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Book Reviews

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MUNICIPAL ACCOUNTS EXEMPLIFIED, by STANLEY WHITEHEAD.
Gee & Company, London. 99 pages.

Municipal Accounts Exemplified is No. XI of "The accountant students' library" and an examination of it arouses an amount of interest entirely out of proportion to its modest size. The book deals solely with municipal accounts; it is written by a master of the subject, not so much for officers as for students of accountancy, and, evidently, is based on experience gained in the office, rather than on theories developed in the academy. The volume arouses further interest from the fact that it is written in, and applies to, the practices followed in Great Britain, where the procedure differs from that in the United States, as do many of the expressions in current use.

Notwithstanding this, the same basic theories prevail in both countries and both are suffering from the same affliction, for Mr. Whitehead says, "It is probably true that, speaking generally, the accounts of local authorities are no nearer standardization today than they were twenty years ago"—a statement which unfortunately is equally true in this country.

The book consists of twenty-two short chapters, nine of which are devoted to income from all sources and the manner of dealing with it; three chapters deal with "Rate estimates," which most officers here would call budgets. Then follow chapters on the allocation of wages, on stores accounts, impersonal ledgers, redemption-fund contributions, closing the accounts, superannuation funds and the "annual abstract of accounts and epitome of accounts." Each branch of the subject is fully illustrated by examples, forms and pro-forms journal entries.

The author emphasizes two of the most important matters in municipal accounting. First: of the standardization of accounts he writes: "Before we can begin to consider the standardization of accounts it is, of course, imperative that the closest consideration should be given to the question of standardization of analysis of income and expenditures; it is futile agreeing to the final accounts being prepared in accordance with a standard, unless the items going to make up the income and expenditures under each standardized heading have also been dealt with in a uniform manner."

The truth of this statement is obvious. Experience indicates that disregard of the principle is quite generally equally obvious.

Secondly—and this is of the greatest importance—he lays stress upon the form of the "epitome of accounts" by which he means the summary, or condensed statement, which is read by the man on the street, the taxpayers and the public.

For many years I have insisted that the usual reports of municipal accounts are unintelligible to the average taxpayer and that there should be substituted for them non-technical stories of the activities. Therefore, it is with joy that I read the following comment by the author: "No good purpose will be served by a reiteration of a mass of figures which may already be found in the abstract of accounts, but rather should the epitome contain statistical information conveyed in such a manner as will impress anyone reading it, even though he may have no knowledge whatever of accounts."

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If such words induce a single municipal auditor to follow the suggestion, the entire book is justified.

To the auditor or student who prepares reports mechanically, this book offers little of value, for owing to differences in procedure and nomenclature he will find no form he can casually copy, but to the student who studies, the book presents a picture of what others do in circumstances similar to his own, which is interesting, illuminating and perhaps suggestive.

WALTER MUCKLOW.

CASUALTY INSURANCE ACCOUNTING, by ROBERT SEDGWICK HULL.
The Ronald Press Company, New York. 325 pages.

The author of *Casualty Insurance Accounting* has made an exhaustive study of the subject, and has compiled a very complete compendium of information that should be in the possession of those whose duty requires a knowledge of accounting for casualty companies.

He begins with a review of the fundamentals underlying all accounting, and while this is not a complete treatise on bookkeeping by modern methods, it is as full as one could expect in a specialized work. Passing then to his special subject, he clarifies the somewhat confused concept of reserves, pointing out that to an insurance man a reserve is something very definite and specific, which is quite different from the commercial idea of a reserve.

Insurance accounting is influenced almost entirely by the necessity to furnish certain required information as of December 31st each year in a form prescribed by a committee of the insurance commissioners of the several states. This form requires statements to be rendered on a cash basis as regards income. The statement of "income," so called, is in fact a statement of receipts, and this together with the statement of disbursements shows the increase in so-called "ledger assets." This latter title implies the existence of "non-ledger assets," including all accruals, which must also be accounted for, and by further inference a statement of liabilities not appearing on the ledger, but nevertheless fully accounted for in subsidiary books.

While the foregoing applies to all insurance companies, there is a modification in the case of casualty (and also fire) in that premiums must be reported on an accrual basis, being taken up into the books as income as soon as written. "Not all companies," says the author, "agree as to the wisdom of this method, but the practice is virtually standardized by the requirements of the annual statements."

