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Book Reviews

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Book Reviews

CHAPTERS IN THE HISTORY OF BOOKKEEPING, ACCOUNTANCY
& COMMERCIAL ARITHMETIC, by DAVID MURRAY. *Jackson,*
Wylie & Co., Glasgow, 1930. Cloth, 519 pages.

This is a welcome addition to the literature of the subject, hitherto represented by the work edited by Richard Brown and by that of A. H. Woolf. It differs somewhat in scope from each of its predecessors, neither of which it entirely supplants. It contains a sketch of bookkeeping and accountancy in the seventeenth and eighteenth centuries, which treats of the teaching of the subject as well as its practice, a shorter chapter on accounting in mediæval and classical times, a more extended section relating to bookkeeping texts, and somewhat more than one-third of the book is given up to a discussion of commercial arithmetic. Throughout the work there is evidence of an appalling amount of research, the abundant footnotes often going far afield in uncovering points of biographical, bibliographical and historical detail not attempted in either of the previous histories.

Much quaint information, interesting to the accountant, is found in these chapters. Thus one learns that the original meaning of "accountant" was one who was accountable; so that a "public accountant" was one who was accountable to the government for public money with which he had been entrusted. One learns also that a municipal balance-sheet is not altogether a present-day innovation for one was prepared for Glasgow in 1693 by John Anderson, and that formerly, as well as today, the accountant was often a man of varied interests. Thus the title page of John Drummond's manual of bookkeeping bears the statement: "To which is added the method of catching and curing cod fish." And William Hamilton was not content merely with being a distinguished accountant and author, but also invented in 1740 "a machine, which being plac'd behind the door or window, instantly rings a bell, fires a pistol and lights a candle on the least attempt to force up either door or window." Possibly the dictum of the English judge that while an auditor need not be a blood hound he might be expected to be a watchdog traces back to this early writer, at once accountant and thief catcher. One learns, too, that in the beginning professional accounting was generally carried on by those whose main occupation was teaching bookkeeping, a reversal of present-day relations, where so many professional accountants are giving instruction as a side issue. It is gratifying to learn that the muddling of accounts ceased, in the sixteenth century, to make one liable to torture. And those engaged in teaching are interested in the argument set forth by Escobar in 1603 to the effect that gifts by pupils to their teachers ought to be allowed. "It is the duty of youth to support poor schoolmasters."

Murray gives more space to early treatises on bookkeeping than to any of the other subjects included in this book, more than twice as much as was given by Row-Fogo in Brown's History, and much more than is found in Woolf's work. Many of the early treatises are adequately and interestingly described. It is regrettable that there is, however, no systematic list of publications. Murray gives in his index of writers on bookkeeping 102 whose works appeared before 1800 while the bibliography prepared by Cosmo Gordon (contained in Woolf)

lists 252 names. But, on the other hand, Murray has discovered twenty-one authors not found in the earlier bibliography.

One striking error is found in page 233 where the title page of *The Pathway to Knowledge* is reproduced. This contains the phrase "Written in Dutch and translated into English, by N. P." And the statement follows: "The translator was Nicholaus Peters of Deventer." In fact the title page gives the translator as W. P. (supposed to be one William Phillip) and Peters was not translator but author of the original Dutch work. There is also a statement that a Flemish edition of Menher was published in 1543. Apparently this is a confusion with the Flemish version of Ympyn published in that year, to which the author makes no direct reference. It is also to be regretted that the author of the first work on bookkeeping is given as "Lucas Pacioli de Burgo, Sancti Sepulchri, Doctor of Divinity and a Minorite Friar" continuing the old error which treats "Burgo" as part of the author's name instead of its being an appellation of the place where he was born; "of the village of San Sepulchro."

The book is both scholarly and entertaining, indispensable to those particularly concerned in the history of accounting, of value to all accountants who are interested in anything beyond the technique of their profession.

HENRY RAND HATFIELD.

FEDERAL INCOME TAXATION, 1930 SUPPLEMENT, by JOSEPH J. KLEIN. *John Wiley and Sons, Inc.*, New York. 311 pages.

