holder's *reserve capital*. While clean surplus accounting is not permitted under most *accounting standards*, it is seen as a *financial analysis* innovation that seeks to standardize calculations of owner's equity so that comparisons of operating efficiency (*financial ratios* such as ROE) between companies can be more easily made. *Extra-ordinary* items are eliminated from the equity accounts so that companies' retained earnings are confined to normal course operations.

Clean Up the Balance Sheet (accountant's slang) • **Oczyścić bilans** (slang księgowy) • To eliminate any questionable *asset* values on the *balance sheet* by *writing-down* assets to a more *conservative* but realistic valuation. This will result in an one-time *expense*. A clean up can be prompted by applying different *accounting policies*, to reverse the cumulative past effects of *window dressing* or simply applying more conservative accounting policies. However, if taken to extreme, a clean up itself can be a form of window dressing (the so-called "*big bath*"). *Hidden reserves* can be created which can be used as an *income smoothing* technique to artificially cushion losses later on.

Too Easy

If the company could raise so much money so easily, what was the problem? Surely the company could do it again, whenever it wanted. Thoughts of any concerted effort to **clean up the balance sheet** were shelved. Instead, Enron set out on its biggest buying spree ever.

Conspiracy of Fools (2005) by Kurt Eichenwald, p. 186