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Natural business year promotion kit

American Institute of Certified Public Accountants. Committee on Natural Business Year

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NATURAL BUSINESS YEAR

PROMOTION KIT

American Institute of Certified Public Accountants
270 Madison Avenue New York 16, N. Y.



AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

270 MADISON AVENUE
NEW YORK 16, N.Y.

To Users of This Kit:

The natural business year is of mutual importance and benefit to the certified public accountant and his client. However, the benefits to be derived from use of a fiscal year closing have not been given the prominence deserved. Admittedly, progress has been made in acquainting the general business public with the natural business year but a concerted effort must be made by the state societies and local chapters from the "grass roots" level if the natural business year is to be adopted as a general business rule in the future.

This kit is to assist the state societies and local chapters in launching their campaigns. Several pamphlets, "Do You Close Your Books On New Year's Eve?", "Suggested Fiscal Closing Dates" and "Why Fumble" are enclosed. Additional enclosures are an outline describing the areas in which to distribute the pamphlets and promote general interest; sample copies of letter forms used by several societies in their promotional programs; sample pattern speeches; and background material on the natural business year to give the members of state and local committees on natural business year a thorough understanding of the fiscal year's origin.

Members of the Institute's committee on natural business year have been appointed regional coordinators to assist and guide the natural business year committees and to act as liaison with the Institute committee. These coordinators are ready to help you; accordingly, it would be wise to utilize their skill and knowledge in planning your program.

The Committee on
Natural Business Year

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NATURAL BUSINESS YEAR PAMPHLETS

The attached pamphlets "Do You Close Your Books On New Year's Eve?" and "Suggested Fiscal Closing Dates" are published by the American Institute of Certified Public Accountants, 270 Madison Avenue, New York 16, New York.

These pamphlets may be purchased at 5¢ and 2¢ per copy, respectively, with quantity discounts of

10% on orders of 10 - 49

20% on orders of 50 - 99

30% on orders of 100 - 999

40% on orders of 1000 or more

on "Do You Close Your Books On New Year's Eve?"; no quantity discounts on "Suggested Fiscal Closing Dates."

"Why Fumble" is published by the Illinois Society of Certified Public Accountants, 208 South La Salle Street, Chicago 4, Illinois. It is presented in the kit as an illustration of a type of pamphlet state societies may wish to issue as their own promotional piece.

BRIEF HISTORY OF THE NATURAL BUSINESS YEAR MOVEMENT

Ralph S. Johns, in his master's thesis at the University of Illinois in 1926, traces the history of fiscal closings beginning with the Italian merchants of the 15th Century:

"The merchants of early days closed their books in two different ways: first, books were left open till filled with transactions regardless of the length of time; second, since early trading was in separate ventures, profits were reckoned at the end of each completed venture. . . .

"An illustration of the fact that the books were closed at infrequent and irregular intervals may be found in early account books still in existence. One was not balanced for nine years, another not until the end of twenty-seven years. The British East India Company prepared a general balance sheet in 1665, but not again until 1685. . . .

"By the beginning of the 19th Century the custom was fairly well established among those who kept books of closing them annually. . . . Probably the most common date chosen for ending the fiscal year other than December 31 is determined by the date of organization of the business. . . .

"In the early years of the present century a few corporations adopted a fiscal year suitable to their particular line of industry. The tendencies in this direction were suddenly stopped by the excise tax law of August 5, 1909, which required corporations to file reports to the government for the calendar year. To avoid confusion many corporations returned to the

calendar year basis, hence legislation may be partially blamed for imposing unnecessary and unnatural conditions."

Speaking at a meeting sponsored by the New York State Society of Certified Public Accountants in 1938, Mr. Jones said:

"It appears that prior to the enactment of (the 1909) law, corporations were free to close their books when they saw fit and many, recognizing the seasonal character of their operation, took advantage of the opportunity by closing their books on dates other than December 31. . . . (The Revenue Act of 1913) permitted the filing of tax returns on the basis of a fiscal year other than the calendar year. . . . The damage appears to have been done, however, for after approximately four years under the Corporation Excise Act of 1909, corporations generally were reluctant to return to a fiscal year of their own selection. . . . In the opinion of many the situation was none too encouraging for fiscal year corporations as evidenced by the fact that most newly formed corporations adopted a calendar year. Beginning with the Revenue Act of 1934 and continuing up through the present law (1938) however, not only have fiscal year returns been permitted but earlier discrimination against fiscal year taxpayers has been removed by deferring the effective date of changes in the Revenue Acts, insofar as fiscal year taxpayers are concerned, until the next succeeding fiscal year.* Thus the tax in each instance is computed under one law and the last argument as to discrimination or complications of fiscal year returns is done away with. . . .

"During this period spasmodic efforts were made to encourage the adoption of fiscal years. Occasionally accountants

* - (Note to reader - Current tax regulations should be reviewed as this speech was made in 1938)

would advocate natural business years in public addresses. One such address which has been preserved is that of Elijah Watt Sells in 1921. . . . In 1926 the Bureau of Business Research of the University of Illinois published a pamphlet on the natural business year. . . . Probably the most concerted effort to bring about a return of general use of natural business years was begun in the fall of 1935 when there was formed the Natural Business Year Council representing bankers, credit men, certified public accountants, cost accountants, trade association executives, and business management. . . .

"The study made in 1926 under the sponsorship of the Bureau of Business Research of the University of Illinois indicates that of 439 companies reporting, 72% were closing their books on a calendar year basis. The study further indicates that an allocation of these same 439 companies according to their natural closing date would leave but 44% on a calendar year basis. . . .

"Most colleges and universities already have adopted a suitable natural fiscal year, two-thirds closing their books at June 30, according to information supplied by the Financial Advisory Service of the American Council on Education. . . .

"Most hospitals and charitable institutions keep their books on a calendar year basis. . . .

"We do not have complete information of the present practice of municipalities, but we do know that 75% of the states and the federal government operate on a fiscal year ending June 30. . . .

"International Harvester Company probably is the most

outstanding example of a company which changed from the calendar year to a fiscal year since the inception of the present natural business year program. In 1936 this corporation changed to a fiscal year ending October 31. . . . A year later the J. I. Case Company, manufacturers of farm machinery, followed in the footsteps of International Harvester. . . . The most recent change from calendar year to a fiscal year which has come to our attention is that of the Parker Pen Company. . . . (and another is) L. E. Waterman Company. . . .

