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Book Reviews

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Book Reviews

APPLIED ACCOUNTING PRINCIPLES, by EMMETT REID SANFORD
Thomas Y. Crowell Co., New York. 538 pages.

The wrapper says that *Applied Accounting Principles* is a strictly elementary text to cover a one-year course in colleges and universities, for students who have had no previous training in the subject. It is just that—one arrives at page 219 to be told that “when the customers pay for the goods sold to them on account the amount (sic) must be posted to the individual’s account.” In the preceding 218 pages the author has dealt minutely with the rudimentary ideas and the very earliest steps in bookkeeping, illustrating his teaching with exhibits and exercises adapted to the mind of a very young person.

Through the greater part of the book, apparently for the sake of simplicity, the text refers only to transactions of single proprietorships and partnerships, corporation accounting being introduced at page 360. From this point the work is much more advanced.

For the purpose set forth on the wrapper, cited above, the book is highly satisfactory. One can not well teach in a one-year course to a general college student, without any training in the subject, any more of accounting than any bookkeeper should know.

Professor Sanford has covered only limited ground but has covered that area lavishly both as to minuteness of explanation and quantity of exercise material. He has adhered to generally accepted methods and shows great caution in approaching disputed matters.

His caution has its humorous side. In the discussion of the relative fixity of fixed assets he says of land that it is “fixed as to location and comparatively permanent as to existence.” Well, it is rather permanent as to existence except where New York keeps digging it out to make subways.

The outstanding feature of the book is its profusion of explanations and illustrations of the manner in which should be recorded every little transaction likely to be encountered in bookkeeping for small commercial enterprises. To a beginner in the study of bookkeeping one may safely recommend it provided that the student use it only for its intended purpose and not as a textbook in English. Much of the English is quite poor, even to the extent of obscuring the meaning, and the punctuation is worse. Spring catalogues of seedsmen are now coming to hand; their instructions for planting seeds seem to have been followed in distributing commas. “Draw a line and sprinkle the seeds evenly along its length.”

Your reviewer knows how prone the human hand is to stick in a comma as a sort of resting place when that weary feeling supervenes and would blame not the author but the proof-reader. That is always a good plan. But perhaps the proof-reader, too, had a feeling of lassitude; it is excusable in anyone who has to read any great quantity of accounting literature. It is too solemn; there is no comic relief; there are no pictures; the effort demanded of the author who would go over his own work to correct slips of grammar and punctuation is painful. If it be done at all let the proof-reader do it.

Index and binding are distinctly good.

F. W. THORNTON.

Book Reviews

CORPORATION ACCOUNTING, by WILLIAM T. SUNLEY AND PAUL W. PINKERTON, *The Ronald Press Co.*, New York. Cloth, 570 pages.

Sunley and Pinkerton's *Corporation Accounting* deserves a more distinctive name—"Analyzing Corporation Accounts," or something like that. There are texts galore on corporation accounting, dealing for the most part with more or less elementary methods of bookkeeping for corporations with incidental ventures into brief analyses and explanations. But this is the first book I have read which devotes its pages mainly to analyzing not only the accounts peculiar to corporations but also to conditions giving rise to those accounts. As a guide it has long been needed by corporation accountants, and to students of accountancy in general it should be a good manual for training in logical analyzing. Members of the profession will find it a handy reference book, for the authors have made an exhaustive study of the complicated field.

There is nothing dogmatic in the authors' conclusions. Differing methods and theories are impartially described and fairly compared, as, for instance, in the chapters on no-par stock, paid-in and earned surplus, valuations, etc.

The authors have made liberal use of illustrative journal entries which to the accountant are as valuable as blue prints to the engineer. This feature should commend itself to the younger student, helping to fix in mind the practical effects of the solutions described in the text.

