A NETHERLANDS VIEW ON AUDITING STANDARDS

door Drs. A. C. J. Jonkers

1. It is typical of our times that we are able, as accountants, to come from all over the world to meet in congress and give our attention to the relation between our professional activities and world economy; it is an expression of the rapid pace at which developments are taking place.

Of the two concepts „world economy" and „accountant", for this congress the first is a datum and the second the subject of inquiry: in what way can the accountant promote world economy? Needless to say, world economy is a phenomenon of a much higher order than the function of accountant.

The characteristics of world economy, as they appear to us, are free enterprise and free exchange, albeit that these freedoms are limited by national governments in their pursuit of price stability, a steady balance of payments, an adequate growth and full employment. In the free world these national pursuits are now about the same, so that there is a basis for international attuning; in this field regular progress is apparently being made.

Naturally, the accountant's contribution to world economy is not a direct one. He is neither a theoretical economist, nor a politician, nor a Government servant, nor is he attached to any supranational organization; in other words he is not a member of the General Staff where strategy is being determined. Nor does he exercise any influence on the measures that are applied to attain policy aims, such as monetary and fiscal policy, wage and price policy. He is an expert in the measurement and communication of financial and other economic data, and as such he gives indispensable support to national and international trade.

2. Economic progress, which has given rise to highly developed economies and international integration, is the fruit of private enterprise. Without the initiative, skills and capital of private enterprise, prosperity and the spread of prosperity could never have reached their present stage. This is reflected in the various forms of aid, currently being given to underdeveloped territories (i.e. those characterized by a low level of income): official and political support and advice, loans and grants given by international organizations result in a flow of capital to the underdeveloped countries that is even greater than that from the private sector. Approximately two thirds of the public flow of capital consists of gifts: the flow from the private sector consists almost entirely of investments whether direct, or, indirect in the form of reinvestment of local profits.

However important such intergovernmental financial support may be, the view held by the general public that only this determines economical development is untenable. Prosperity in the countries that need assistance is developed by mobilizing latent resources and human capacities. Today this is done in the same manner as in previous decades and centuries, when - without any philanthropic intentions - international concerns brought their capital, skills and experience to those same countries. In this striving to promote world economy, the role of governments is restricted to acting as a catalyst for private industry, and this is mainly of a psychological significance, in view of the sensibilities of the peoples who are receiving aid.

The hunt for raw materials and for markets has set the flow of capital in motion via the long-term business policies of the big international concerns. The flow went from the countries with a highly developed economy to countries with a slightly developed economy. Since a long-term policy was being pursued, investments in an underdeveloped country had a fruitful effect on the economy and raised the general level of development. This, in its turn, intensified the flow of capital.

Other incentives resulting in a large-scale flow of capital were enacted by phenomena of trade and monetary policy, such as import duties, quotas, currency restrictions and, last but not least, the major discrepancies in the various income-tax regulations. Here, the capital did not necessarily flow from one country with a highly developed economy to another with an underdeveloped one: the direction of the flow was determined by the enterpriser who ventured to exploit his advantage in knowhow whether in the technical, commercial or financial field.

This aspect of capital flow is clearly illustrated in the establishment of branches and the other investments made by American enterprises in Europe, which have been so conducive to the recovery of the European economy after the war.

These are not the only causes of capital flow; it can even occur between areas at a similar level of economic development and financial strength. This will happen if enterprisers estimate the chances of growth abroad to be higher than at home. It is perhaps in such cases that the world economy reaches its highest level. A typical example is the penetration of American enterprises into the European common market, whose rate of growth they consider to be higher than that of their more saturated home market.

We confine ourselves to giving these incomplete comments on the international flows of capital, because their nature and development do not form the subject of this paper. It is felt that they suffice to indicate the character of the capital flows, that is long-term financial ventures in the fields determined by economic laws, i.e. those giving the highest expected yield. Whatever the form of such investments - and this differs most widely -, whoever decides upon the direction in which the investment is to be made will always need to be reliably informed about the expected and eventual result of his venture. That the fulfilment of this need serves both the private and social-economic interest need not be stressed after what has been indicated above.