"October 31 is used by nearly all the representative meat packing companies, including Armour and Company, the Cudahy Packing Company, Swift and Company, Wilson and Company, and others. . . . Almost any department store selected at random would serve as an example of a January closing, including the well-known store of R. H. Macy and Company and its subsidiary, L. Bamberger and Company. . . .

"A representative industry which has not taken full advantage of the benefits of its natural business year is the automobile industry. . . . Another . . . is the dairy and produce industry. . . . Dairymen's League Cooperative Association closes its books March 31, but two of the largest units in the industry, however, the Borden Company and the National Dairy Products Corporation, close their books December 31. . . .

"The natural business year principle has been endorsed by representatives of both the Securities and Exchange Commission and the New York Stock Exchange. . . .

"That accountants generally have an active interest in

the subject is indicated by the fact that to June 9, 1938, 1,128 replies to a recent questionnaire of the American Institute of Certified Public Accountants on the subject have been received from members. This is a return in excess of 20% which is remarkable in itself. Of the total replies received, 301 accountants reported 684 actual changes among their clients to the natural fiscal closing date."

The Natural Business Year Council, referred to by Mr. Johns, consisted of the American Institute of Certified Public Accountants, National Association of Credit Men, National Association of Cost Accountants, Robert Morris Associates, American Management Association, and National Office Management Association. Several leaflets explaining natural business year advantages were published under the auspices of this Council.

Previous to the Second World War the American Institute of Certified Public Accountants had an active and effective natural business year program. After the war this program was much less active. A major reason was the nature of the post-war period, during which the high level of business activity tended to eliminate many slack seasons and to alter normal seasonal trends. The Institute's committee on natural business year, meeting in Washington on March 19, 1954, agreed that as a result of changing economic conditions and recent easing of tax regulations on fiscal years the time was ripe for a new emphasis on natural business year activity as a major project of the Institute.

The latest figures available from the Internal Revenue Service disclose that for the tax year ended June 1958, 47.6% of the

corporate returns filed were on a fiscal basis as compared with 1953 when the percentage was 41.1%. These figures are a bold illustration of the strong hold the use of the natural business year is gaining as a generally accepted business principle. However, continued emphasis and promotion is needed to maintain and strengthen this growing acceptance of the natural business year concept.

THE THREE DISTINCT AREAS OF INTEREST
IN WHICH PROGRAMS MAY BE UNDERTAKEN

There are three distinctly different areas of interest in which programs for the promotion of the natural business year might be undertaken:

- A. New Corporate Entities
- B. Established Corporate Entities
- C. Long Range General Education of the
Business Public

The problems encountered in the areas of A and B will be in great contrast. Recent tabulations from the Internal Revenue Service show that, in general, newly organized businesses are adopting fiscal closing dates other than the traditional calendar year. This is an indication that the programs in this area have been successful to a very high degree. However, this success should not deter continuing efforts.

Area B presents a more challenging program. Progress has been extremely slow in getting long established businesses to change to natural business year fiscal closing dates. In an effort to break down this resistance the following steps might be generally followed as an outline of a program:

- 1) the benefits to be gained from the use of the natural business year should be continually pointed out to established businesses.
- 2) articles should be written and placed into their trade publications
- 3) each accountant should continue to keep such clients fully aware of the fact that their

operations are not being reported upon within their most efficient business cycle.

The long range education of both the general and business public might best be handled by articles in financial publications, conferences with leading educators in the local colleges as to the need for more stress of the natural business year in their classes and text books and through general information talks before civic and businessmen's groups.

Other problems may arise in the setting up and operation of state committee programs, however, past experiences of several state societies do indicate that, if actively pursued each area of interest will bear fruitful and satisfying results.

AREAS FOR SPEECHS AND DISTRIBUTION OF
NATURAL BUSINESS YEAR PAMPHLETS

1 - Bankers and Credit Grantors:

- (a) Inclusion with monthly statements
- (b) Distribution by bankers to interested persons
- (c) Robert Morris Associates for inclusion with their mailings

2 - Attorneys and Other Organized Groups:

- (a) Mail to incorporators of new corporations
- (b) Distribution at Bar meetings
- (c) Distribute to attorneys through local practitioners

3 - Students:

- (a) College and business schools for advanced accounting and bookkeeping students
- (b) Professors for use in lecturing on fiscal year closings
- (c) Text book authors
- (d) Accounting clubs, etc.

4 - Business Organizations and Trade Groups:

- (a) Chamber of Commerce
- (b) Manufacturers' associations
- (c) Trade associations
- (d) Civic organizations

5 - Certified Public Accountants:

- (a) For distribution to clients
- (b) Copies to all new society members
- (c) Distribution by national firms to their local offices

6 - Publishers of business aids to new corporations

OTHER AREAS FOR PROMOTION

- 1 - Where possible place brief written articles on the natural business year in trade and other publications (sample article enclosed)
- 2 - Prepare natural business year news notes to stimulate interest for publication in state and local CPA societies' official organs
- 3 - Short talks before interested groups of businessmen
- 4 - Utilize tax information news notes to introduce discussion of the values of the natural business year
- 5 - Circulate reprints of any significant articles concerning the natural business year to all interested parties
- 6 - Utilize the growing percentage of corporations using fiscal year end closings as a means of emphasizing the importance of the natural business year and the benefits to be derived from it

SAMPLE FORM LETTER

To the Businessmen of _____:

Doctors tell us that we will live longer and enjoy life more if we eat, sleep, play golf and work at the proper times. That is to say, we should live naturally.

Businesses are the same way. There are certain normal business activities which promote the health and efficiency of your business. The enclosed booklet tells of one such practice -- closing your books at the end of the natural business year.

If you are not already doing this, read now you may improve your business's health.

Sincerely,

SAMPLE FORM LETTER

To The Board of Directors

_____ Company

Dear Sirs:

We have been informed that you have recently organized your company. Have you considered the benefits which are available to you by using a natural business year basis?

The enclosed booklet tells of the advantages to be gained. Read it and you may decide to join the many others who are using the natural business year.

Sincerely,

SAMPLE ARTICLE FOR PUBLICATION

THE NATURAL BUSINESS YEAR

How To Select The Best Fiscal Year For A New Corporation

It's always best to get things started right. Every lawyer's experience is full of examples to prove that a little foresight could have prevented many problems from arising.

The choice of fiscal year for a new corporation requires such foresight, because it is much simpler to select a convenient fiscal year at the outset than to make a change later on.

