

FINANCIAL ASPECTS OF
CORPORATE NET WORTH.

By

ARTHUR H. WINAKOR.

UNIVERSITY OF ILLINOIS BULLETIN

ISSUED WEEKLY

VOL. XXXII

APRIL 30, 1935

No. 35

[Entered as second-class matter December 11, 1912, at the post office at Urbana, Illinois, under the Act of August 24, 1912. Acceptance for mailing at the special rate of postage provided for in section 1103, Act of October 3, 1917, authorized July 31, 1918.]

BUREAU OF BUSINESS RESEARCH
COLLEGE OF COMMERCE AND BUSINESS
ADMINISTRATION

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BULLETIN No. 50

PUBLISHED BY THE UNIVERSITY OF ILLINOIS, URBANA
1935

It is the purpose of the Bureau of Business Research of the University of Illinois—

- (1) to study and as far as possible to explain economic and industrial conditions within the State;
- (2) to direct attention to experience-tested practices of good business management; and,
- (3) to investigate methods for securing the best executive control of business.

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1700-4-35-7627-S

UNIVERSITY
OF ILLINOIS
PRESS II

PREFACE

The business and financial practices of modern corporations are dynamic and constantly change under the pressure of statutes, court rulings, economic conditions, and entrepreneurial decisions. One significant phase of these changes in practice is that many of them have centered in, or involved, the net worth of corporations. In general, the liabilities have not been affected except indirectly. The assets have occupied an intermediate position, some of the changes therein affecting the net worth, and others not.

This bulletin is confined to a study of net worth data from corporation balance sheets. It is true that net worth and the remainder of the financial structure are interdependent, but any attempt to bring in these interrelationships would immediately open up a range of possibilities far beyond the scope of this investigation. Consequently, the data and analyses, with but few exceptions, are strictly confined to net worth.

Moreover, net worth itself is not studied exhaustively; only a few of its many financial aspects are surveyed. The analysis and discussion are concerned mainly with the size of net worth and of its component parts of stocks and surplus. These details are studied to discover changes in recent years, variations accompanying different sizes of enterprise, and the extent to which common and preferred stocks, as well as par and no-par stocks, are employed. Other parts of the study analyze these same factors as related to type of industry, intangible values on the financial statements, and treasury stock. Other equally important topics, such as arrangement and classification of items in the net worth section, meaning and correctness of presentation, compliance with law and accounting, terminology used, and the like, are not dealt with in this analysis. To enter into these phases would carry the study beyond the present limits.

The dominant role played by corporations in modern economic and social life has been generally recognized in the past few years. Changes in corporate practices, however, have been rapid, and difficult of discernment. The purpose of the present study is to present some factual data in regard to net worth, and so to analyze them as to give a fair picture of some of the present-day corporate practices and policies.

Some of the data in this study were originally assembled as an FERA project under the supervision of Dr. Clive F. Dunham, formerly of the Bureau Staff. Acknowledgment is also made to Professor A. C. Littleton for valuable suggestions and criticism during the study.

ARTHUR H. WINAKOR

April, 1935

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