He who undertakes to write a book or books upon the subject of federal taxation assumes a heavy responsibility to his readers. In the first place the original volume must be accurate and lucid (which, by the way, are attributes that few authors are able to attain) and the information it sets forth must conform to, and be in accordance with, the latest dicta upon the subject.

Within a short time after the book is published new interpretations are being made of the very provisions with which the author has dealt, new constructions placed on language that had appeared to convey definite thoughts, and actual changes are made in the laws. Therefore, having published the initial volume dealing with this subject, the necessity of keeping his readers apprised of the numerous changes constantly being made impels the author to continue at intervals to publish supplements bringing the information up to date.

Joseph J. Klein, author of *Federal Income Taxation*, recognizing this responsibility, has issued a three-hundred-page book, prepared with the same great degree of care that was evident in his original volume. The general titles under which the contents are indexed are:

Preliminary topics, including history of the income tax; bird's-eye view of 1928 act; nature and scope of income; constitutionality of the federal income-tax laws; interpretation of revenue laws; accounting for income-tax purposes

Gross income—exclusions and inclusions

Deductions

Special topics, including valuations, sales on the instalment plan, basis for determination of gain or loss, depreciation and depletion

Credits against income

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Calculation of the tax
Classes of taxpayers
Procedure in determination of tax
Assessment, payment and collection
Penalties and penal provisions
General topics, including inspection and publicity of returns, tax avoidance and tax evasion

In addition the book contains appendices and indices, the former including such helpful matters as specimen returns, depreciation rates, board and treasury practice rules and bibliography.

The mere recitation of the foregoing table of contents will make an appeal to tax practitioners and create a desire to read what the book contains, but to one who opens its pages there will be a stronger appeal to delve into the information to be found there. This information is expressed in the readable manner which distinguished the author's *Federal Income Taxation* published in 1929.

To one who has closely followed the subject of federal income taxation since 1917, and seen its development during that period, a thought is strongly borne in as to the magnitude of the subject. And one can not avoid a feeling of amusement over the blithe and carefree manner in which we practitioners of those earlier days attacked the taxation problems confronting us. We were obliged to blaze our own trails, having only the act and the regulations as our guides. There was not that great body of judicial opinions now available, nor were there many authors' works to consult. If these later guides had been available it is conceivable that the later tax laws would have been more easily understood, that the courts would not have been obliged to interpret so many of the laws' provisions, and that we practitioners would not have devoted so much time to the subject.

STEPHEN G. RUSK.

APPLIED BUSINESS FINANCE, by EDMOND E. LINCOLN. *McGraw-Hill Book Company (Fourth Revised Edition)*. 826 pages.

It is easy to be wise after the event. Wisdom before the event, though precious, is seldom recognized and usually undervalued. If this were not true the fourth edition of Mr. Lincoln's book would have sold by tens of thousands soon after its issue for in his preface, dated 20th March, 1929, while many of us were indulging in the exciting but expensive pursuit of the rainbow or were taking over someone else's already overblown balloon to inflate it still further, he clearly and definitely pointed out the weaknesses of the situation, its resemblance to all inflation periods, the certainty that the old economic and financial laws still worked and said in so many words, "Both the stock market and money market signals have for some time been set at danger." It is not necessary to say more than to mention again the date of this preface, 20th March, 1929.

After such an evidence of sound judgment one is naturally predisposed in favor of the author and this good opinion is justified by the remainder of his work. The average financial operations of the average business are the subject of the major portion of the book. The author does not, like other writers on

the same subject, regard himself as primarily a digester of clinical reports on diseased and abnormal subjects, although these have proper consideration, but is far more interested in the normal functioning of a healthy organism.