Your client will gain many advantages from the adoption of a fiscal year for the new corporation corresponding to the natural business year of the industry or trade group to which it belongs. The natural business year, which tends to be approximately the same for all companies in a given industry, is the twelve-month period ending when inventories, receivables and loans from banks are at or near their lowest point.

Some of the advantages of natural business year accounting are:

1. Inventory can be taken when it is lowest and when employees are least busy.
2. The balance sheet will show the company's most liquid position -- always a help in getting bank credit.
3. The income statement will show results of operations during an annual cycle of the business -- rather than a mixture of the end of one season and the beginning of another.
4. Financial statements for each year will be available

earlier for the following year's planning.

5. Tax returns will show smaller amounts for inventories and accounts receivable, reducing the area of possible dispute with the government.

Certified public accountants naturally favor the change, as it spreads out their work load more evenly, and thus enables them to render services more effectively to their clients.

The latest edition of Accounting Trends and Techniques (published by the American Institute of Certified Public Accountants), a survey of six hundred published annual reports, disclosed approximately one-third of the corporations were using fiscal years other than the calendar year. The use of the calendar year by other companies is chiefly the result of a habit which was brought about by requirements of the Excise Tax Law of 1909, and which has persisted although the law was changed. The ranks of natural business year companies have shown a steady growth in recent years.

Many established companies change their fiscal years, of course, but in doing so they must comply with federal and state tax regulations and file interim returns for the changeover period. This makes it much simpler to start on the natural business year at the outset.

The choice of fiscal year for new corporations is one of many subjects on which lawyers and CPAs should cooperate for the benefit of their mutual clients. The natural business year committee of the American Institute of Certified Public Accountants (270 Madison Avenue, New York 16, New York) will be glad to furnish, upon request, a pamphlet describing the advantages of natural business year accounting and a list of suggested closing dates for various types of business.

WHY NOT THE NATURAL BUSINESS YEAR?

Prepared by the
Illinois Society Committee on Natural Business Year

In the public practice of every CPA, the \$64.00 question has always been—"Why do so many businesses still close their books on the basis of a calendar year, when a closing coinciding with their natural business year offers so many advantages?" As many of us know, it is sometimes just about as difficult to get management interested in changing a calendar year corporation to a fiscal year as it is to attempt to convince a man to change his religion or politics. So we certified public accountants must be dynamic salesmen, constantly preaching the gospel of the natural business year. This article, then, is primarily aimed at furnishing practicing accountants with some ammunition for use in our cold war against the continuance of calendar year reporting by many of our clients.

The average businessman, when hearing the natural business year mentioned, will usually admit having heard about it at one time or another. However, when pressed further as to whether or not he utilizes it for his business, in many instances he will answer you with a barrage of defensive statements, which may be summarized as follows:

- (1) The Internal Revenue Service frowns upon changing taxable years.
- (2) Financial reports will no longer be comparative with other years.
- (3) Why should I use a fiscal year when no one else seems to use one?

- (4) How will I be able to compare my results with my competitors, who remain on a calendar year?
- (5) (Desperation clincher). The fiscal year idea sounds good, but isn't it really a device CPAs use to facilitate the spreading of their work load so they can accept more clients?

Some of us might be happy to retreat after a defense such as this. But if each argument is analyzed clearly, it can be reasonably answered and defeated. Don't let your clients side-step your suggestion with any of these old chestnuts, because they just won't hold water under close scrutiny. Let us disprove them one at a time, in the same order listed above.

NUMBER ONE—"The Internal Revenue Service frowns upon changing taxable years." This is simply not true, particularly for corporations. Reg. 1.442-1 (c) allows corporations to change their year *without advance permission* if they have not changed their tax year in the previous ten years, there is no operating loss in the short year period between the two closing dates, the taxable income for the short period is, when annualized, at least 80% of the taxable income for the preceding year, and other minor technical requirements are met. However, in cases where prior approval is needed because of failure to meet one of the aforementioned requirements, a strong business purpose must be demonstrated. The natural business

year is acceptable as such a purpose. A word of warning might be appropriate here. If the short period is one resulting in an operating loss, permission to change years may well be denied no matter how strong a business reason the corporation might have for requesting the year change. Partnership year changes are a bit more difficult and are allowed without the Commissioner's prior consent only if all of the principal partners (interests of 5% or more) have the same taxable year to which the partnership changes. [Reg. 1.442-1(b)(2)]. From the foregoing, it appears the Internal Revenue Service is not against the idea of changing taxable years, and in fact encourages changes to a natural business year.

NUMBER TWO—"Financial reports will no longer be comparative." This may not appear to be much of an argument to anyone with an accounting background, but to many businessmen it may well loom as insurmountable. Accountants should show their clients that it is possible, in most instances, to prepare comparative figures which will be suitable for management purposes without an undue amount of effort. In other words, figures for the prior period usually may be restated so that they cover a period that is comparable to the short year period of change. Also, the comparative statements applicable to the first twelve month year after the change will require restatement. The accountant should indicate the fact that the benefits of having the complete picture of a full operating cycle will more than outweigh this additional effort of recasting figures for comparison purposes. Internal records require no significant changes, and the year-end closing work, because of reduced inventory and gen-

eral slowdown, will require less effort to complete.

NUMBER THREE—"No one else is on a fiscal basis." This fallacy is best demonstrated by citing the most current figures available from the Internal Revenue Service on the number of corporate tax returns filed on the basis of fiscal years. The figures show that for tax years through June, 1956, 48% of the corporate returns were on a fiscal basis, as compared with 1930 when the percentage was only 13%. This is an increase of almost 300% in 26 years. Actually, we anticipate that it will not be long until the number of corporations filing on a calendar year basis will be in the minority, so how can anyone still contend that: "No one else seems to use a fiscal year"?

NUMBER FOUR—"I would be unable to compare my operations with competitors remaining on a calendar year." As in argument number two, this is a matter of recasting your figures to a comparable basis for management purposes. This is not an uncommon procedure. As the above mentioned percentages disclose that more and more businesses are changing to the natural business year, it will eventually be the calendar year corporation that will be required to recast figures in order to be comparative with fiscal year competitors.

NUMBER FIVE—"The natural business year is merely the CPA's method of spreading his work load." Let us be honest and admit that the CPA does benefit from fiscal year closings of his clients. Its universal use would do much to assist him in keeping a steady staff of competent employees and also permit additional interim work. However, the benefits derived by the CPA, which after all flow

eventually to his clients, are small in relation to what the businessman gains.

