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## Correspondence: Naming the Ledger, Earnings Per Share

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## Correspondence

### NAMING THE LEDGER

*Editor, THE JOURNAL OF ACCOUNTANCY:*

SIR: THE JOURNAL OF ACCOUNTANCY for May, 1930, contained on pages 350-353 an article by Herrmann Herskowitz dealing with "The Roman Literal Contract and Double-entry Bookkeeping." In the second paragraph of the article the author enumerates the books which the paterfamilias employed and gives the Latin name of the cash book, the Latin name of the waste book and the *German* name of the ledger. In my opinion there is no justification in the substitution of a German term for a Latin term in this article. The paterfamilias could not have used the "Contocurrentenbuch" (correctly Contocorrentenbuch) because it did not exist in the era of the paterfamilias. Obviously the use of the word "Contocurrentenbuch" (correctly Contocorrentenbuch) is here anachronous. Sincerely yours,

New York, June 6, 1930.

EMERIC DE BENKE.

### EARNINGS PER SHARE

*Editor, THE JOURNAL OF ACCOUNTANCY:*

SIR: The article by Mr. Andreas S. Natvig, entitled "Earnings Per Share," which appeared in THE JOURNAL OF ACCOUNTANCY for April, 1930, deals with a subject which has become of very great interest to the community generally during recent years. The necessity for uniformity of treatment in a matter of this kind will appeal to accountants and there should be little difficulty in agreeing with the method outlined by Mr. Natvig.

At the same time, there is a further development of the matter upon which it would be interesting to have Mr. Natvig's views. It is, I think, of sufficient importance to form the basis for a second article on the same subject. I refer to the matter of the comparison of earnings per share over a series of years in cases in which there have been changes in the capital structure of a company. Mr. Natvig's article lays down very clearly the lines to be followed in computing earnings per share of a company where changes have taken place in the number of shares outstanding from time to time during the year. Let us assume that he is speaking of the earnings per share of a company for the year 1929. What adjustment in the amount of the earnings per share so computed for that year would he make in comparing the results for that year with the results for, say, 1930 and 1931, in cases in which there had been changes in the number of shares outstanding during these two latter years? These changes might result from the issue of additional shares for cash, or they might result from stock split-ups or stock dividends. The stock dividends might be of an exceptional character, or they might be regular stock dividends capitalized out of current earnings.

Even as to the earnings per share for a single year there might be some difference of opinion as to whether an increase resulting from a stock dividend capitalized in the usual way should be treated as equivalent to an increase resulting from a subscription for cash. What is the practice of corporations and of the various investment services with respect to this point?

Yours truly,

Troy, New York, June 5, 1930.

RAYMOND J. HANNON.