

Corporate Reporting Then and Now: A Century of “Progress”

In which we show, using US Steel’s financial reports from 1902 (yes, 1902) and 2012, that the structure and content of corporate financial reports—balance sheets, income and cash flow statements—haven’t changed over the past 110 years, despite dramatic increases in investors’ sophistication, information processing ability, and complexity of business operation. Surprised? We don’t blame you.

SPOT THE DIFFERENCES

The year is 1903. Theodore Roosevelt is in his third year of presidency, the Ford Motor Co. produces its first car—the Model A (available, as Henry Ford said, in any color as long as it’s black)—and the first World Series is played: Boston Americans (soon the Boston Red Sox) versus the Pittsburgh Pirates. No surprise, Boston wins with Cy Young pitching. Alas, there is no television to watch the game, nor is there air transportation, or shopping malls. Not even the Internet—no Facebook or Twitter. But steel is produced, and the largest steel producer in the world—United States Steel Corporation (US Steel)—publishes its first annual report to shareholders. The main components of this report, the balance sheet and the income (profit or loss) statement for the previous year, 1902, are recast below, alongside with—fast-forward 110 years—their 2012 counterparts. (The original 1902 US Steel statements are reproduced in the Appendix.)

Recall your early childhood when you likely played the popular game Spot the Differences. Examining two seemingly identical pictures, you were

challenged to identify minute, hidden differences. We challenge you to do the same with the two US Steel balance sheets and income statements, spanning 110 years, displayed below and in the next page. The purpose of the exercise: a first glimpse at the progress, or rather, lack thereof, of accounting and financial reporting over the past century plus decade.

Amazingly, you’ll find that there are absolutely no differences in the structure and information items provided to investors by the two financial reports. Same layout of the income statement (Table 1.1) and balance sheet (Table 1.2), and identical information items disclosed in the two reports: assets, liabilities and equity in the balance sheet; and revenues minus an array of expenses in the income statement—as if investors’ information needs and tools of financial analysis and securities valuation were frozen over the past 110 years, and no advances had been made in information processing and data display. Imagine if the report that people get today following a comprehensive physical checkup were identical to what patients received from their doctors 110 years ago. Yet, the corporate annual checkup report is frozen in time. Don’t be misled by the “low” sales in 1902—\$560 million. Converting this 1902 figure to 2012 values with the help of the Consumer Price Index (CPI) yields \$16,324 million, pretty close to the actual 2012 sales of \$19,328 million. So, US Steel was already a sizable enterprise 110 years ago, worthy of comparison with today’s company.

There is an important difference, however, between the 1902 and 2012 US Steels: While the company generated in 1902 a healthy profit of \$133.3 million (equivalent to \$3.9 billion in 2012 dollars)—amounting

TABLE 1.1 United States Steel Corporation Consolidated Income Statement

	(in \$ Millions)	
	Year 1902	Year 2012
Sales	\$ 560	\$19,328
Cost of sales	<u>(411)</u>	<u>(18,291)</u>
<i>Gross profit</i>	149	1,037
Minus Expenses:		
Selling & general expenses	(13)	(654)
Other gains/(losses)	5	(136)
Interest income	3	7
Interest expense	(9)	(247)
Income tax	<u>(2)</u>	<u>(131)</u>
<i>Net income (loss)</i>	133	(124)

TABLE 1.2 United States Steel Corporation Consolidated Balance Sheet

	(in \$ Millions)	
	Year 1902	Year 2012
Assets		
<u>Current Assets</u>		
Cash & equivalents	\$56	\$570
Net receivables	49	2,090
Inventories	104	2,503
Other current assets	<u>5</u>	<u>211</u>
<i>Total current assets</i>	214	5,374
Investments	4	609
Property, Plant & Equipment	1,325	6,408
Intangibles	—	253
Goodwill	—	1,822
Other noncurrent assets	<u>4</u>	<u>751</u>
<i>Total assets</i>	<u><u>\$1,547</u></u>	<u><u>\$15,217</u></u>
Liabilities		
<u>Current Liabilities</u>		
Accounts payable	\$19	\$1,800
Payroll payable	4	977
Accrued taxes	1	146
Other current liabilities	<u>26</u>	<u>67</u>
<i>Total current liabilities</i>	50	2,990
Long-term debt	371	3,936
Employee benefits	—	4,416
Other noncurrent liabilities	<u>30</u>	<u>397</u>
<i>Total liabilities</i>	451	11,739
Stockholders' Equity		
Common stock	1,018	3,282
Retained earnings	<u>78</u>	<u>196</u>
<i>Total shareholders' equity</i>	1,096	3,478
<i>Total Liabilities and Equity</i>	<u><u>\$1,547</u></u>	<u><u>\$15,217</u></u>