What are these benefits the businessman gains through use of a natural year? We are certain that all accountants know them, but let's review and re-emphasize them. The list below summarizes some of the principal benefits derived through the use of the natural business year. This is not intended as an all-inclusive list of benefits. Many of you will have some of your own to add, peculiar to individual businesses or industries, or caused by geographic locations (i.e., physical inventory taking in severe weather, etc.).

- (1) The balance sheet will usually present the company's most liquid position—frequently a help in getting bank credit.
- (2) The income statement will cover one complete business cycle—rather than a mixture of the end of one season and the beginning of another.
- (3) A fiscal year avoids confusion with calendar year-end activities, payroll tax returns, etc.
- (4) Inventory can be taken when it is lowest and when employees are least busy.
- (5) Financial statements for each year should be available earlier.
- (6) Income tax returns will show smaller amounts for inventories and accounts receivable, thereby reducing the area of possible dispute with the government.

Item four alone should cause the average small corporation to consider how much of a saving can be effected by use of the natural business year. Obviously it is preferable to shut down a plant when taking a complete physical inventory. Such a stop in production during the peak season, coupled with the cost of the men

assigned to take the inventory, can be a very costly procedure. Therefore, it is simply good logic to take inventory when it is at its lowest level, and when the loss of production caused by the shut-down will be least harmful. If the natural business year will promote this saving, can the average businessman afford to ignore its uses and benefits?

A further point to consider when discussing the use of fiscal years with clients is the option new corporations have to adopt in their first return a fiscal year without Treasury Department advance approval. (Reg. 1.441-1). Our committee has in the past conducted an informative campaign in this respect through contacting incorporators of new corporations. We believe this is an important element to be considered in planning for new corporations, which is sometimes unknown or overlooked by the incorporators.

The natural business year of an enterprise has been defined as a period of twelve consecutive months, or thirteen periods, ending when its activities have reached the lowest point in its annual cycle. This means that inventories, accounts receivable and payable, and bank loans, if any, have all been reduced to their annual minimum. We believe that all accountants are familiar with this definition, but are our clients also just as familiar with its meaning? It is up to us to see that they are, because, in the final analysis, the natural business year doctrine is spread most effectively at the "grass roots" level.

Consider 'Natural' Fiscal Date For Closing Out Year's Business

EDITOR'S NOTE: This article is based on information furnished by the Ohio Society of Certified Public Accountants, 79 E. State St., Columbus, Ohio.

Is Dec. 31 the best date for your farm store to wind up its business affairs? Would Jan. 31 be better? Or Nov. 30?

Statistics published by the Internal Revenue Service show that about 75% of new corporations, filing income tax returns for the first time, do so on a natural (fiscal) year basis. Unless your firm's natural business year and the calendar year are one and the same, you too may want to consider using a fiscal or natural business year.

Generally, the spring and summer months are the busy seasons for farm stores. These months would not be suitable for closing the books in many instances. For many farm stores, however, Dec. 31 is not a good cut-off period either. Inventory-taking and the holidays complicate the job. It may be that a late fall month might work out best, even though your store uses the Dec. 31 closing and you have "always done it that way."

A "fiscal" year is a period of 12 months which ends at the close of some month other than December; actually a company's fiscal year should be, and generally is, its natural business year. The natural business year of your company is that period of 12 months which ends when business activities have reached their lowest point in the annual cycle.

The advantages which flow from the use of a natural business year are several. Financial statements are more informative since they reflect the results of policies in force during a complete cycle of operations. Not only are the financial statements likely to be more informative, they are also prepared at less cost, as a general rule, since fewer arbitrary adjustments are required. Then, too, inventories can be taken at less cost, with less interruption of usual activities and, undoubtedly, with more accurate results since they would ordinarily be at a minimum. To the extent that distortion of business income is avoided by the use of a natural business year, the tax bite is spread more evenly over the years, too. These are merely a few reasons why use of the natural business year has increased. Any busy executive who has faced a year-end closing at a time when his business activities were not at their lowest will be able to add additional reasons of his own to justify the use of a natural business year.

There was once a time when businessmen could chart their course without reckoning with the Commis-

sioner of Internal Revenue. (Would that we could today.) Now, however, your silent partner in Washington may be concerned with any plans you may have for the use of a natural business year.

A new corporation may choose any accounting period for its first tax return; while the first tax return may cover a period of less than 12 months from the date the corporation was organized, it may not, of course, report a period in excess of 12 months. However, even though the corporation's taxable year has been established, it may be changed without prior approval of the Commissioner of Internal Revenue if:

- (1) its accounting period has not been changed during the last 10 years;
- (2) it does not have a net operating loss for the "short period" between the end of its established year and the beginning of the new fiscal year;
- (3) its income for the "short period," when annualized, is at least 80% of its income for the preceding taxable year, and
- (4) its "special status," if it has one, is the same for the "short period" as for the preceding taxable year. (Personal holding companies, foreign personal holding companies, exempt organizations, foreign corporations not doing business in the U.S., western hemisphere trade corporations, and China Trade Act corporations have "special status.")

All four requirements must be met and a statement to the effect that the requirements have been met must be submitted with the corporation's return for the short period.

If your business is operated as a partnership, you may find that your partnership tax year must generally coincide with the taxable year of your principal partners. However, if you can provide sound business reasons to support the use of a different fiscal year, the Internal Revenue Service may give you permission to change your partnership year.

An individual conducting his business as a proprietorship may report his income on a fiscal year basis. Prior approval of the commissioner is required, however, before changing to a fiscal year or from one fiscal year to another.

An accounting expert in your community is qualified to explain further details of the natural business year. In addition, he can explain more fully the procedures necessary to change your program. Perhaps on Dec. 31, 1959 you can plan to spend New Year's Eve at home without thinking about the annual inventory count.

WHAT'S YOUR REASON FOR NOT USING
A NATURAL BUSINESS YEAR?

The average businessman, when hearing the natural business year mentioned, will usually admit having heard about it at one time or another. However, when questioned as to whether or not he utilizes it for his business, in many instances, will answer you with a barrage of defensive statements, such as, the Internal Revenue Service frowns upon changing the year end date from calendar to fiscal; financial reports will no longer be comparative with other years; why should I use it no one else seems to; how will I be able to compare my results with my competitors who remain on a calendar year end basis; and finally in desperation with perhaps a hint of a smile of victory on his face, oh! it sounds like a good idea, but just between you and me, isn't it really a device CPAs use to facilitate the spreading of their work load so they can accept more clients.

