial dividends declared. If, on such respective last interest or dividend date, no interest was paid or no dividend declared, the issue shall not be deemed to be income-producing. Common shares shall not be deemed to be income-producing unless, during the last year preceding the date of the related balance sheet, there was at least one dividend paid upon such common shares.

"(b) Each issue shall be separately listed.

"3/ Indicate any securities subject to option at the end of the most recent period and state in a note the amount subject to option, the option prices, and the dates within which such options may be exercised.

4/ Columns F, G, and H shall be totaled. The total of column G at the close of the most recent period shall agree with the related balance sheet caption. For securities which have been written down in connection with a quasi-reorganization, such written-down amounts may be stated in column F in lieu of costs, provided an appropriate explanation is given. State in a footnote to this column the aggregate cost for purposes of the Federal income tax.

5/ If the amount shown in column G differs from the amount shown in column F, state the basis of determining the amount in column G. If the amounts to be shown in column G are identical with the amounts to be shown in column F or H, a statement to that effect will suffice.

6/ Determine, as of the balance sheet date, by an appropriate method, the estimated value of each item listed. If the amount in column H differs from the amount in column F or G, state the basis of determining the amount in column H."

IX. Rule 12-21 is amended in the following manner:

(a) By adding the following sentence to Note 5 thereof:

"For investments which have been written down in connection with a quasi-reorganization, such written-down amounts may be stated in column F in lieu of costs, provided an appropriate explanation is given."

(b) By adding the following sentence to Note 6 thereof:

"If the amounts to be shown in column G are identical with the amounts to be shown in column F or H, a statement to that effect will suffice."

As amended Notes 5 and 6 of Rule 12-21 read as follows:

"5/ All money columns shall be totaled. The total of column G at the close of the most recent period shall agree with the related balance sheet caption. For investments which have been written down in connection with a quasi-reorganization, such written-down amounts may be stated in column F in lieu of costs, provided an appropriate explanation is given.

6/ If the amount shown in column G differs from the amount shown in column F, state the basis of determining the amount in column G. If the amounts to be shown in column G are identical with the amounts to be shown in column F or H, a statement to that effect will suffice."

X. Rule 12-22 is amended in the following manner:

(a) By adding the following sentence to Note 5 thereof:

"For investments which have been written down in connection with a quasi-reorganization, such written-down amounts may be stated in column F in lieu of costs, provided an appropriate explanation is given."



(b) By adding the following sentence to Note 6 thereof:

"If the amounts to be shown in column G are identical with the amounts to be shown in column F or H, a statement to that effect will suffice."

As amended Notes 5 and 6 of Rule 12-22 read as follows:

5/ Columns F, G, and H shall be totaled. The total of column G at the close of the most recent period shall agree with the related balance sheet caption. For investments which have been written down in connection with a quasi-reorganization, such written-down amounts may be stated in column F in lieu of costs, provided an appropriate explanation is given.

6/ If the amount shown in column G differs from the amount in column F, state that basis of determining the amount in column G. If the amounts to be shown in column G are identical with the amounts to be shown in column F or H, a statement to that effect will suffice."

The foregoing action shall be effective June 15, 1941.

By the Commission.

Francis P. Brassor,  
Secretary.

(SEAL)

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