All that is important in connection with our subject is the situation in which an investment is made in a country whose level of economic development is not too far below that of the investor's country. It can be assumed, surely, that there is some correlation between the development of a country's economy and the level at which the accountancy profession is practised in that country. If in the country that provides the capital the latter level shows cardinal differences with that prevailing in the country which employs the funds, it is impossible to do full justice to the role of the accountant in world economy. In such circumstances the accountant from the investor-country follows the investment, and no new problems are created. The significance of the accountancy profession for world economy does not come to the fore until international use can be made of the services of national accountants.

3. The accountant's significance for world economy would reach a maximum if the level of accountancy were similar all over the world and accountants in different countries could, thus, be interchanged. This would imply that the same objective auditing standards would underlie the reports of accountants throughout the world. This is definitely not the case. It would even argue little sense of reality if we were to regard such a maximum effect as attainable. The value that can be attached to the accountant's report must be derived from the answers to the following questions:

- what result and financial position are being certified, i.e. what measurements are made, what accounting principles are applied;
- how is the fairness of the presented financial data being established, i.e. what professional technique is applied by the accountant;
- under what conditions is the certificate on the result and the financial position being given. i.e. what are the auditing standards; is enough attention being given to independence;
- what information is given of the result and financial position, i.e. what rules determine the scope of the necessary information.

This enumeration makes it clear why the comparison of economic data encounters so many difficulties in the international field: there is no uniformity in the bases underlying any of the four items. This is not surprising, since even within the national economies all differences have not yet been solved. Although, nationally, there is a wide range of agreement in respect of auditing, there are still important differences as regards the bases and minimum requirements for measurement and information respectively. Even in the USA, where the profession has taken the lead in the establishment of conventions in the fields of both accounting and auditing, it is recognized that there are still many shortcomings in these conventions and that, in view of the increasing significance of the accountant for the national economy, a basic and thorough study is necessary as to the manner in which economic data should be measured and reflected in a financial picture.

Under the prevailing circumstances, we can do no more in the international field than try to acquire a knowledge of the significance that may be attached to the reports of accountants from different countries. The subjects for this congress have been so selected that their discussion can also provide a sort of inventory of the various national professional standards. Before elucidating the Dutch views in respect to the auditor's report, let us just revert to the great discrepancies in intrinsic value of the accountants' reports in the various countries. The question may be asked, whether such differences impede international integration. It can hardly be maintained that they promote integration, but it must also be said that they have not hindered it. The importance of merging with or participating in a foreign enterprise or founding a foreign subsidiary is, generally, so great that the costly restatement and audit of the financial representations by someone from the investor-country can be overcome. This applies especially to the first examination made to establish the practicability of the plans.

Nevertheless, in respect to rapidity of information and costs of examinations - particularly after the plans have been executed - great advantage can be derived from the presence of good accountants in the countries in which capital is being invested.

To give an idea of the significance of the Dutch accountant's report, we will discuss the following aspects:

the report (section 4),
accounting principles (section 5),
auditing procedures (section 6),
auditing standards (section 7),
disclosure (section 8).

4. In the Netherlands there are two qualified professional organizations: the Netherlands Institute of Accountants and the Association of University Graduate Accountants. Their members are subject to the same responsibilities and duties. These are laid down in the Rules for Professional Activities and Conduct, compliance with which is subject to disciplinary supervision.

These Rules include no detailed technical provisions but must be deemed to give a codification of the professional standards; thus, this is no recipe book. From these standards anyone interested in the services of an accountant can derive an idea of the views that are held by the profession,while the standards form a guide for the individual accountant. Apart from the high level of professional education that is being maintained, the Rules have afforded the profession a certain status in the Netherlands and have assured public confidence.

