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Art of presentation

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The Art of Presentation

THE evolution of accounting has carried that utility from a stage where it was looked upon as a device for exhibiting figures, to a point where, if intelligently used, it may be made to present, in terms of dollars, illuminated pictures of processes and results.

One hesitates to use the word "art" in referring to a balance sheet, lest some wag unearth his dictionary from underneath a dusty pile of accumulated newspapers and discover that the word "art" may be defined as "the embodiment of beautiful thought in sensuous forms." Yet, there is an art of balance sheet presentation.

The art in relation to the balance sheet consists in formulating rules to depict results, conditions, relationships, and tendencies. In reference to the income statement it consists in developing rules which will result in showing and relating causes.

Much has been accomplished in the formation of technique in the presentation of financial statements. In this process more emphasis has been placed on the balance sheet than on the income statement. Classification, grouping, and order in arrangement have served in the balance sheet to bring out the division of capital according to its uses; to show the equities, and the priority of liens. Not the least of the improvements has been the classification of surplus according to its derivation.

The income statement has been immeasurably improved with the passing of time. First, it was a copy of the profit and loss account. Next, the statement was expanded into a sectionalized affair so as to show separately manufacturing, trading and profits, expenses, and losses. Now, there is a fairly uniform type of statement which is characterized by a stepping down of profits and general lines of demarcation among operating, general, financial and miscellaneous results.

There are two aspects of presentation which, considerably neglected in the past, probably will receive attention, or at least be subjected to refinement in the future. The first is a hook-up between the income statement and the balance sheet which will show the profits imputed to the turnover of current assets as affected by the current liabilities, together with the load imposed on those profits by the indirect service, or non-service assets.

The second aspect is a prolongation of the income statement so as to show the application of profits. At the present time the statement is allowed to rest with showing the amount distributed as dividends and the remainder carried to surplus. There is an opportunity for a constructive step here in showing the status of the profit remaining after dividends, that is, whether it has been invested in fixed assets, or remains in the current group.

Such imposition would do much to clear up the fog which exists as to the availability of profits for future dividends.