to a 13 percent return-on-equity (ROE)—US Steel’s operations in 2012 resulted in a loss of \$124 million.¹ Many things have changed, of course, over the years, but perhaps a clue to the stark difference in operations lies in the board of directors. In 1902, US Steel had on its board the likes of John D. Rockefeller, J. Pierpont Morgan, Charles M. Schwab (also president of the company), Marshall Field, and Henry C. Frick (of the New York museum fame), among other business titans. Who says directors don’t matter?

Seriously, a struggling enterprise, like the 2012 US Steel, providing the same information as the booming 1902 company? Shouldn’t today’s investors be told what aspects of the business model failed in 2012 or before? Informed about manufacturing setbacks? Specific marketing challenges? And told, backed by data, about the remedial steps taken by management? Shouldn’t a twenty-first-century corporation reporting about its operations and economic condition systematically convey such strategic information, rather than report what it paid years ago for buildings and machinery or questionable assets like goodwill? And not just investors, whose money is at stake, should be better informed. The public at large, asked frequently by steel companies to support protective measures against foreign producers, should fully understand the challenges faced by the current US Steel. Really informative financial reports, rather than those frozen in time, are essential to investors and the public at large.

DIFFERENCES SPOTTED

Examining the US Steel financial reports line by line, it is evident that the two income statements are identical in terms of the items presented: sales, cost of sales, income tax expense, and so on. Thus, the 1902 and 2012 investors, different folks to be sure—the latter, with vastly more powerful analyzing capabilities, access to alternative investments and investment tools (multiple hedging mechanisms, short sales, programmed trading)—received similar information from the two profit and loss statements. As for the balance sheets, the only items on the 2012 report absent in 1902 are goodwill and intangibles, the result of certain mergers and acquisitions conducted by the “modern” US Steel. The company founders apparently believed that growth should be internally generated by innovation and investment, rather than acquired externally by hunting for bargains. Recent research, showing that most mergers and acquisitions disappoint due to overpayment and/or acquiring strategic misfits, proves the founders right.² Thus, with the exception of goodwill, readers of the two balance sheets were also equally informed. Finally, while in 1902, a cash flow statement—the third major component of a financial report—was not mandatory as it is now, US Steel provided one anyway (see Appendix).

But, you surely say, there is more to an annual report than an income statement, a balance sheet, and a cash flow statement. Today's supplementary information is much more extensive than a century ago. True. The sheer sizes of the two reports attest to this: The 1902 US Steel report is a slim 40-page document, whereas its 2012 counterpart is, in the best accounting tradition of mounting complexity and obfuscation, a hefty 174-page tome. A real forest killer.

But what does the latter report have on the former in terms of useful information? In 2012 there are, of course, the obligatory glossy pictures of smiling employees, executives, and customers, all absent in 1902. Come to think of it, we don't recall ever seeing smiling pictures of J. P. Morgan or J. D. Rockefeller. Those poor chaps really worked for a living; today, it's all about having fun. Lots of colorful graphs and exhibits of financial data adorn the 2012 report, as well as the soup du jour—a lengthy discussion of environmental issues. And not to be ignored—the 2012 report has a 12-page (!) boiler plate list of risk factors facing US Steel and its shareholders. Who would have guessed, for example, that the steel industry is cyclical, that steel production involves environmental compliance risk, that raw materials prices may fluctuate, or that an employer of some 45,000 workers faces litigation exposure? The 2012 risk factors statement tells you all this and more. Seriously, we have yet to meet a financial analyst or investor who learned anything valuable from, or based a decision on, the risk-factors boilerplate or the glossy graphs in financial reports. These are widely ignored, as are the smiling pictures.

In contrast, the 1902 report's discussion of risk, litigation, and environmental issues is much briefer, since legal and regulatory issues were not on top of managers' minds during those happy days. Back then, managers could focus on the business, rather than spend so much valuable time with lawyers and lobbyists; yet another reason for the vastly different 1902 versus 2012 operating performance of US Steel.³

REAL IMPROVEMENTS SPOTTED?