Anyone reading the Rules is not left long in uncertainty about what is meant by „report", because Article 1 states: „In these Rules the expression „report" shall mean any statement, either written or oral, which expresses an opinion or from which an opinion may be inferred". The definition demonstrates the aim of giving the accountant as little opportunity as possible of escaping his responsibility.

As may be expected, it is also expressed in the Rules that the report must be clear, i.e. not open to more than one interpretation.

Article 11 states that a corroborative report shall be deemed to imply unqualified concurrence with the document referred to in the report unless the contrary is specifically stated in a proviso. Such a proviso must in the first place be embodied in the corroborative report; secondly it must start with the words „subject to"; and, thirdly, it must include such a description of the matter(s) to which exception is made that the import of the proviso is clear.

The first requirement needs no elucidation: a restriction that is not made in a direct context has no effect. The second requirement is very important, since it serves to prevent delusion; the fixed terminology makes it clear to the reader of the report that the accountant imposes a restriction on his corroborative opinion. But for this requirement of a fixed terminology, the reader might be uncertain whether the accountant was imposing a restriction or only giving an explanation that need not be taken as a restriction. The purpose of the third requirement is to guard against the reader's underestimating the restriction that the accountant wishes to make. After all, the accountant is still giving a corroborative report even if he restricts the completeness of his approval. The approval is primary; the restriction does not nullify the approval, it only curtails it. Knowing this, the reader will be inclined to attach less significance to the curtailment than the accountant intended when including the restrictions in his corroborative report. Thus, it is essential to express explicitly the scope of the restriction.

The nature of a „restriction" implies that the scope of a proviso shall not be such that there is no longer or hardly any question of a corroborative report. One may not take with one hand what has just been given with the other.

Consequently, Article 12 provides that „members shall not give a corroborative report subject to a proviso if the proviso is such as to negative the purport of the report or to detract materially from its purport."

The wording of the accountant's report is not tied to any form; the inclusion of a proviso only must be given in a prescribed terminology.

So, a report can be descriptive or can merely consist of the accountant's signature on the document to which the report relates. This latter possibility necessitates a further protection of the public. Thus, Article 13 guards against deceit by suggestion; it states that if the accountant „issues a document or has a document issued which mentions his name or the name under which he practises in such a way as to create the impression that it has been issued by him, such document shall be deemed to contain a corroborative report on the contents of the document, unless the contrary be stated, even if the document is not signed by him."

The publication of corroborative accountants' reports, in particular on annual accounts, will very often be effected by including the auditor's report in the annual report or the prospectus - so in documents published by the client. This gives rise to a problem. Although an annual report and a prospectus are written by the client, they include explanatory notes to or comments on the annual accounts to which the accountant's report relates. The public derives a picture from the whole that is presented and it must, therefore, be sure that the client's commentary on the annual accounts in the annual report meets with the accountant's approval. With a view to this, Article 14 holds the accountant responsible for the statements and all further information and explanations in the annual report regarding the contents of the certified annual accounts.

Apart from this responsibility based on the Rules, the accountant is also generally responsible for the other contents of annual report and prospectus that bear no direct relation to the annual accounts certified by him. The general responsibility is not specifically the accountant's responsibility, but one that springs from the care that should be exercised by everyone in social life.

As for the prospectus, the Association for Stock Exchange Transactions (comparable to the Securities and Exchange Commission in the USA) makes the requirement that the accountant must give his written approval to his report being included in the prospectus. The situation is not so ideal with regard to the annual report, but a client who feels that his duties vis-à-vis the public are similar to those of the accountant, will of his own accord consult the accountant beforehand about the text of his statements. If he fails to do so, even after a request by the accountant, then the accountant can, naturally, not prevent him from publishing his annual report. The article, therefore, limits the accountant's responsibility in this matter to doing that which can reasonably be expected of him to avoid a misunderstanding by the public. In practice, we know of no case in which an accountant has taken retroactive action against misleading explanations given by third parties to documents certified by him. The probable explanation of this is that the accountant will much earlier have come into conflict with such a client.