Some of us might be happy to retreat after a comeback such as that, but instead of retreating let us review each of the arguments which have been levied against the use of a natural business year and see if we can answer them.

First - The Internal Revenue Service frowns upon the changing of year end dates from calendar to fiscal.

The American Institute of Certified Public Accountants' booklet, "Do You Close Your Books On New Year's Eve?", has the following to say on this question:

"Tax regulations allow corporations to change their year

end closing date without advance permission if they haven't changed their tax year in the previous ten years, there is no loss in the interim period between the two closing dates, and certain other requirements are met. Other taxpayers (including corporations which do not meet these requirements) must request permission within one month after their new closing date. A partnership may not adopt or change to a tax year other than that of all its principal partners, unless the government is satisfied that it is for a business purpose.

"State tax authorities will generally give permission for a change of fiscal year approved by the federal government.

"Interim returns must be filed with the Internal Revenue Service (and with state taxing authorities where applicable) for the period from the end of the present tax year until the beginning of the new fiscal year."

From the foregoing, it appears the Internal Revenue Service is not against the idea of changing year end closing dates and for the advantages to be gained by doing so, it appears little effort on the part of business is required in most cases.

Second - Financial reports will no longer be comparative.

This may not appear to be much of an argument to anyone with an accounting background, but to the average businessman it may loom as insurmountable. Accountants should show their clients that it is possible in most instances to prepare comparative figures which will be suitable for management purposes without an undue amount of effort. However, he should indicate also the fact that the benefits of having the complete picture of a complete

operating cycle will more than outweigh this additional effort. Internal records require no significant changes, and the year end closing work, because of reduced inventory and general slowdown, will require less work with more personnel available to do it.

Third - No one else is on a fiscal basis.

The most current figures available from the Internal Revenue Service disclose that for tax years through June 1958, 47.6% of the corporate returns filed were on a fiscal basis as compared with 1930 when the percentage was 13%. Figures are not available as yet on other than corporate returns but this increase of approximately 400% in corporations maintaining their records on a fiscal year basis is more than indicative of the current interest being shown in the use of the natural business year. The figures for the current years, when available, will without doubt raise the percentage rate.

Fourth - How will I be able to compare my figures with other companies in the same business field as I am?

Again, this is a matter of adjusting your figures to a comparable basis, and as mentioned previously, suitable figures can be provided for management purposes in most situations. This is not an uncommon procedure and as more and more businesses change to the natural business year, it will eventually be the calendar year end businessman who will have to adjust his figures in order to review comparative results of his competitors.

Fifth and last - The natural business year is merely the CPAs' method of spreading out the work load.

It would not be honest to say the CPA does not benefit

from fiscal year closings. Its universal use would do much in assisting him in keeping a steady staff of competent employees and also permit additional interim work. However, the benefits derived by the CPA (which after all flow eventually to his clients) are small in relation to what the businessman gains -- more meaningful reports, less pressure on his employees during peak periods, results of operations' figures earlier, better budgeting, and not the least of all, a reduction in number of decisions he must make on matters of importance during peak loads.

Now with the objections answered, perhaps we should review the benefits derived from the natural business year in addition to those mentioned previously. Some of these advantages are:

1. Inventory can be taken when it is lowest and when employees are least busy.
2. The balance sheet will show the company's most liquid position -- always a help in getting bank credit.
3. The income statement will show results of operations during an annual cycle of the business -- rather than a mixture of the end of one season and the beginning of another.
4. Financial statements for each year will be available earlier for the following year's planning.
5. Tax returns will show smaller amounts for inventories and accounts receivable, reducing the area of possible dispute with the government.

The first item alone should cause the average businessman to consider how much of a saving he can effect. It is not

unusual to shut down a plant when taking a complete physical inventory. Such a stop in production during the busy season coupled with the cost of the men assigned to take the inventory can be a very costly procedure, however necessary it may be. Therefore, it is no more than good simple logic to try to take inventory when it is at its lowest level to reduce the cost and time lost in taking it. If the natural business year will assure this, can the average businessman afford to ignore its uses and benefits?

Let me say in conclusion that the fact that 47.6% of the corporations are now filing on a fiscal basis either indicates the proven value of the natural business year, or that the CPA is a better salesman than generally believed. I'm sure you will agree that it is the first reason, the proven value of the natural business year.

In addition to the booklet "Do You Close Your Books On New Year's Eve?", the American Institute of Certified Public Accountants has published a pamphlet called "Suggested Fiscal Closing Dates" listing some of the more common industry and trade suggested closing dates. Review the situation at your office and see if you don't decide that for every difficulty attributed to changing to a fiscal year closing basis, at least two benefits will accrue.

THE NATURAL BUSINESS YEAR

Is This Just An Accounting Term Used By Overworked Accountants - Or Is There Really Something To It

I have been asked to discuss with you for about ten minutes or so the what, why, and how of an accounting term - the natural business year.

After I am through speaking, I would be glad to answer any questions that come to your minds insofar as I am able.

Now - I believe a good introduction to this topic would be for us to eavesdrop just a little bit.

I overheard the following conversation one bright sunshiny March day on the sands of a Florida beach -

"This is the life. Caught a big 'Blue' yesterday - been after one for many a moon." (To you land lubbers anything referred to as a "Blue" in this section of the country is a blue marlin, one of the largest of the game fishes that can be caught off the Florida Coast.) "Way I feel now, I could take Ben Hogan, Sam Snead and the whole lot of 'em on any eighteen holes in the country."

"Yes, George, I feel almost as good. But I can't help worrying about that inventory."

"Oh, for Pete's sake, Jim, forget it and relax, won't you? You'll get ulcers and your vacation isn't going to do you any good at all."

"But, George, don't you worry about your business while you are away? Especially when you know that your inventory was

unusually high at the end of the year. And you're not sure but that your people taking the inventory between Christmas and New Years weren't just as high - some joke."

"So that's what is really bothering you. I don't have to worry about that. I don't have any tax returns or year end worries to spoil my vacation!"

"What do you mean---"

"Get your CPA to explain the natural business year principle as it applies to your business. You are in the same type of business I am and you can make your reports and tax returns in the fall. And, while he is putting your business on the proper accounting year, have him change your personal tax return to the same fiscal year basis, then, you, too can get rid of the year end blues -- and I'm not speaking of fish this time."

Let's imagine that Jim went back home and talked to his CPA about this problem. And let's just listen in on the whole thing. Here is about what the CPA would be saying.

