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INDUSTRIAL ACCOUNTING, by THOMAS HENRY SANDERS. *McGraw-Hill Book Co.*, New York. 371 pages.

Industrial Accounting is intended to furnish guidance to those actually engaged in industry and also to serve as a textbook for teaching. It appears well adapted to both purposes, since the principles discussed are followed by illustrations and problems to be solved. The chief burden of the book is naturally the question of cost accounting, and a glance at the index shows that this subject is fairly well covered in its varied applications. In dealing with controversial questions, the author reviews the chief arguments used by the supporters of both sides.

For instance, on the question of inclusion of interest on investment as a factor in cost of manufacturing, while pointing out that trade associations usually advise their members to adopt uniform cost systems which include interest, the author states that most individual manufacturing concerns appear to be opposed to such inclusion. The author's summary of the matter leans to the exclusion of interest as an item of cost, and he points out that if, for statistical or comparative purposes, it is included, a reserve should be set up to offset the interest included in cost in the inventory of unsold manufactured goods. In advocating this offset most accountants will no doubt agree.

Again, on the question of depreciation, alternative methods are discussed. The popular straight-line method is favored, and other methods receive brief notice. However, the so-called annuity method, which was ably presented at the recent international congress on accounting, is apparently ignored. A clear point is made of the principle that depreciation is for the purpose of amortizing the original cost (plus additions, of course), and not to provide a sum for the increased reproduction cost as of the present time. It is shown that however desirable or even necessary this additional provision may be, it is something other than depreciation.

Discussing maintenance and betterments, the author points out that "some of the best managed concerns" follow the practice of combining into one factor the first cost of a machine and the expected cost of repairs and upkeep during its estimated life and then covering both these items by a uniform annual charge. Although advising against combining two uncertain figures, he nevertheless makes a clear admission that the difference between a repair (chargeable to current operation) and a replacement (chargeable to depreciation reserve) is not a question of principle but only of size, and that, in fact, it is impossible to make a logical distinction. This point is worthy of more attention and it would be very interesting to have the experience of these best managed concerns, if it could be presented in a summarized form, as further consideration of the actual results might disclose substantial advantages to be gained by using a uniform charge. Under such a system it would be quite impossible to make a better showing by unduly postponing repairs, to the detriment of the plant, in order to avoid incurring the expense in a poor year.

The author disposes of the stock argument against cost accounting that the price of goods is determined not by their cost but by supply and demand, by

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showing that a proper control of cost may effectually control supply, and as a natural consequence, market price.

A chapter is devoted to incentive wage systems in which advantages and disadvantages are set forth. Inventories and methods of control also come in for due consideration, and the content, accumulation and distribution of burden are treated at some length.

CHARLES E. MATHER.

THE HANDBOOK OF CORPORATE MANAGEMENT AND PROCEDURE, by EARL A. SALIERS. *McGraw-Hill Book Co.*, New York. 1,237 pages.

The purpose of *The Handbook of Corporate Management and Procedure*, as stated in the preface, is "to provide ready reference to such facts as are needed in handling the everyday problems that confront all who are concerned in corporate affairs. . . . These concern such matters as meetings of stockholders and directors, the adequate handling of stock issued, the payment of dividends, the financing of working capital requirements, the issuance and routine treatment of bonds, the transfers of capital stock, the efficient employment of the investment in capital assets, the operation of voting trusts, and so on.

The book is divided into three parts: I, Corporate organization, II, Finance and III, Management and control. Under corporate organization are presented in 336 pages such subjects as promotion and the promoter, how and where to incorporate, use and protection of corporate name, the charter stockholders and directors. Part II, on finance, covering 391 pages, deals with the sources of funds; financial structure; working capital financing by bank loans, trade acceptances and the finance corporation; permanent capital financing by capital stock of par and non-par value, bonds, trustee's certificates and modifications thereof. The third part, on management and control, consisting of 496 pages, has several chapters of material on a variety of subjects of value to those interested in corporations, such as appraisals, depletion, treatment of surplus and dividends, preparation and use of corporation reports for stockholders, directors, governmental agencies and others, budgets, analysis of the balance-sheet, voting trusts, capital assets, stock transfers, stock exchanges, holding companies, bankruptcy and insolvency, reorganizations, and state and federal regulation. In the array of topics one can find information on almost every phase of corporate affairs except how to make the most profits in the least time. Presumably if the suggestions on other points are followed this one will take care of itself.

The reader is not required to tax his imagination unduly while perusing the instructions and descriptions, because there are available for ready reference 457 forms of practical legal documents, papers, letters, bonds, mortgages, notices, resolutions, reports, balance-sheets, consolidated statements, index numbers, account books, certificates and legislative acts covering almost every activity or interest of corporation officers. If one wishes to prepare an option agreement to sell property to a promoter he may copy the form; if one desires to designate a representative in the state of California he can find a blank form for the purpose; if it is a subscription agreement that is needed, he may turn to

the proper form; if one wishes to incorporate for any one of 53 different purposes, from making dairy products to ship building, he will find a special-purpose clause phrased to meet his requirements; if the secretary wants the customary form for affidavit of mailing notice he can find it, or if the accountant is curious to see the form of statements prepared in bankruptcy, or by several of the prominent successful corporations, his wants can be satisfied. Of the 1,228 pages in the book exclusive of the index, 611, or almost one half, are devoted to the special forms.

Recognizing that states differ in the requirements for incorporation, the author has presented in summary form the essential phases of the corporation laws of a number of representative states. The legal responsibilities and rights of officers, stockholders and directors seem to be well covered by numerous references to legal decisions.

