

# STOCK MARKET CRASH PRESENTATION Constance Crawford

Failure of Accounting ....A primary cause....☹

# The History of ACCOUNTING



Luca Pacioli, the Franciscan Monk who created DOUBLE-ENTRY BOOKKEEPING in 1495...

It started out in a confusing manner...and...unfortunately remains PROBLEMATIC & OBSCURE....

- Debits on Left & Credits on the Right...????

Artist	Attributed to <a href="#">Jacopo de' Barbari</a>
Year	c. 1495–1500
Medium	Tempera on panel
Dimensions	99 cm × 120 cm (39 in × 47 in)
Location	

By the end of the 1800's....We realized we need ACCOUNTING RULES...(☹)....

- In 1886...the American Association of Public Accountants is formed...
- In 1911...Blue Sky Laws are enacted to protect investors from WORTHLESS Securities.
- Blue Sky Laws required DISCLOSURE in the PROSPECTUS as to the PROFIT the sellers of the securities would recognize
- Unfortunately...without UNIFORM ACCOUNTING GUIDELINES and REGULATORY OVERSIGHT...The Blue Sky Laws were INEFFECTIVE

# 1913 Income Tax Laws Create a DEMAND for ACCOUNTANTS....(☺)

- Ironically...It was the Tax Laws that created the growth of the Accounting Profession....The complexity of the Tax laws created a DEMAND for Accountants to assist in the Tax Return Filing Process
- Furthermore....The DEMAND for accountants continued to INCREASE with our entry into World War I ...
- Rise of MILITARY CONTRACTS created a demand for Accountants familiar with the Cost-Plus Basis” reimbursement process.
- With increased DEMAND for ACCOUNTING SERVICES....acknowledgement of uniform accounting standards became more apparent....

VERIFICATION OF  
FINANCIAL STATEMENTS  
(REVISED)

A METHOD OF PROCEDURE

SUBMITTED BY

THE FEDERAL RESERVE BOARD

WASHINGTON

FOR THE CONSIDERATION OF BANKERS,  
MERCHANTS, MANUFACTURERS, AUDITORS,  
AND ACCOUNTANTS

A revision, by the American Institute of Accountants, of suggestions for the preparation of balance-sheet statements printed in the April, 1917, issue of the Federal Reserve Bulletin and reprinted in pamphlet form . in 1918 for general distribution under the title "Approved Methods for the Preparation of Balance-Sheet Statements"

- In 1917, the [Federal Reserve](#) published "Uniform Accounting," a document that attempted to set industry standards for how financials should be organized both for reporting tax and for [financial statements](#). There were no laws to back the standards, so they had little effect.

“Accountants have a professional as well as a practical interest in a standard of procedure. Statements which are misleading or actually false tend to discredit accountancy as a profession” ...

- Due to the buying frenzy of the 1920's.....many companies selling stock were nothing more than a PONZI SCHEME...and the financial reporting process lacked the ability to either identify the problems...or provide reliable financial data....
- The accountants were unwitting partners in a fraud heard round the world...Where Wall Street Gluttons built a BUBBLE...that was
- “TOO BIG NOT TO POP” .....

- The Financial Crisis of 1929 was caused by FRAUD....GREED....and ZERO OVERSIGHT...



- Prior to 1929...Accounting was essentially unregulated.....And the business community perceived the Financial Statements to be CONFIDENTIAL.....and therefore...there was NO knowledge of how other entities were ANALYZING or INTERPRETING Financial Transactions

IN THIS SECTION  
E. E. Fry, Ph. D.; John J. Leary, D. C. B. Allen;  
The Justice League; A. Adams;  
Rollo Kibby's Cartoons

# The World

EDITORIAL SECTION

NEW YORK, SUNDAY, NOVEMBER 8, 1925.

IN THIS SECTION  
Editorial Comments; News of Interest; Aviation;  
Lakes and the Automobile  
World

## AFTERMATH OF A STOCK MARKET CRASH

Behind the Exciting Show Windows of Frenzied Wall Street Is an Endless Pageant of Obscure Tragedies

By Courtenay Terrell

THE first page tells the story of the morning business, the biggest deals, the exciting, startling stock tickets, the dull-looked values trading at the shaded figures on the market quotations.

