

How Accountants Can Save the World

Authors : Todd Sayre

Abstract : The proprietary balance sheet represents equity as the shareholders' net worth. FASB (1985) codified the proprietary format with the justification that shareholders, like partners and proprietors, owned and had "ownership interests" in the net assets. The results of the hypotheses tests imply that shareholders do not resemble owners nor do they have ownership interests in the net assets. Accordingly, the paper argues that replacing the proprietary format with an entity format in corporate reporting would not only help corporate reports to be more representationally faithful, but would also help people to recognize that are entities onto themselves.

Keywords : proprietary theory, entity theory, earned capital approach, corporate governance

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