The Rules conclude the articles covering reports in general by making the accountant responsible for statements made by others on the result of his activities, if such statements have been made with the accountant's approval or acquiescence. The public assumes that a statement by third parties - e.g. that accountant X has issued a corroborative report on something - is correct if accountant X fails to protest against this statement, and the public holds him responsible as indirect informant. In practice, it is not always feasible to rectify a statement made by someone else against one's will. The accountant can no longer be held responsible if he takes steps to prevent any repetition.

On top of what is prescribed about reports in general - the most important articles of which have been mentioned above - Article 16 of the Rules states in respect to reports relating to annual accounts:

> „A corroborative report relating to annual accounts shall cover the balance sheet, profit and loss account and the explanatory notes.
> Such report corroborates that the annual accounts have been drawn up in accordance with generally accepted accounting principles and affirms the existence and valuation of assets and liabilities and the description of the individual items."

We shall dwell upon this report in the following sections.

5. It was pointed out in the last section that the wording of a Netherlands accountant's report is not confined to any form. This is frequently the case in other countries. In the Netherlands the report is given by countersigning the annual accounts, or by issuing a statement that the annual accounts have been audited and approved. In the countries where a standard form is prescribed or generally used, the accountant makes certain additions to his similar statement, which usually refer to the accounting principles and auditing standards applied.

Accounting principles (how economic data should be measured and presented) vary so much in different enterprises, different lines of business, different countries and over the years that a detailed exposition of the principles applied would actually be necessary to enable an accurate judgement of the annual accounts.

Such an exposition, however, is impractical; the need for it is not the same for all readers, and their knowledge and understanding of accounting is, generally, insufficient to enable them to follow a long technical explanation. Moreover, since the enterprise is a living organism, its financial administration must be flexible. If even a minor adaptation of the accounting principles to changed views or circumstances would necessitate long motivations, flexibility would be endangered. Thus, in practice detailed explanations of the principles applied are generally omitted; a mere indication is accepted as being sufficient. In the Netherlands this indication by means of a reference to generally accepted accounting principles is implicitly given, since the Rules explicitly state that a report relating to annual accounts „corroborates that the accounts have been drawn up in accordance with generally accepted accounting principles." The place of reference is of no material importance; important is whether the contents of the generally accepted accounting principles are such that it is meaningful to refer to them.

In view of the variety of economic life and the individual character of the enterprises, the Dutch accountant is aware that by referring to generally accepted accounting principles he does not give the reader anything concrete. He may assume that the reader knows that there are many possibilities in accounting and that each set of annual accounts is preceded by a selection from those possibilities. Thus, his reference implies that he regards the adopted accounting principles to be acceptable and in accordance with what is customary in the branch of trade concerned. It also implies that the accounting principles comply with any necessary statutory requirements, e.g. in respect of life-insurance companies, and that the notes giving the bases of valuations as prescribed by the Commercial Code are correct. Further, it means that the accountant approves the management's explanations about the accounting principles applied relating to consolidation principles, bases of depreciation, provisions etc. and finally, that care has been taken to avoid a possible misunderstanding by the reader, resulting from an incorrect or ambiguous nomenclature, inconsistency, or a suppression of facts or circumstances necessary to give a true and fair picture.

The significance outlined here of the reference to generally accepted accounting principles is the result of a process of growth that, fortunately, is still continuing: a process that receives its impetus from theoretical developments and, thus, from education and professional literature. In this connection the financial press, too, should be mentioned, the voice of interested parties. This, however, is all superseded by the mental attitude of the entrepeneurs; theirs is the decision on the method of measuring economic data and the presentation of the results of such measurement. It is now questionable whether enterpriser and accountant hold similar views on the desired quality of information; the enterpriser should realise that he, too, bears a public responsibility.

