

University of Mississippi

eGrove

Haskins and Sells Publications

Deloitte Collection

1924

Mr. Dunn Remains

Anonymous

Follow this and additional works at: https://egrove.olemiss.edu/dl_hs



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Haskins & Sells Bulletin, Vol. 07, no. 06 (1924 June), p. 45

This Article is brought to you for free and open access by the Deloitte Collection at eGrove. It has been accepted for inclusion in Haskins and Sells Publications by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

them. Balance sheets and income statements appear frequently in the daily papers, in published reports of corporations, in circulars offering securities for investment, and in manuals of statistical companies reporting on corporations, etc. They become a necessary part of business memoranda in furnishing valuable information to management, in serving as an index to efficiency, and as a guide to policy-making.

The true significance of the information contained in financial statements is still far from apparent. Differing and often conflicting opinions as to form have occupied the attention to the detriment of analysis, study, and interpretation. It is generally admitted that a current position should show at least two dollars of current assets for every dollar of current liabilities. It is frequently stated that an enterprise should maintain a proper balance between owned and borrowed capital; that there should be a proper relation between current and fixed assets. But why is a two for one current ratio desirable? What is the meaning if a balance sheet does not meet this requirement? What constitutes proper balance between owned and borrowed capital? Who can say what should be the relation between current and fixed assets? With respect to the operating needs and probabilities, what constitutes too little, or too much, or a proper amount of working capital? How much fixed capital can the

enterprise stand; or, in other words, what is the limit beyond which it would not be safe to go in the matter of plant property investment?

It is true that some standards have been set up whereby to compare the condition of a given enterprise. There is cause for great rejoicing that so much progress in this respect has been made, but the meat of the cocoanut, so to speak, has not yet been reached. Not until more intelligent thought and study are given to the significance of the various aspects of financial condition and relation of operations thereto will it be possible to interpret financial statements and make the data serve as a guide to the future. Past performance is only of value as it points the way to events which may follow. It is not sufficient to conclude that some condition is abnormal. If it is wrong in principle or dangerous in tendency, the way must be found to correct the condition. Proper correction may only come from a thorough understanding of the underlying causes.

The true significance, or in other words the meaning of balance sheets and income statements, may only be grasped, so far as an individual is concerned, by constant analysis and study. The subject is too deep to be easily expounded or thoroughly understood from reading about it. There is no "royal road." Anyone who would thoroughly understand financial statements must work, think, and persevere.

Mr. Dunn Remains

IN the January, 1921, number of the BULLETIN we announced with regret Mr. Dunn's avowed intention to retire from practice on June 1, 1924. With the changes which time has wrought in the organization since the announcement was made it has become increasingly apparent that such retirement would impose a loss difficult to repair. We are now able to

announce with pleasure that Mr. Dunn has been prevailed upon to remain in the firm in the capacity of counsellor and adviser, with freedom to pursue such out-of-door activities as he feels the necessity of doing. Needless to say his sound judgment and wise counsel will materially lighten the burdens of those who have the responsibilities of administration.