Potentially more informative is the 2012 Management Discussion and Analysis (MD&A) section, mandated by the SEC in the early 1990s, in which managers discuss the main factors affecting the most recent financial results and economic situation of the company, compared with the previous two years. Such a managerial discussion was not required in 1902, and is in any case beyond the confines of the accounting system on which we focus.

In terms of accounting, the main difference between the 1902 and 2012 reports is in the footnotes (explanations) to the financial reports. There are only a few footnotes to the 1902 report, whereas in the 2012 report there are no less than 54 pages of explanations and details of accounting matters. Exciting reading, to be sure. Some footnotes just rehash accounting principles known to anyone who took and still remembers Accounting 101 (and a complete mystery to those who didn't), such as that the consolidated reports include US Steel and its subsidiaries, that much of the information reported is based on managerial estimates, that property, plant & equipment is reported at original cost, or that pension costs are also based on estimates. All rather innocuous information.

Potentially more informative is the segment (lines of business) report, classifying certain items by type of product, but much of this was also reported in 1902. Four pages of footnotes discuss stock options awarded to managers and employees in 2012. One wonders how the early US Steel managers produced such remarkable results without the generous stock options incentives and motivation that current managers demand.⁴ The 2012 footnotes include 12 pages on various pensions' issues and 4 more pages on environmental matters. Finally, full 6 pages of footnotes recast five years of historical financial data of US Steel—completely redundant these days, since all those data, and much more, are readily available on the Web.

The voluminous footnote disclosure in current financial reports reflects, of course, the surge in accounting regulation. The Financial Accounting Standards Board (FASB)—the accounting rule-making body in the United States—keeps churning new accounting and reporting rules at a breathtaking pace. In its 40-year existence (founded in 1973), the FASB has issued over 250 rules and regulations (standards and updates), some running, with interpretations, hundreds of pages long. This regulatory avalanche, on which we will have more to say later on, requires strict compliance by companies and attention by auditors and results in ever-more-lengthy explanations in financial report footnotes. Just the 2012 US Steel footnote on “Significant Accounting Policies” is 7 pages long. Overall, it's doubtful that the 174-page 2012 report provides substantially more relevant information than the 40 pages released in 1902, but we will hold final judgment until we complete our comprehensive evaluation of empirical evidence.

Still, we find striking that the far-reaching changes in corporate strategy and business organization over the past century didn't have any effect on the structure of corporate financial reports—especially considering that there was, for example, no outsourcing in 1902, currently rendering physical assets in many companies (e.g., Cisco) immaterial; nor was information

technology a leading asset early in the twentieth century; alliances and joint ventures were rare; and just-in-time strategy didn't reduce the importance of inventory. Similarly, the profound changes over the past 110 years in the demand for financial information have not been met with commensurate improvements in the financial reports released by public companies to their shareholders.⁵ This is the case, despite investors' sophistication (primarily hedge funds and private equity, in recent decades), vast improvement in communication technologies (XBRL, Internet chat rooms), increases in the extent of competition among investors, and in the number of alternative investments available to them worldwide. The consequence of this disclosure ossification, as we will demonstrate empirically in the following chapters, is the inevitably fast and continuous deterioration in the usefulness of financial information to investors.

A DEVIL'S ADVOCATE

Perhaps, you may say, this is inevitable. Corporate financial reporting reached its technological apogee 110 years ago, as did double-entry book-keeping 550 years ago, and cannot be further improved, like the QWERTY keyboard layout introduced in 1878 in the Remington No. 2 typewriter and still on keyboards today. Absurd as this sounds, it would have made some sense if suggestions for accounting change were seriously tried and found to fail. But there wasn't any serious trial and error in accounting structure over the past century. Even worthwhile suggestions for structural change, like the one by a leading accounting thinker, Yuji Ijiri, a now retired Carnegie Mellon professor, who proposed in 1989 the *triple entry bookkeeping*, which, to the best of our knowledge, was never seriously discussed by accounting regulators.⁶ In essence, Ijiri suggested that, in addition to the balance sheet (a static report of assets and liabilities), and the income statement (a report on the "distance" the firm traveled from beginning to end of period), there should be a third report, akin to *acceleration* or *momentum* of operations, informing on the pace of change over the period in sales, expenses, and earnings. Two companies may have identical *total sales* in a quarter, but one firm's sales have been increasing (positive momentum), while the other's sales have been declining toward quarter's end. Wouldn't investors be highly interested in the different paces of change? Of course they would. Such a report would substantially enhance investors' ability to predict future corporate performance. But despite the fact that Ijiri proposed a detailed accounting procedure to measure and report business momentum, the triple accounting idea didn't gain any traction.