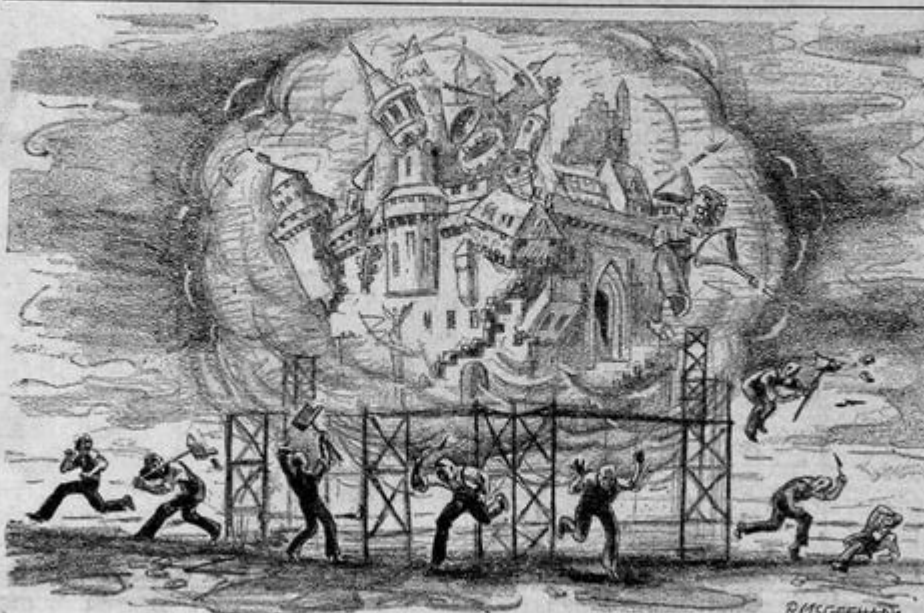
They tell the story in terms of millions—millions of shares sold, and millions pledged to support the market, and millions upon millions of dollars based on the bids. They tell in dollars, they write, have been lost in the astounding wreckage of security.

Mark of the Hour  
Plains Is Hazy

The background measure 25,000 shares—what was the approximate circumference of the world was in it. It was the only to the volume quotations of the stock exchange, and up to the Arctic waiting grounds.

For the history of the recent financial movement in London should be remembered that in the week of the 1925-26 campaign, the stock market had been down into the American analysis by the big and greatest and certainly never-to-be-forgotten market of the past five years.

### CASTLES IN THE AIR



four pack and suddenly dark before night he said for November long life.

The link in the market is a simple job to do. It is a job in Newburgh, Newburgh & Lewis, the exchange house, and the thought is the market.

On the other hand, he may have tight little lines around the edges of his mouth. And just like the exchange figures on a paper job, it's the same, the same may have to be returned, quickly.

Look at the under-structure, the 25,000-

Plans Go Glimmering in Thousands of Homes as Margins Melt and Savings of Lifetime Are Swept Away

Then, of course, on the other side of the market book.

Most Victims of All Vicious Circles

It is short then, it is possible, perhaps even unlikely, that all those who have been looking for things to do in the market will be able to do so.

Right down the line this may proceed, and the story is always the same. The fact is, however, that the market is not a simple thing to do.

But, they promise, the "Financial" magazine is a guide, the magazine of security ratios was published in the market.

Lack of Accounting Regulatory Oversight caused by the "laissez faire" style of President Harding, Coolidge & Hoover....