Proof of the growth towards general acceptance of accounting principles may be seen in the publication in March 1955 of Recommendations drawn up by a committee of enterprisers, bankers, accountants and financial editors. The main reason for rejoicing over this publication is that the initiative for this publication was jointly taken by the Dutch employers' organizations. The influence of these Recommendations is plainly discernible in the annual reports. A discussion of them would lead us to the territory of the section of this congress dealing with accounting, but it would seem appropriate to list the points considered:

- secret and hidden reserves,
- provisions,
- contingent tax liabilities,
- depreciation on fixed assets,
- revaluation of fixed assets following a change in the value of money,
- pension liabilities,
- grouping of balance-sheet items so as to afford an insight into solvency and liquidity,
- grouping of items in the statement of income so as to afford an insight into the earning capacity of invested capital,
- nomenclature and break-down of balance-sheet items, together with explanatory notes including bases of valuation,
- nomenclature and break-down of items in the statement of income, together with explanatory notes including possible additional bases for the determination of profits,

- previous year's comparative figures,
- consolidated annual accounts,
- subjects to be included in the management's annual report,
- statistics.

It is felt that for our purposes the above list is self-explanatory, but only after the following has been mentioned. In the Netherlands the contents of the phrase „generally accepted accounting principles" can be determined less precisely than in the USA. In view of avoiding a certain rigidity, Netherlands accountants have, so far, refrained from issuing detailed regulations, although it is recognized that in many instances a laying down of the results of Accounting Research can be advantageous.

6. While the accountant's judgment of the accounting principles is, as such, only secondary in that it relates to the application of such principles by third parties, in respect of auditing procedures determined by the profession itself, the profession is autonomous.

An auditing technique that, at a given moment, can be considered more or less common practice stems from education, the professional press and a continual exchange of views. This paper can only give a short indication of the prevailing techniques in the Netherlands.

In our country accounting technique was originally based on the view that the audit should be primarily directed towards the continuous conversion of money into goods and vice versa. This involved a verification of the various resulting relations and a simultaneity in the verification of assets and liabilities. The very great attention that has since been given to administrative organization as a result of the need for better internal information and control, has led to the accountant in a well-managed enterprise finding material, both in quantity and in quality, that can substantially assist him in performing his audit. This enables him to limit the extent of his detailed checking and to test-check the efficacy of the system of internal control with a view to satisfy himself about the reliability of the financial data produced by the accounting department.

7. In discussing auditing procedures in the previous section, we stated that the accountants established them without any interference from outside. The same applies to auditing standards.

The rightness of the standards is apparent from the position and status attained by the profession in economic and social life.

The nature of auditing standards involves their codification. In the Netherlands this has been done in the Rules for Professional Activities and Conduct, which have already been mentioned in section 4.

Since independence is a prerequisite for the proper functioning as a public accountant, we cite below the rules laid down with respect to independence. A profession that wants to have the public's confidence naturally lays great stress on personal responsibility. We shall also quote the most important rules on that subject.

The rule governing the auditor's independence reads:

„Members in public practice may act as auditors on behalf of any person, enterprise, corporate body or institution only if they have no interest, either general or particular, therein which would affect their impartiality.

Members shall be deemed to have a general interest affecting their impartiality if either they themselves or their partners or spouses practise any profession, fulfil any function or perform any other activity which, by its nature, might constitute a danger to an accountant's impartiality.

Rendering services in tax matters does not, by its nature, create an interest as referred to above. Members shall be deemed to have a particular interest affecting their impartiality if either they themselves, or their partners, spouses, employees, employers, or persons on whom they are dependent have a substantial financial interest in or fulfil any employment for the person, enterprise, corporate body or institution concerned or are advisory directors of such enterprise, corporate body or institution."