To be fair, while the structure of financial reports is frozen in time, the meaning and reliability of the data conveyed may have improved. After all, new accounting procedures related to the measurement and reporting of specific assets, liabilities, revenues, and expenses have proliferated over the years, particularly in the past two-to-three decades. This substantial regulatory growth reflects a genuine attempt by accounting rule makers all over the world to improve the information conveyed by public firms to investors and other stakeholders. But the downside of this regulatory surge is a constantly increasing complexity of financial information and an ever-larger reliance on subjective managerial estimates and projections. On balance, only a thorough empirical analysis can weigh the pros and cons of accounting regulations, and on such an analysis we embark thus.

TAKEAWAY

Surprisingly, with all the advances in information technology, communication, and investment analysis affecting capital markets, as well as the substantial changes affecting the strategies and operations of businesses, the structure and content of corporate financial reports to investors didn't change during the past century. Investors, 110 years ago, received similar balance sheets and income statements as do their present counterparts. This would suggest a constant decrease in the role of financial information in investors' decisions, a phenomenon we document empirically in the following chapters.

APPENDIX 1.1

1. A profit and loss statement

UNITED STATES STEEL CORPORATION AND SUBSIDIARY COMPANIES.**GENERAL PROFIT AND LOSS ACCOUNT**

Year Ending December 31, 1902.

GROSS RECEIPTS.		
Gross Sales and Earnings.....		\$560,510,479.39
MANUFACTURING AND OPERATING EXPENSES.		
Manufacturing and Producing Cost and Operating Expenses.....		<u>411,408,818.36*</u>
Balance		\$149,101,661.03
Miscellaneous Manufacturing and Operating Gains and Losses (Net).....	\$2,654,189.22	
Rentals received.....	<u>474,781.49</u>	<u>3,128,970.71</u>
Total Net Manufacturing, Producing and Operating Income.....		\$152,230,631.74
OTHER INCOME.		
Proportion of Net Profits of properties owned but whose operations (gross revenue, cost of product, expenses, etc.) are not included in this statement.....	\$1,972,31645	
Interest and Dividends on Investments and on Deposits, etc.....	<u>3,454,135.50</u>	<u>5,426,451.95</u>
Total Income.....		\$157,657,083.69
GENERAL EXPENSES.		
Administrative, Selling and General Expenses (not including General Expenses of Transportation Companies).....	\$13,202,398.89	
Taxes	2,391,465.74	
Commercial Discounts and Interest.....	<u>1,908,027.90</u>	<u>17,501,892.53</u>
Balance of Income.....		\$140,155,191.16
INTEREST CHARGES, ETC.		
Interest on Bonds and Mortgages of the Subsidiary Companies.....	\$3,879,439.91	
Interest on Bills Payable and Purchase Money Obligations of Subsidiary Companies and Miscellaneous Interest.....	2,234,144.43	
Rentals paid.....	<u>732,843.10</u>	<u>6,846,427.44</u>
Net Earnings for the Year, see page 5.....		\$133,308,763.72

FIGURE A1.1a The Original 1902 US Steel Financial Report: A Profit and Loss Statement

2. A balance sheet

CONDENSED GENERAL BALANCE	
ASSETS.	
PROPERTY ACCOUNT:	
Properties owned and operated by the several companies.....	\$1,453,635,551.37
Less Surplus of Subsidiary Companies at date of acquisition of their Stocks by U. S. Steel Cor- poration, April 1, 1901.....	\$116,356,111.41
Charged off to Depreciation and Extinguish- ment Funds.....	<u>12,011,856.53</u>
	128,367,967.94
	\$1,325,267,583.43
DEFERRED CHARGES TO OPERATIONS:	
Expenditures for Improvements. Explorations, Stripping and Development at Mines, and for Advanced Mining Royalties, chargeable to future operations of the properties.....	3,178,759.67
TRUSTEES OF SINKING FUNDS:	
Cash held by Trustees on account of Bond Sinking Funds.....	459,246.14
(\$4,022,000 par value of Redeemed bonds held by Trustees not treated as an asset.)	
INVESTMENTS:	
Outside Real Estate and Other Property.....	\$1,874,872.39
Insurance Fund Assets	<u>929,615.84</u>
	2,804,488.23
CURRENT ASSETS:	
Inventories	\$104,390,844.74
Accounts Receivable.....	48,944,189.68
Bills Receivable.....	4,153,291.13
Agents' Balances.....	1,091,318.99
Sundry Marketable Stocks and Bonds.....	6,091,340.16
Cash	<u>50,163,172.48</u>
	214,834,157.18
	\$1,546,544,234.65