Well, Jim, first, let me explain that the natural business year is not a new idea. Many years ago - before income tax - people started keeping records to see how they were doing financially and otherwise. In certain types of business they would start a record at the start of a job or a trading venture and "close the books" when the job was over. The number of months or days wasn't material. As they got bigger, they found themselves running several sets of books at the same time quite frequently. As book-keeping progressed, a desire for comparisons was created and, in order that comparisons could be more easily made, a regular closing

period was desired. The business man believed that the record keeper was an evil to be avoided as much as possible, and he frequently found that the records were a side line. Therefore, from necessity rather than desire, the books were only up to date in slack periods when he could put the time on them.

Businesses used many closing dates other than December 31 prior to the enactment of The Federal Excise Tax law of August 5, 1909. This law required that reports be filed on the calendar year basis. To avoid confusion, many corporations changed at that time to the calendar year. When the income tax law of 1913 was put on the statutes, it properly permitted the use of a fiscal period other than the calendar year. But the damage had apparently been done.

The income tax law has had the greatest deterring effect on the use of the fiscal year in the past, due to setting up, from time to time, different methods of computing tax on other than calendar year corporations. Now, however, with a most highly complex tax structure which tries to cover every eventuality, we are at the point where the calculation of an accurate net income is much more important than a mechanical calculation of the tax itself.

Which brings us up to a general understanding of what the term natural business year means. Technically it means the use of a fiscal period of accounting which most clearly reflects a completed cycle of the business. In other words, the business has fewer accounts receivable, fewer loans from banks and a small inventory at a particular time of the year; that is the time when

the books should be closed.

Due to our reporting for income tax purposes, the Securities and Exchange Commission, and other regulatory governmental bodies, as well as our natural desire for comparisons with prior periods, we have necessarily come to a twelve month period (sometimes using thirteen equal periods of four weeks in place of twelve months of unequal size) as the only acceptable accounting standard.

Now, here's the bug. We have become so accustomed to saying "Happy New Year" on January 1st that we have carried it into our businesses. Regulatory bodies, groups, cooperatives, certain manufacturers, particularly automotive, for example have found it necessary to have all reports, which they require, made on a uniform basis. Many of these require calendar year statements because they have been done that way for such a long time that they feel the change would be too hard to explain. In many cases, the volume of income and activity of the reporting businesses has been increased but the thinking has not followed through as to how to increase the accuracy and speed with which all these businesses can report their results of operations for the previous annual period.

Let me digress a moment. First, I would like to say that the calendar year can also be the natural business year. If December 31st is the time of least activity and greatest liquidity of the business, then that should be the annual closing date. You are interested in the greatest accuracy in your statement. You are interested in having the internal revenue department change

your tax returns as little as possible. You are interested in taking an accurate inventory as quickly as possible. You are interested in having your CPA prepare your statements and do your audit work as inexpensively to you and as quickly as possible. You are intensely interested in planning for the future. All these and more, are readily accomplished with your reporting being based on an accounting year which most clearly reflects a completed cycle of business. Again let me emphasize that the natural business year is an annual reporting period based on a closing date that occurs during a time of least activity and greatest liquidity.

Let me also emphasize that you are not alone if your business is run on a fiscal year other than the calendar year. I do not have any figures later than for years ending through June 1958, but that year shows that 47.6% of all corporate tax returns filed were not filed on a calendar year accounting period. I should explain that many of these returns were of the small corporations and didn't necessarily represent the same percentage of the total reported net income. But, you will find that almost all new businesses are using a fiscal period other than the calendar year.

There are several reasons for the discrepancy between large and small corporations that I can think of at this time. First, is the fact that many of these big corporations have no natural period of twelve months. A natural accounting period of eighteen months or even longer, would be the natural reporting for some. Secondly, many of these large corporations have diversified

their activity by acquiring businesses that may each have a slack period, but on the whole, level out very well. Then too, the larger corporations are frequently tied to regulatory bodies such as the ICC which may require calendar year reports.

Many regulatory bodies have required that books and reports both be on a calendar year basis in the past because no thought had been given to make the task easier on the business entity. Now, however, more and more state and Federal agencies are permitting firms to maintain records on a fiscal year basis and have even sought advice as to the use of a natural year. Once this stumbling block is removed, many more businesses will learn the advantages of the natural business year.

The American Institute of Certified Public Accountants has prepared a couple of pamphlets, one of which shows recommended closing dates for several types of businesses. The other is entitled "Do You Close Your Books On New Year's Eve?" Ask your CPA to show you these.

You know, its really just good common sense. When your business cycle is finished, you should close your books and make your financial statements. That way you have more facts and less guesses.

DO YOU CLOSE YOUR BOOKS ON NEW YEAR'S EVE?

It is a pleasure to appear before you for the purpose of preaching the gospel of the natural business year and of explaining the many advantages of a business reporting its financial activities on the basis of the natural business year.

Do you close your books on New Year's Eve?

December 31st is an inconvenient date in more ways than one for the closing of a company's fiscal year. Many businesses are in the midst of a busy season. Various reports must be prepared for filing with government agencies in January. The auditors are certain to be under the pressure of other engagements for clients who use the calendar year.

Why then do so many companies still have fiscal years ending December 31st?

Historically, this is a fairly recent habit. Italian merchants of the Fifteenth Century closed their books at the end of each trading venture or whenever the pages were filled. Annual closings were not customary until the Nineteenth Century. The wide-spread use of the calendar year for corporation accounts in the United States was brought about by requirements of the excise tax law of 1909. Although the tax law has been changed, the calendar year habit has remained.

What are the advantages of using your natural business year as your fiscal year? Here are some:

1. Your inventory can be taken when it is lowest and when your employees are least busy.

2. Your balance sheet will show your most liquid position; always a help in getting bank credit.

3. Your income statement will show results of operations during an actual cycle of your business -- rather than a mixture at the end of one season and the beginning of another.

4. You will have your financial statements for each year at the time you need them for planning the following year.

5. Your certified public accountants will be able to render service to you more effectively when they are not in the midst of calendar year auditing.

6. Your banker will have more time to review your annual report when he is not at his busiest time of the year.

Some enterprises do not have a natural business year and one month is as good as another in which to close the year's business. This applies particularly in those businesses where monthly sales are approximately the same throughout the year. Such businesses will nevertheless find it advantageous to close their books on a fiscal year basis rather than a calendar year when so many other reports are required.