The important points of insurance accounting (presenting problems not met by those outside that field) are well brought out. For instance, there is the hardship imposed upon casualty and other companies by compelling them to set up in full as a reserve the unearned portion of premiums received, denying the right to take into account the relative expense in the acquisition of the business which has been paid in cash and must be taken up in full. Thus it might happen that a company making progress too rapidly would find its surplus, or even its capital, impaired according to the statement it must render. However, it is a protective measure for the security not only of the public but of the insurance companies themselves.

The problem of estimates is fully dealt with and it is made clear that although several important items are the result of estimates, experience has taught the officers to make these estimates a very close approximation to the existing facts, as is shown later when the facts are discovered.

A large part of the book deals with the inter-relation of statistics and accounts, and the handling of details which are so voluminous that the latest modern devices in bookkeeping, tabulating and calculating machinery must be used, and such use is very well described.

The organization of a casualty company is clearly outlined, especially the position of the company's auditor (other than public accountants) and the author makes it a strong point that the company's auditor should be an independent officer reporting direct to the president or general manager, since he is auditing the accounts of other officers, such as the comptroller and the treasurer. The comptroller, while technically the head of the accounting system, may frequently in practice discharge the function of auditor under another name, and only in this case should the auditor be under him. The value of an outside audit, however, is not overlooked by the author.

Enough has been said to show that the book will prove of great value to those dealing with casualty accounting problems whether from the viewpoint of an officer of a company or an independent auditor.

CHARLES E. MATHER.

INTRODUCTION TO ACCOUNTING, by PRICKETT AND MIKESSELL. *The Macmillan Company*, New York. 374 pages.

The authors of *Introduction to Accounting* are professors of accounting in Indiana University. The volume "had its origin in the need for a text adapted to use in a one-year required course in accounting," presumably in that university.

The first chapter deals with the development of business analysis. It traces this development from Babylonian times to the present. While purely introductory this chapter is particularly interesting.

There are twenty-three other chapters, dealing with accounting principles and methods. These are arranged in the usual form for teaching purposes. They include the following: balance-sheet and the profit-and-loss statement, accounts, the ledger and the trial balance, journals, adjusting entries, the working sheet, closing entries, controlling accounts and subsidiary ledgers, business forms and vouchers, interest and discount, types of business organization, partnership accounting, the corporation and capital stock. Following each chapter are questions and problems.

With respect to subject matter this book does not differ from others of its kind. However, it does present accounting principles in a clear and understandable manner and, therefore, is well adapted for teaching purposes.

W. B. FRANKE.

PROBLEMS IN INDUSTRIAL ACCOUNTING, by THOMAS H. SANDERS AND PAUL B. COFFMAN. *McGraw-Hill Book Company*, New York. 816 pages.

The joint authors of *Problems in Industrial Accounting* are a professor and an assistant professor of accounting at the graduate school of administration of

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Harvard University. The purposes of this work, as explained by the authors, are as follows:

“The traditional course in cost accounting, with its prescribed routines, is no longer sufficient; it is necessary to present concrete and representative examples of the varied situations in which cost analysis serves and of the adaptations of method which are made to fit the situations. Many of the admitted difficulties of teaching cost accounting probably arise from not distinguishing details of method from matters of principle, and from failure to show the precise circumstances which make a given procedure appropriate and successful.”

Cost accounting, in theory, is treated exhaustively in the standard works of A. Hamilton Church, Amidon and Lang, T. H. Sanders, and others, but actual examples of current practice are not given in those books in such a form as to be immediately translated into use.

Problems in Industrial Accounting supplies the need of a student or a practitioner by giving analyses of facts. The book is, in fact, a series of case studies of cost accounting applied to a large number of industries. The case studies are explained on the principle that the best method of learning how to do work is by doing it. This book states each problem from different points of view, using arguments for and against various suggested methods.

It also shows in most cases the solutions of the problems, with the forms actually used. The result is that instead of burdening the student with a mass of dry theory, he is enabled to see the actual working out of cost accounts. This is like the difference between reading a play and seeing it acted on a stage by capable performers.

The chief divisions of the book are the scope and objectives of industrial accounting, production costs, advanced problems in manufacturing costs, various applications of costs, commercial and financial costs, cost accounting in banks, organization of cost and accounting departments, and cost control in typical industries.

This book is commended to both students of accounting and practitioners who wish to see how cost difficulties have been surmounted in a large variety of manufacturing and financial businesses.

WILLIAM J. GREENWOOD.