FIGURE A1.1b The Original 1902 US Steel Financial Report: A Balance Sheet

SHEET, DECEMBER 31, 1902

LIABILITIES

CAPITAL STOCK OF U. S. STEEL CORPORATION:		
Common	\$508,302,500.00	
Preferred	<u>510,281,100.00</u>	\$1,018,583,600.00
CAPITAL STOCKS OF SUBSIDIARY COMPANIES NOT HELD BY U. S. STEEL CORPORATION (<i>Par Value</i>):		
Common Stocks	\$44,400.00	
Preferred Stocks	72,800.00	
Lake Superior Consolidated Iron Mines, Subsidiary Companies	<u>98,714.38</u>	215,914.38
BONDED AND DEBENTURE DEBT:		
United States Steel Corporation Bonds	\$303,757,000.00	
Less, Redeemed and held by Trustee of Sinking Fund	<u>2,698,000.00</u>	
Balance held by the Public	\$301,059,000.00	
Subsidiary Companies' Bonds	\$60,978,900.75	
Less, Redeemed and held by Trustees of Sinking Funds	<u>1,324,000.00</u>	
Balance held by the Public	59,654,900.75	
Debenture Scrip, Illinois Steel Company	<u>40,426.02</u>	360,754,326.77
MORTGAGES AND PURCHASE MONEY OBLIGATIONS OF SUBSIDIARY COMPANIES:		
Mortgages	\$2,901,132.07	
Purchase Money Obligations	<u>6,689,418.53</u>	9,590,550.60
CURRENT LIABILITIES:		
Current Accounts Payable and Pay Rolls	\$18,675,080.13	
Bills and Loans Payable	6,202,502.44	
Special Deposits due Employes and others	4,485,546.58	
Accrued Taxes not yet due	1,051,605.42	
Accrued Interest and Unpresented Coupons	5,398,572.96	
Preferred Stock Dividend No. 7, payable February 16, 1903	8,929,919.25	
Common Stock Dividend No. 7, payable March 30, 1903	<u>5,083,025.00</u>	49,826,251.78
Total Capital and Current Liabilities		\$1,438,970,643.53
SINKING AND RESERVE FUNDS:		
Sinking Fund on U. S. Steel Corporation Bonds	\$1,773,333.33	
Sinking Funds on Bonds of Subsidiary Companies	217,344.36	
Depreciation and Extinguishment Funds	1,707,610.59	
Improvement and Replacement Funds	16,566,190.90	
Contingent and Miscellaneous Operating Funds	3,413,783.50	
Insurance Fund	<u>1,539,485.25</u>	25,217,747.93
BOND SINKING FUNDS WITH ACCRETIONS		4,481,246.14
Represented by Cash, and by redeemed bonds not treated as assets (see contra).		
UNDIVIDED SURPLUS OF U. S. STEEL CORPORATION AND SUBSIDIARY COMPANIES:		
Capital Surplus provided in organization of U. S. Steel Corporation	\$25,000,000.00	
Surplus accumulated by all companies since organization of U. S. Steel Corporation	<u>52,874,597.05</u>	77,874,597.05*
		<u>\$1,546,544,234.65</u>

FIGURE A1.1b (Continued)

3. Summary of financial operations (akin to a cash flow statement)

UNITED STATES STEEL CORPORATION AND SUBSIDIARY COMPANIES.

SUMMARY OF FINANCIAL OPERATIONS OF ALL PROPERTIES.

Year Ending December 31, 1902.

Showing the Net Resources for the Year and Disposition Thereof.