A financial interest, whether it is the accountant himself who has it or members of his family or members of his firm, is a disqualification when it is „substantial". A precise definition of what must be regarded as being substantial is not given. This may seem a weak point, since the accountant's and the client's capital may greatly vary in size, so that the matter depends on subjective interpretation. However, experience - as reflected in both the disciplinary and the Court's decisions - has shown that accountants are very diffident in this respect. This Dutch standard could internationally be best understood if the word „substantial" were deemed not to have been inserted.

A Dutch accountant is not allowed to be a director of the company for which he acts as public accountant. It is not his functioning as a director that is objected to, but the combination of that office with the function of public accountant. No more than one can report on accounts rendered by oneself, can a person be deemed to be an outside expert if he or persons associated with him are commissioned with the supervision of management. This applies a fortiori to management itself.

Since it is conflicting with the auditing function of the accountant he is not allowed to offer his services unless he is personally invited to do so. The effect of this rule is increased by extending the scope of „offering" to an indirect offer: „cause or allow his services to be offered". An offering of his services would prejudice the accountant's objectivity, especially if - as is often the case - the principal is also the party whose accounts are to be examined.

If the request to accept a commission is made by somebody for whom another public accountant is already or was recently acting in that capacity, the accountant may not take any steps towards acceptance of the invitation before he has consulted that predecessor. Generally, principals show understanding when this is told to them; they accept it as the observance of a code of ethics befitting a profession of social standing. Primarily, however, the intention is otherwise: „consultation" should be interpreted as the accountant's obligation to ask his predecessor for information. Before deciding whether he can accept the commission, the accountant should know for what reason the relation with his predecessor is being or has been broken off. The reasons mentioned by the principal may well differ from those given by the predecessor; the latter's information may give evidence of such professional or other objections regarding the commission or regarding the principal as will make the accountant refuse the job. Thus, this rule is in the interest of the profession as a whole. A principal who wishes to „change horses" because he feels that his present accountant's sense of responsibility does not allow him to follow the principal in something the accountant deems to be inadmissible, should also - if the profession is healthy - meet with a refusal from all accountants. Although the predecessor is not obliged to provide the requested information, he will always do so. Actually, the regulation specifies that „such consultation shall take place unless special circumstances prevent this being done". If for instance it is evident, that the predecessor has failed in the performance of his professional duties, then he will not be asked for any information, and is thus spared a refusal. If the cancelling of a commission follows a merger, then the point of the requirement is obviously lost.

Dutch accountants are not allowed to act as promotors. It is conceivable that other activities, such as his acting as an insurance agent or a dealer in office machinery, may injure the accountant's objectivity and impartiality but they are not mentioned explicitly. The inadmissibility of such activities for the accountant can be derived from rules such as:

- the accountant shall not accept commission for services rendered;
- the accountant shall abstain from any activity that is detrimental to the status of the profession.

Stronger than these rules, however, is the conviction rooted in the minds of Dutch accountants that he must forbear from everything that might prey upon his independence. This conviction, formed and maintained by the accountancy bodies and their disciplinary jurisdiction, is fully respected by the community. Consequently, there is not so much reason to mention promotor's activities specifically; actually, such activities are never performed by an accountant. The danger is more that by not keeping at a sufficient distance from the business he is examining, the accountant comes to activities on behalf of his client that collide with his functioning as an auditor or advisor. As an auditor for example, he may conclude that a business' own capital is too small, and as advisor he may then advise the management to look for a new investor. If, subsequently, he should canvass other clients or outsiders for their participation, he would enter the province of promoting and is no longer impartial.

Dealing now with the personal responsibility of the accountant, we would cite the relevant rules: „Members may only practise the accountancy profession in one of the following ways:

- on their own as an independently established accountant;
- jointly in partnership with one or more members;
- as employees of one or more members."

A Dutch accountant is also regarded as to be working for his own account if, without joining a partnership, he practises „under a joint name, with the assistance of, or in any other form of co-operation with another member" (e.g. using jointly an office or staff).