The author does not, however, exhibit his usual judgment and range of information concerning accountants. He seems to have had some unfortunate experiences which have led him to believe that there is no generally accepted standard of procedure among reputable accounts. On page 290 he says, "Some audits are real, so that the statements presented indicate closely the actual condition. Other audits are merely pro forma, and are carried out perfunctorily, or the accountant may merely find what the concern wishes him to find and may permit his name to be used more or less as a rubber stamp. This indicates the necessity and value of work such as the publication by the American Institute of Accountants of the Federal Reserve pamphlet on *Verification of Financial Statements* and the work of several of the state societies in defining auditor's responsibility in several directions and other efforts to establish and publish statements of what constitutes good and accepted practice. At present the standing and integrity of the reputable practitioner are not enough to counteract impressions such as are indicated in the extract given above.

A particularly interesting chapter is that on customer ownership, where the advantages and disadvantages are calmly balanced. It might be read with profit by many public-utility officers who see only the advantages of this form of financing.

While in general the author favors a sane conservatism in valuations, he is at times inclined to go too far in praise of writing down assets and creating hidden reserves. He appears to forget that when a property is sold or its worth calculated to establish a fair return, such ultra-conservatism places the burden of proof on the owners of the undertaking against whom there is a strong presumption that the book, rather than appreciated values established for a purpose, is correct.

In discussing, in chapter XV, among the services a bank may offer its borrowers these are enumerated:

1. We coöperate with the credit department of the bank and make a constructive examination of the borrower's business.
2. Advisory service is rendered to corporations with reference to their finances and operations.
3. Special investigations are made for corporations looking toward the establishment of modern systems of operation.
4. Advice is given on matters of accounting in addition to other services along similar lines.
5. Service is rendered to groups of manufacturers desiring to merge or consolidate. This involves a partial determination of the possibilities of such consolidations and their relation to industry as a whole; also the determination of the relative worth of the individual concerns in the consolidation.
6. The department also acts with creditors' and security holders' committees and makes special examinations in coöperation with such committees.
7. Examinations are also made for investment houses with a view to determining whether new financing is needed and if so the type of finance which will probably be best for the concern.
8. In frequent instances examination of a business is made at the request of the concern itself with a view to pointing out weak spots and suggesting methods of improvement.

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It would seem that many if not most of these services would be better rendered by the borrower's own attorney or accountant, on the principle that no matter how fair and impartial the bank tries to be its interests are not absolutely identical with those of the borrower's, and the borrower should know specifically what information he is giving the bank rather than to give the bank *carte blanche* to investigate his affairs.

In general the book is well written and well arranged. It covers its field in an encyclopædic manner and is particularly strong in statistical matter. The revised edition should be of value to all who have to do with corporation finance both in its internal and semi-public or investment aspects.

MAURICE PELOUBET.

WALL STREET PROCEDURE, by DEWITT CARL EGGLESTON. *Greenberg, Publisher, Inc.* 301 pages.

The author of *Wall Street Procedure*, a lecturer at the College of the City of New York, has once more expanded the subject matter contained in lectures to his students and made of it an accounting textbook.

Starting with a fairly detailed and most interesting description and explanation of the function and necessity of security markets in general, the author proceeds to describe the highly specialized organization of a stockbroker's office, the various kinds of transactions, the relationship existing between the customer and his broker, and then gives a most clear and intelligent picture of the accounting forms, records and financial statements.

He describes the procedure followed in the preparation of the answers to the New York stock-exchange questionnaire, which the committee on business conduct of the New York stock exchange requires all its members to answer. In this description he has added something of great value to the rather limited literature on this subject. He takes one through the audit procedure step by step and gradually brings one through the necessary but sometimes discouraging mass of detail until one realizes the reason for and the importance of every step.

He increases the clearness of this work by a liberal use of charts and illustrations throughout the book and by adding a list of stocks traded in on the exchange, together with their ticker symbols.

Following along the same lines he has broadened his work to embrace not only stockbrokers but commodity brokers and markets, their clearing procedure, contract and deliveries, the settlement of contract differences and proceeds to their records and statements, with particular reference to members of the New York coffee and sugar exchange and the Chicago board of trade.

This book is a highly practical, timely and valuable text, to the student looking forward to public practice and to the professional accountant whose practice includes or who contemplates the audit of a broker's books.

ELMER O. STEVENS.