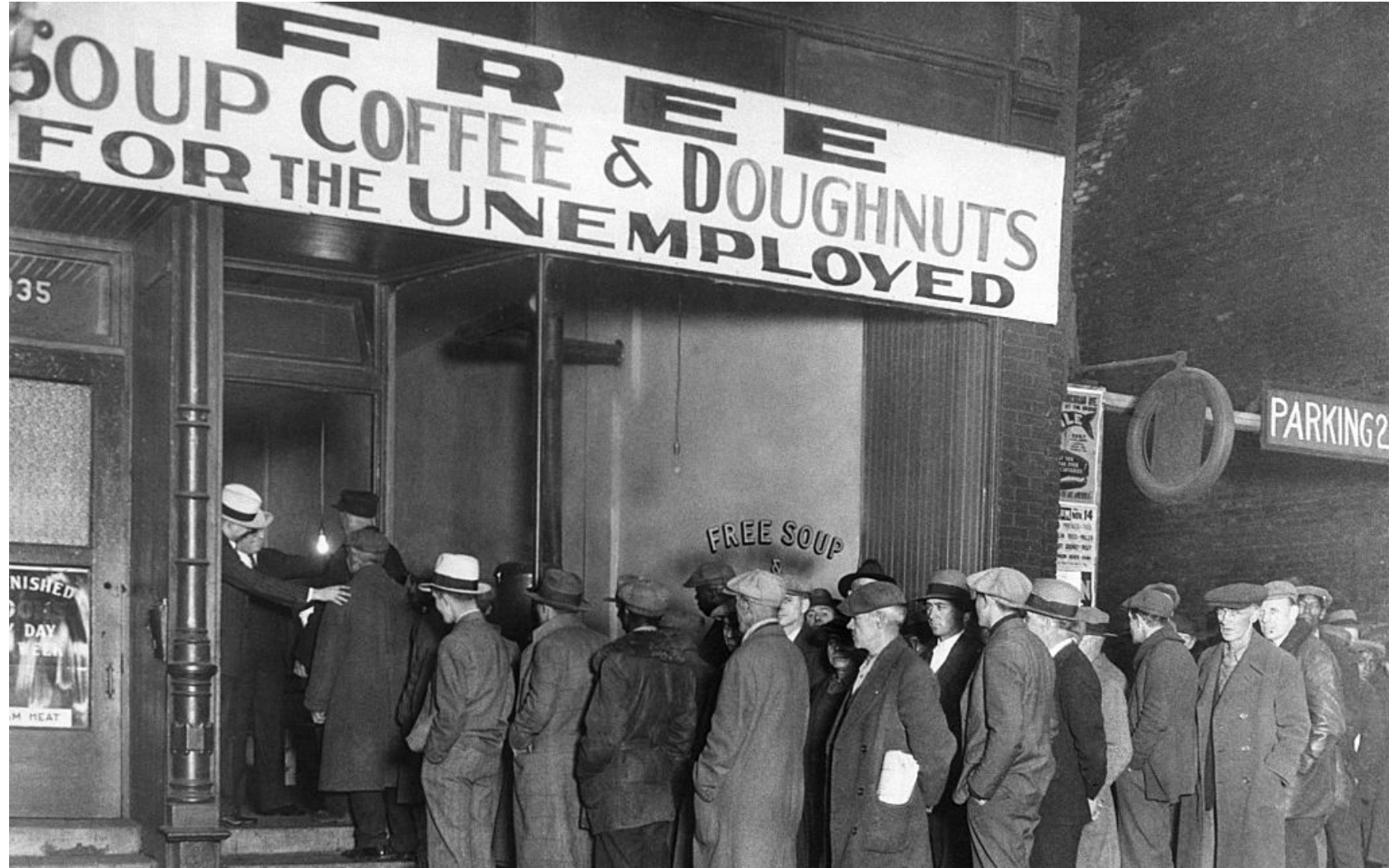
Ironically...many believed that large corporate entities would successfully REGULATE themselves.....

On October 28, 1929...the Stock Market DECLINED 13% in ONE DAY....(☹).

WHY????

Panic set in due to fears that the Stock PRICES were fueled not by REAL Value Drivers...but rather by GREED & FRAUD....

And no one was buying perceived valueless Corporate stock....



The 1929 stock market crash resulted in \$30 BILLION in LOSSES.....Fortunes were erased in mere moments...

The PERCEIVED FUTURE Value of the stock prices were unfortunately based upon Fairy Tale Financial Statements that collapsed along with the Wall Street...

What Caused the Failure of the Accounting Process????

- I. NO Financial Reporting TRANSPARENCY
- II. NO Uniform CPA Licensing Guidelines
- III. Limited Accounting Guidelines
- IV. No OVERSIGHT
- V. Ineffective Blue Sky Laws
- VI. Holding Companies were formed by Corporate Giants to further limit TRANSPARENCY...enabling a MONOPOLISTIC Economy
- VII. The Interrelationship between banking and financial institutions created the Perfect Storm



After the 1929 Stock Market Crash....it became BENCHMARK for Failure...  
In 1932..President Roosevelt is elected and enacts the following changes  
that essentially changed the Financial Statement Reporting process.....

I. SEC Formed

II. FDIC Insurance

III. Accounting Regulations are Standardized

IV. Publically Traded Entities MUST have an Audit Annually by an  
INDEPENDENT LICENSED CPA

V. Litigation against CPA Firms becomes the motivation for Auditing  
Standards and Accountability

VI. Governmental Regulatory Oversight is Mandated