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ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

## FEDERAL RESERVE BOARD

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November 15, 1920.

X-2058

Subject: Division of "Accounts Receivable" Items Shown on  
Credit Statements Submitted to Federal Reserve Banks.

Dear Sir:

Your attention is invited to the following extract from a letter from the senior partner of a well-known firm of public accountants.

"With the changed conditions, a tendency to improve the appearance of financial statements of commercial concerns in dubious ways is becoming more noticeable and as the Federal Reserve Board has exercised such a beneficial influence in the past on the form of financial statements I venture to call your attention to one point upon which I think its influence would be helpful if it feels able to exert it.

"For many years the phrase 'Accounts Receivable' has been an accepted balance sheet heading and literally it is, of course, wide enough to cover many things besides customers' accounts, including some which are on quite a different plane from the standpoint of liquidation. I think the time is now opportune for a movement to do away with this wide heading and to insist on customers' accounts receivable being shown as one item, any other accounts being shown separately and clearly and adequately described. The point is met in the standard forms of credit statements but those forms are not always followed even in statements presented as a basis for credit."

It is the Board's understanding that in most cases credit statements submitted to Federal Reserve Banks show "Accounts Receivable" in some detail, "Current Accounts Receivable from Customers" being separated from suspended items or from amounts due by members of the firm. In the event, however, that balance sheets submitted to your bank as a basis for credit do not show this subdivision, the Board would strongly urge that you call the attention of all concerned to the importance of making these distinctions.

Very truly yours,

Governor.

Chairmen of all F.R. Banks.