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Correspondence: Accounting Terminology

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Correspondence

Accounting Terminology

Editor, The Journal of Accountancy:

SIR: I write to ask if you will be good enough to bring to the attention of the readers of THE JOURNAL OF ACCOUNTANCY the action taken at the annual meeting of the American Institute of Accountants last month, which led to the appointment by the president of the institute of a special committee on accounting terminology.

With your permission I should like to outline the present plans of the committee, which are, of course, subject to modification, and to ask the coöperation not only of the members of the accounting profession but of others who are interested in the matter of securing a uniform terminology. The need for this work is so generally recognized that it is unnecessary to enlarge upon this point here, and it will be sufficient to say that the use of accounting to the commercial world in America has increased so largely in the last few years, partly on account of the work connected with income-tax returns, that the need is greater than ever and appears to be recognized on all sides.

The plans on which the committee is at present working are as follows:

The preparation of a preliminary list of words and expressions to be defined. This will be gathered from actual practice and from the general accounting literature, full use being made of the excellent reports of the previous committees. It now looks as though the list will include at least five hundred or six hundred words. This preliminary list being prepared, the committee proposes to select some of the expressions which are in daily use, such as: assets, liabilities, income, profits, etc., and to define these in all their varieties. This list will itself be a fairly long one, as some of the titles, such as assets and expenses, will probably include eighteen or twenty sub-titles, such as available assets, quick assets, etc.

The committee will collect the best existing definitions for each one of these expressions, and will then decide upon the particular definition which appeals to the committee as a whole. The result of this will be such that, if we take the word "assets" for example, we shall have probably eighteen or twenty definitions of the various kinds of assets which occur in practice. These definitions we propose having multigraphed and sent to a fairly large list of correspondents, asking them for their suggestions and criticisms. Upon these being received, the committee will take them as a whole and review them—making a final list of definitions which will in turn be submitted to the institute for its approval.

In addition to having these correspondents, the committee would like to use the bulletins of the institute for the preliminary publication of these definitions as they are determined.

When the work is completed, which will probably take a year or more,

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the institute will then have a complete set of definitions as nearly representative of the best ability of the profession as can be secured, and it is hoped that this will prove to be of sufficient value to warrant publication in book form by the institute and with its endorsement.

In order to enlarge the scope of this work, the committee proposes to secure the widest coöperation possible, so as to put the work on the broadest basis, and, with this in view, we propose to take the matter up with the following bodies or classes of correspondents:

1. The government departments, particularly the income-tax unit, federal trade commission, interstate commerce commission, securing, if possible, their approval of the definitions assigned to them.
2. State public service or utility commissions, such as those of New York, Wisconsin and Massachusetts.
3. The heads of the commercial departments of the various universities throughout the country from Harvard to California.
4. The various leading accounting schools throughout the country.
5. Institutes or societies representing allied professions, such as the National Institute of Cost Accountants, National Railway Accountants' Association, National Society of Municipal Officers, and engineering societies.
6. A few of the leading firms engaged in appraisals and efficiency work.
7. The accounting societies of Great Britain and Canada.
8. Those trade associations which have adopted uniform systems of accounting.
9. A select list of individuals, including members of the council of the institute and former members of the committee on terminology of the old American Association of Public Accountants.

The committee realizes that the general acceptance of any set of definitions can be best secured by obtaining expressions of opinion from as wide a range as is possible; for any attempt to force individual ideas would deprive the work of its chief value. On this account, therefore, it not only offers to accept, but urgently begs, that suggestions and criticisms of all kind be sent to it by any who are interested in the matter. These may be forwarded to any member of the committee, but for the sake of convenience it may be better to address them to the undersigned, in addition to whom the other members are Edward H. Moeran, of 120 Broadway, New York, and John Flint, of 50 Pine street, New York.

Yours truly,

WALTER MUCKLOW, *Chairman*,
56 U. S. Trust Company, Jacksonville, Fla.

John M. Palm, James B. Aiken and Belton B. O'Neill announce the formation of a partnership under the title of Palm, Aiken & O'Neill, with offices in the Southern Life building, Greenville, South Carolina.