Since principles of management and procedure in business apply in many respects to one form of organization as well as another, some of the material in the book under review is naturally of a general character. Much of the material dealing with working capital, finance and credits in part II, on finance, applies to business in general. Similarly, in part III, on management and control, the four chapters on appraisals as well as much of the material on budgets, balance-sheet analysis, plant and depreciation, and bankruptcy are applicable to almost any type of business organization.

There seems to be no reason for questioning the authoritativeness of the contents of the book, since sources of information are so generally quoted. The main point of criticism doubtless arises in the apparent padding with voluminous legal forms, such as trust indentures, articles of incorporation and resolutions. Lawyers, accountants and other corporation executives should find in this volume a handy reference book, made useful by the index which does not, however, contain so many cross references as a work of this type requires. To the student of corporate affairs this book will appeal as a remarkable compendium of practical business procedures.

HIRAM T. SCOVILL.

PROBLEMS IN ACCOUNTING PRINCIPLES, by ROSS GRAHAM WALKER.

A. B. Shaw Company, Chicago. 620 pages.

Accounting theory and principles of auditing and of business law can be mastered easily in a short time by any bright high-school graduate, but a knowledge of practical accounting can be attained only by practical experience. Therefore, state C. P. A. laws at present require one to five years' actual employment in public accounting as a preliminary to the C. P. A. examination. In theory this might seem the best method, but, while it may have been so ten to fifteen years ago, it is doubtful whether the candidate today can obtain the broad training to cover the range of average examination papers. Only the largest public accounting firms handle a wide variety of businesses; the rest tend to specialize according to locality or personal fitness. The conclusion must be that in future the ranks of certified public accountants will be filled largely by graduates from standard business schools, and, as a corollary, that training in practical accounting must be supplied through laboratory work. Needless to say this puts a heavy responsibility on the directors of accounting courses. Laboratory work to be of any use to the student must deal with

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actual transactions and conditions of daily business life. Far-fetched and unusual imaginary problems are useless and unfair. It follows that examining boards and the profession at large will be interested to know how the business schools will handle this important laboratory work.

As an example we have Professor Walker's *Problems in Accounting Principles* which tells us the kind of laboratory training the student obtains in the Harvard graduate school of business administration. It is not a textbook in the ordinary sense. There are no basic rules nor principles laid down—the student is presumed to be familiar with those already—nor are the few questions appended to the various problems of that leading character which furnishes an immediate clue to the answers. The problems are actual cases, or adaptations of actual cases, submitted to the school by business firms, and there are also many court decisions in litigated questions involving proper accounting principles. Facts and conditions are most amply stated; the task for the student is the same as that for the practising accountant, viz., to apply to them correct accounting principles and procedure. The only difference is that the accountant must also have ascertained the conditions through a previous audit of the books and accounts, not always an easy job. This is the weak point of laboratory work, but it might presumably be met by borrowing old sets of books from business concerns.

There is a bibliography of textbooks for reading reference, and an excellent index and alphabetical list of the cases stated.

W. H. LAWTON.

STATISTICS, 1929, by WILLIAM VERNON LOVITT and HENRY F. HOLTZCLAW.
Prentice-Hall, Inc., New York. 304 pages.

Statistics and charts are now so universally employed that a treatise on the subject is timely and interesting. The book entitled *Statistics* explains at some length the principles which underlie the gathering of statistical data and the methods by which they are compiled and presented in graphical or tabulated form.

The book stresses the mathematics side of the subject and some of its chapters have an interest to the mathematician as well as to the statistician. For example, the discussions on permutations and combinations, chance and probability, characteristic curves, and so on, are quite comprehensive.

There is much more, however, that has a daily practical application. The many different ways in which statistics can be presented are scarcely realized until they are all brought together as in this volume. The book is rich in illustration, and the data used for this purpose are often of intrinsic interest.

Particularly interesting are the chapters on averages, index numbers and seasonal and cyclical fluctuations. These latter contain explanations of the index numbers in common use and of the business forecasting services, such as the Harvard forecasting sequence and the Babsonchart.

F. C. BELSER.

HOW TO READ THE BALANCE-SHEET OF A COMMERCIAL CONCERN, by FRANCIS W. PIXLEY, *Gee & Co.*, London. 73 pages.

The small volume entitled *How to Read the Balance-sheet of a Commercial Concern* is a revision of a paper read by the author at a meeting of the Glasgow Chartered Accountants Students' Society in 1906 and therefore presents the

British viewpoint. In the revision the author includes many additions necessary in consequence of the passing of the companies act, 1928.

The preface indicates that the object of the publication is to enlighten stockholders in the method of analyzing the balance-sheet so that an intelligent opinion may be formed of the financial standing of a concern in which they are interested.

The first and second chapters are introductory and explanatory, by way of approach to a study of the balance-sheet; chapters III and IV are devoted to classification and criticism of the debit and credit sides of this all-important instrument, the reading matter covering approximately forty pages.

How to make use of the information gained is set forth in chapter V in the form of a running analysis of both sides of the balance-sheet. The author brings out the value of comparative trading and profit-and-loss statements with a view to ascertaining whether or not the company is making proper use of its funds on the one hand or over-expanding on the other; or whether increases or decreases in working capital are warranted through increase or decrease in sales.

In chapter VI the author recommends the use of the profit-and-loss statement as a medium of inquiry into the sources of profits or losses and the causes thereof.

This small volume is well written, and the text is admirably presented. It contains much valuable information which in the reviewer's opinion would prove to be more useful to the student of accountancy than to the layman who is without a knowledge of the principles upon which the balance-sheet and profit-and-loss statement are based.

W. A. MUSGRAVE.