A question may be in your minds -- What is the natural business year? The natural business year of an enterprise has been defined as a period of 12 consecutive months ending when its activities have reached the lowest point in its annual cycle. This means that inventories which have been depleted in the active selling season have not yet been replenished. It means that accounts receivable are probably at their minimum. It means that bank loans, if any, have been reduced to their annual minimum.

In the public practice of every C.P.A., the #64 question has always been -- Why do so many businesses close their books on the basis of a calendar year when such businesses would be so much better off having a closing which coincides with their natural business year?

The best illustration of what constitutes a natural business year probably can be derived from the canning industry. A cannery may operate three or four months a year in packing its merchandise and then be closed down for the balance of a 12-month period. However, during the latter period it is distributing the merchandise packed during the early period. Its natural year would end at the time when its inventories are at the lowest point and when the new canning season is about ready to start, but has not started.

For those firms which have a natural year, the tax returns and financial statements at December 31st include a conglomeration of operating results of two or more cycles; whereas, if the income statement is prepared on the basis of the natural year, it is much more meaningful as it covers only one complete cycle. The work of compiling inventories during the holiday season when inventories are relatively high is tedious. The figures obtained may show cash low, with inventories, receivables and payables at a high point. Why not accomplish this work when inventories are at the low point for the year and when outside activities are not so much inclined to affect the efficiency of the organization? It is much easier to take inventory at the low point and actually a better inventory will be taken and a more

reliable figure compiled.

Your balance sheet will have a different look too, as inventories, receivables and payables will be relatively low and the cash position should be much better than at any other time during the year. At this time, it is much easier to determine the true financial status of your company. It is also the time when management should review its operations for the past year and start laying its plans for the coming year. It is at this time that ideas for improving service to customers should be explored and developed.

The size of the company is not controlling. Small and large businesses have the same privileges and they have the same advantages over the natural business year.

In order to determine your natural business year, you will have to compare your business activity month by month. A blank chart has been prepared which will help you and your C.P.A.'s to find the best closing date. The effect of your vacation schedule on the new closing date should also be considered.

How to Change

The change to a natural business year presents few problems. The by-laws of the corporation may have to be amended, the tax regulations must be observed, and companies regulated by the SEC must file interim reports from the period between fiscal years and three months or more.

Before making a change you should, of course, have the advice of your C.P.A.'s and your attorneys.

The change from one accounting period to another always

requires a short-period return for the transition. To gain all the advantages of using your natural business year, you will want to apply it to your tax returns also, of course.

Under regulations (Reg. [§] 1.442-1(c)), if the short taxable year ends on or after March 1, 1957, corporations (but not other taxpayers) may change their accounting periods without specific permission if they meet all the following tests:

1. The corporation has not changed its accounting period at any time within the ten calendar years ending with the calendar year which includes the beginning of the short period required to effect the proposed change;

2. The short period required to effect the change is not one in which the corporation would show a net operating loss;

3. The taxable income for the short period is, when annualized, at least 80 per cent of the taxable income for the preceding taxable year; and

4. If, for the short period of the preceding taxable year, the corporation was a personal holding company, a foreign personal holding company, an exempt corporation, a non-resident foreign corporation, a Western Hemisphere trade corporation, or a China Trade Act corporation, it must have had the same status as such for both years.

A partnership may change its accounting period without the Commissioner's prior consent only if all of the principal partners (those having an interest of 5 per cent or more in partnership profits or capital) have the same taxable year to which the partnership changes, or if all those who do not have such a taxable year

concurrently change to that year. The individual partners must always secure permission to make the change. (Reg. § 1.442-1(b)(2).

A new taxpayer may adopt either a calendar or a fiscal year basis on the first return. (Reg. § 1.441-1).

State tax authorities will generally give permission for a change of fiscal year that is approved by the federal government.

Highly competent authorities have this to say about the natural business year:

The New York Stock Exchange says:

"The natural business year of an industry in which a company is engaged is recommended unless impractical for special reasons, as the fiscal year of the company instead of the calendar year."

The Chief Accountant of the Securities and Exchange Commission says:

"Advantages to be obtained from the adoption of a fiscal year-end date which coincides with the lowest point in the annual cycle of operations are clear and to my mind have never been shown to be out-weighed by related disadvantages."

The Natural Business Year Committee of the American Institute of C.P.A.'s has prepared a list of suggested closing dates for various industries. It is available upon request.

Now, in conclusion, it is apparent that business has finally seen the light. We are glad to be able to report to you that the latest figures released by the Internal Revenue Service reveal that non-calendar corporate returns have now reached 48% of the total. This proves that the fiscal year doctrine is gaining ground everywhere.

We must say that this is great progress since the early days of the 1930's when the comparative figure was 15%.

SAMPLE SKIT

The following material was presented by two members on the committee for natural business year at the Middle Atlantic States Accounting Conference, Washington, D. C., in June 1959 and was received with enthusiasm.

The skit has been included in the kit as it may, with appropriate revision for local color, be an interesting and effective means of promoting the natural business year.

NATURAL BUSINESS YEAR COMMITTEE SKIT

Speaker # 1: "Pardon me, are you looking for somebody here?"

Speaker # 2: "Yes, I'm Jim Tax Refund from down in Columbia, S. C. I'm looking for an accountants' meeting here."

Speaker # 1: "That's not your real name, is it?"

Speaker # 2: Ahhh--no. That's just the trade name I use. I have a public accounting practice in Columbia. I find it helps business a lot - brings in a lot of clients, you know. I'm just up here looking around for the convention hotel and----"

Speaker # 1: "Excuse me, but aren't you wearing your clothes backwards?"

Speaker # 2: "Well, I just don't know whether I'm coming or going. You know I've been working right hard 7 days a week--and I've just gotten through with the tax season, and the truth of the matter is that I can hardly stand up."

Speaker # 1: "Let me help you. They keep you busy these days, don't they?"

Speaker # 2: "Well, I'm about through now. I go back to the farm, you know, for about six months, I'm all through with the tax season rush--"

Speaker # 1: "Don't you have any work to do now?"

Speaker # 2: "No, I don't have much. I milk the cows and feed the chickens and those kind of things."

Speaker # 1: "Haven't you ever heard of The Natural Business Year?"

Speaker # 2: "The what?"

Speaker # 1: "Let me tell you about the fine work that State Societies are doing for the Natural Business Year. First let me----"

Speaker # 2: "What's that? Natural Business Year? What do you mean? What are you doing to my clothes here?"

Speaker # 1: "I'm just trying to straighten you out a little partner."
(Speaker #1 helps #2 take off his hat and to put it back on properly.)