RESOURCES.			
Profit and Loss Surplus for the year, per Income Account, page 6.....			\$34,253,656.75
Net Receipts appropriated from Earnings for Bond Sinking, Depreciation and Improvement Funds (See Income Account, page 8).....	\$27,814,389.47		
Less, Payments therefrom to Trustees of Bond Sinking Funds.....	\$3,604,064.43		
Expended for Extraordinary Replacements....	<u>7,926,792.60</u>	<u>11,530,857.03</u>	
			\$16,283,532.44
Net Receipts account Insurance and Contingent Funds during the year.....		<u>804,319.35</u>	
Balance of Receipts for Year included in Fund accounts			17,087,851.79
Bonds and Mortgages issued.....			2,370,338.35
Sundry Miscellaneous Receipts.....			<u>5,920.98</u>
Total Net Resources.....			\$53,717,767.87
PAYMENTS MADE FROM ABOVE.			
Expended for Additional Property and Construction, per page 15.....	\$16,586,531.77		
Bonds and Mortgages paid (not including bonds redeemed with sinking funds).....	1,697,577.33		
Purchase Money Obligations, Bills Payable and Special Deposits paid off.....	<u>13,652,367.94</u>	<u>31,936,477.04</u>	
Balance of Net Resources for the year, accounted for as below.....			\$21,781,290.83
INCREASE IN CURRENT ASSETS, VIZ.:			
In Sundry Securities and Investments.....	\$3,193,604.83		
In Accounts and Bills Receivable in excess of increase in Accounts Payable.....	9,595,635.15		
In Inventories and Miscellaneous Accounts.....	<u>12,625,946.02</u>		
			\$25,415,186.00
Less, Decrease in Cash on hand December 31, 1902, as compared with preceding year.....		<u>3,633,895.17</u>	
Balance as above.....			\$21,781,290.83

FIGURE A1.1c The Original 1902 US Steel Financial Report: Summary of Financial Operations

NOTES

1. The company continued to struggle since 2012 with low imported steel prices and high pension costs: While it now employs 45,000 workers, it pays pensions to 142,000 employees. To be fair, US Steel was virtually a monopoly in 1902, whereas in 2012 it is one of many fiercely competing steel producers. There is, however, a ray of hope. On August 24, 2015, Barron's article *U.S. Steel Shares Look Like a Steal*, on US Steel opened with: "The worst could be over for U.S. Steel, which has been hit hard by cheap Chinese imports and slumping demand from the oil industry . . . [share prices] could climb more than 60%, to \$28 per share, by the end of 2016, as cheap imports wane, steel prices firm, and CEO Mario Longhi's restructuring begins to pay off" (p. 23).
2. See Feng Gu and Baruch Lev, "Overpriced Shares, Ill-Advised Acquisitions, and Goodwill Impairment," *The Accounting Review* 86 (2011): 1995–2022.
3. This brings to mind the great economist ("creative destruction") Joseph Schumpeter: "Success in conducting a business enterprise depends under present conditions much more on the ability to deal with labor leaders, politicians and public officials than it does on business ability . . . Hence, except in the biggest concerns [companies] that can afford to employ specialists of all kinds, leading positions tend to be filled by "fixers" and "trouble shooters" rather than by "production men." In Joseph Schumpeter, *Capitalism, Socialism, and Democracy*, 3rd ed. (New York: HarperPerennial, 1950), 386.
4. Interestingly, the 1902 report informs about an employee's subscription plan to purchase the preferred stock of the company to participate in the future profits of US Steel. The initial plan was very successful—oversubscribed by 100 percent.
5. What, of course, did change is the legal requirement of public companies, established by the 1933–1934 Securities Laws, to file periodic financial reports with the SEC. What also changed, and not for the better, is the auditor's report. Price, Waterhouse & Co.'s 1903 report said simply and clearly: "And we certify that in our opinion the Balance Sheet is properly drawn so as to show the *true* financial position of the Corporation . . . and the Income Account is a *fair* and *correct* statement of the net earnings. . . ." (emphasis is ours). Today's auditors (PricewaterhouseCoopers for US Steel; same auditor for 110 years!) avoid straightforward and clear terms like *true and correct reports*. Rather, they hide behind the statement that the financial reports "conform with accounting principles generally accepted in the United States of America." No longer *true*, just *conform* with a largely obscure set of accounting rules. Interestingly, after the Enron debacle, the *Economist* remarked that the real Enron scandal is that so much of what Enron did conformed with generally accepted accounting principles. So much for those principles.
6. Yuji Ijiri, *Momentum Accounting and Triple Entry Bookkeeping* (Sarasota, FL: American Accounting Association, 1989).