From this limited list it appears that the corporate form is not permitted, as being essentially impersonal. On the other hand, if factually the accountant is personally responsible for his professional activities, he is fairly free in chosing the name under which he practises; so, the name of a predecessor or of a retired or deceased partner may be retained in the name of the practice. However, a completely impersonal name, such as „Co-operating Accountants" or „Fiducia", is considered to be in conflict with the honor and dignity of the profession.

The fact that it is permitted to practise as a member of a partnership with other qualified accountants, to share an office with them while working under a joint name, or to be employed by other qualified accountants, raises the question of the extent of responsibility for one another's work. The name leads the public to expect that there will be a conformity in quality between the work of each of the associated accountants. In view of this expectation, accountants working together must accept responsibility for each other. It is going too far in an intellectual profession for its members to be completely answerable for one another: the public should not and will not expect this. What is required is that the accountant takes such measures as will provide reasonable assurance that the accountants working with or under him abide by the Rules. The assurance has to be reasonable: the measures taken should not degenerate into a duplication of work. The Rules express this by stating: „This obligation applies only to the general principles underlying audits and other examinations". One should, however, not be misled by the word „only", for the general principles comprise both the principles laid down in the Rules and those underlying the working programs of the partnership. Consequently, it is presumed that accountants practising in partnership will ensure uniformity of auditing principles and auditing procedures, as well as the uniformity of auditing standards required by the Rules.

The Rules do not describe the measures themselves: they impose this obligation on accountants working together and leave it to them to determine how they can meet this obligation. A check can be made if one of the accountants has failed in the exercise of his professional duties, and disciplinary jurisdiction takes effect. The complaint can be directed to the partnership or directly to the member in question. Even if the first choice is made the member in question will have to justify himself. The disciplinary judge has to investigate and decide whether the accountant has been guilty of:

- any contravention of the rules and regulations of his professional organization;
- any serious negligence in the execution of the accountancy profession;
- any act incompatible with good faith;
- any behaviour which in general is detrimental to the status of accountants.

If the disciplinary judge rules that the complaint is well founded, then the obligation rests with the accountants working with the erring accountant to prove that in the case in point they cannot be held jointly responsible. This is the case if, for instance, the failure is the result of insufficient care in carrying out the work.

8. Successively, consideration has been given - from the Netherlands' point of view - to what result and financial position are being certified, how the accountant satisfies himself about the fairness of the presented financial data, and in what „climate" his activities have been performed. The culmination is the presentation, and to that attention will be given in this final section.

The most important requirements in respect of presentation are clarity, consistency and uniformity.

In the first instance, the presentation is drawn up by the enterprise, which, formally, has only to recognize the not very drastic provisions of the Commercial Code, viz.

- the balance sheet and profit and loss account must be accompanied by explanatory notes indicating the bases of valuation of the fixed and current assets;
- certain assets must be stated separately in the balance sheet.

A separate law for life-insurance companies obliges enterprises in that sector to comply with detailed provisions that are drastic with respect to annual reports; for example, specified schedules must be included, many of which must be certified by the accountant. Something similar also applies in the sphere of associations or foundations with social objectives, e.g. pension funds, but in this paper we limit ourselves to private enterprises.

Apart from life-insurance companies, and, as is expected, in the near future indemnity-insurance companies too, enterprises find their paths beset by no legal obligations worth mentioning as regards presentation; generally and voluntarily, they provide much more information.

In the section on accounting principles the Recommendations made in 1955 by the joint employers' organizations have already been mentioned, and our summary of the subjects dealt with in those Recommendations indicates that considerable stress is laid on presentation. The Dutch accountant whole-heartedly endorses the Recommendations.

The accountant has little power but much influence; he advises but does not decide; his power is restricted to a refusal to give a corroborative report. There is no doubt that there is an evolution in progress in the concepts of the task and responsibility of the enterprise. This is bringing the point of view of the entrepreneur and that of the accountant closer together.