Speaker # 2: "What's wrong? Isn't that the way everybody does it?"

Speaker # 1: "No Sir."

Speaker # 2: "Oh it's not. What do you mean?"

Speaker # 1: "Let me straighten you out a little bit. Now the Natural Business Year is a year that is good for not only the accountants but also for business people. They don't all have to close their books December 31st. After all they have a great deal of work to do December 31st. You take the--"

Speaker # 2: "Of course we all have a lot to do at that time, it's a bit of a problem for us in our practice. This year we had one good man to leave us. We always try to work six days a week and three of those days have to be thirty-six hour days, and the wife of one of our best young men said that he could only work two days a week on a thirty-six hour basis, but we just couldn't make exceptions. We have to hold the line you know, can't let anyone slip. We recognize that there is a problem there. What were you saying about this thing?"

Speaker # 1: "Let me tell you a little bit about this Natural Business----"

Speaker # 2: "Whoa here. What are you doing to me?"
(#2 is taking #1's tie and coat off and helping him to put it back on properly.)

Speaker # 1: "I'm just straightening you out a little. I'll straighten your practice out some too. You know you could make a litte bit more money if you were to switch over your clients to the Natural Business Year; then you could do some work through out the year. You could take on more clients. It would be good for you. But

don't forget this, you can't tell them that. You just tell them that it's good for them."

Speaker # 2: "It's good for me too? Say where did you learn about fixing your clothes this way? You know what? When my wife was away for a week I sprained my arm trying to tie my tie."

Speaker # 1: "Here, let's try it this way."

Speaker # 2: "Well, this is something. We can always learn something new."

Speaker # 1: "Now let me tell you a little more about the Natural Business Year. Not just to help you, but to help your clients also. For example, if you have a school, tell them to close their books on June 30th. Then they will have the operations for the whole year--one cycle--in one year on the books. Let me tell you something else. Your banker friends down in South Carolina would like it a great deal because the financial statements will look better. Accounts receivable are going to be down, inventory is going to be down and liabilities will be down. Cash will be up."

Speaker # 2: "Uh Huh Well, now that sounds nice. Now what did you say that thing's called?"

Speaker # 1: "This is called the Natural Business Year, which you take naturally."

Speaker # 2: "Well, you know what we were figuring about down in South Carolina. We're all Republicans down there. You remember when that "fellow" Roosevelt was changing "turkey day?" We thought we could just take a lesson from him and what we thought we would do was to rearrange the calendar a little bit, and we were going to make it come in this order: January, February, May, June and then March and April, and by that way we would push

March 15th and April 15th forward a little bit and give us 4½ months for corporations and 5½ months to prepare individual returns."

Speaker # 1: "That is an excellent idea, but we have a better idea here. Every business uses it's own Natural Year. Suppose you take one of these little pamphlets and carry it back with you. Do you have any Ice Companies?"

Speaker # 2: "Yes. It gets a little hot down there you know."

Speaker # 1: "Well, October would be the proper period for them to close their books because by the end of October, you are all through their season. Do you have any cotton or textile mills, I'm sure you must have those down in South Carolina?"

Speaker # 2: "Yep, yep."

Speaker # 1: "Well here's a pamphlet from the American Institute of Certified Public Accountants. Readers pay attention to that."

Speaker # 2: "That's all right but you've got to get the work done you can't talk to there folks, uh---"

Speaker # 1: "How about automobile dealers? Do you have any automobile dealers?"

Speaker # 2: "Well, yes, a few of us have cars down there."

Speaker # 1: "All you have to do is to take this to your automobile friends down there and say here we have a recommodation from the American Institute of CPA's that automobile books should close on October 31st and not December 31st. Does you State Society down in South Carolina have a Natural Business Year Committee?"

Speaker # 2: "No, I don't believe we do."

Speaker # 1: "Well you have to have someone to stand behind you, you can't do all this by yourself. Why don't you go back and talk to your State Society president about getting a committee started."

Speaker # 2: "Yeah, we have a president. He ought to do somethin' about this thing."

Speaker # 1: "Talk to him about appointing a Natural Business Year Committee."

Speaker # 2: "Yeah, I can see you got something there."

Speaker # 1: "Now look, the American Institute has gon to a lot of trouble here. It has made up a Natural Business Year promotional kit."

Speaker # 2: "Promotion! That sounds like something I want to hear more about."

Speaker # 1: "This is to help you."

Speaker # 2: "Yes Sir."

Speaker # 1: "Now you take this back to your Society president and ask him to appoint a Natural Business Year committee. Here is a promotion kit to be turned over to the committee, and all they have to do is to read through this. They have lots of ideas here and plenty of literature. It's a wonderful little pamphlet. You can pass it out to new corporations, for example. Even lawyers. "Do You Close Your Books on New Years Eve".

Speaker # 2: "You're right. There are a lot of other folks doing other things on New Year's Eve."

Speaker # 1: "Well, Jim, I think we've got you straightened out. You do something with your Society about this committee and you can

have them write to the American Institute Natural Business Year
Committee for help."

Speaker # 2: "Right. I'm glad I bumped into you."

REPORT OF THE COMMITTEE ON NATURAL BUSINESS YEAR

To the Council of the
American Institute of Certified Public Accountants

Gentlemen:

The committee scheduled two meetings during the current year - one held in St. Louis on April 25 and one to be held in Philadelphia on September 26.

The committee's program for the current year has proved successful as all state societies were issued promotion kits to assist them in planning their campaigns, and articles dealing with the natural business year appeared in The Journal of Accountancy, various trade magazines, and in several state society publications. As stated in a recent article in the Journal, 47.6% of all corporations filing income tax returns for a full year in 1957-8 did so on a fiscal year basis. This is half again as many as ten years ago and two and a half times as many as twenty years ago. Approximately 22,000 copies of the committee's promotional pamphlets were sold and distributed to interested parties.

The policy of assigning all of the states to various committee members who act as regional coordinators has proved to be highly effective. It serves the double purpose of utilizing on a year round basis the talents of committee members and, also, provides a method of communicating quickly and frequently with those in state organizations interested in advancing the cause of

the natural business year. Possibly the regional coordinator method could be adopted by other Institute committees having the same need as ours for frequent, prompt, and nation-wide communication and action.

To assist it in continuing its successful program the committee on natural business year asks only for your support of its activities in your individual states.

Respectfully yours,

Harry F. Reiss, Jr., Chairman
Committee on Natural Business Year

September 25, 1960

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