However, I venture to take exception to the solution given on page 51, in which the conditions stated are that an officer of the corporation agreed to accept one-half of his yearly salary of \$24,000 in stock of the corporation. According to the solution this agreement is recorded by the journal entry—

Stock subscription receivable	\$12,000
Capital stock reserved for subscriptions	\$12,000

Thereafter in due course "salaries paid" is debited and "stock subscriptions receivable" credited each month with \$1,000, with the explanation "To apply one-half . . . salary to his subscription a/c." If the officer actually *has* subscribed for the stock, well and good. But as the problem states that he has merely agreed to accept stock in part payment of future salary, it seems to me this entry saddles him with a contingent liability that might prove embarrassing. Suppose the corporation should fail, could not the creditors hold the officer for the unearned balance of his subscription?

One may also doubt the expediency, at least, of the journal entry (p. 98) to record the purchase of a corporation's own stock in a state where such purchase is prohibited by law. It would be a plain admission of an *ultra vires* act which might involve the directors in serious trouble.

W. H. LAWTON.

SOLUTIONS TO C. P. A. PROBLEMS, by JACON B. TAYLOR AND HERMANN C. MILLER. *McGraw-Hill Book Co., Inc.*, New York. Cloth, 486 pages.

As a companion volume to their textbook, *C. P. A. Problems*, published last year, Messrs. Taylor and Miller now offer *Solutions to C. P. A. Problems*, containing the answers, as the authors see them, to the problems of the former volume. "He who runs may read," but unless he works out the problems in advance he will "run" a fine chance of failing in a C. P. A. examination for ob-

vious reasons, not the least of which is that no examiner is now likely to make use of these problems. This is said merely as a warning to those lazy students who may hope the book will prove a short cut to the coveted certificate.

No solutions are given to the auditing and theory problems of the first volume.
W. H. LAWTON.

HISTORY AND SURVEY OF ACCOUNTANCY, by WILMER L. GREEN.
Standard Text Press, Brooklyn. 288 pages.

Instead of writing a proper review of this work, I present a tale of personal disillusionment and disappointment. It was with real pleasure that I received the book for review, for it indicated that an American accountant is really interested in the historical and non-practical aspects of the profession, a field hitherto practically monopolized by Europeans. Being personally more interested in the early history of bookkeeping than in the later developments of professional accounting, I turned at once to the chapter entitled, "History of bookkeeping." My eye was greeted and my heart warmed by the large number of well-made reproductions of pages of old texts and accounts. But there the disillusionment began and the more I read the greater the disappointment, so that having finished that chapter I had no heart to read the rest of the book. It is quite likely, and indeed to be hoped, that the other chapters are more satisfactory, but the one chapter read was so full of errors that it hardly seemed worth while to examine the remainder.

So ungracious an appraisal of a book requires substantiating evidence. It seems necessary to cite instances of errors in order that this statement should not seem inspired merely by some blind prejudice.

In the first place attention is called to the reproductions of old books and accounts, of which there are some twenty in this chapter. But among these one described as the title page of Pacioli's treatise is not a title page, nor is the one given as the title page of Rocha's arithmetic rightly so called. More distressing is the supposed title page of Giovanni Tatliente's work on accounting, for the reproduction is not of the work mentioned in the text, but represents another work whose authorship is ascribed, not to Giovanni Tagliente, but to a relative, Girolamo, and the book is one which does not deal with accounting.

The translations are also misleading. Attention is called here only to errors of significance to those interested in the technique of bookkeeping. Outstanding is the frequent mistranslation of the Italian *cassa* and the French *casse* as "account" where it should be rendered "cash." Thus a journal entry which in modern accounting jargon would be rendered, "Cash Dr. to Pierre" reads in the translation, "Debit account of Pierre." This mistake, repeated several times, entirely destroys the character of the journal entry. In another place Stevin introduces the familiar personalistic explanation of a debit to cash, practically the same as that expressed in the quaint language of the English version of Ympyn which runs:

Forasmuche as the money is al waies kepte in some place as Cofers or Chestes, we will call the place that kepeth the money by this name Casse. . . . And then understanding that we meane by this worde Casse, the Chest that kepeth the redy money, . . . we maie procede in our worke and saie: By Casse, to George Haute, &c.

But the translator renders it, "In putting the money in an account, as if I gave it to it in charge, I say that the said account owes me money." Here *casse* which should be given its literal meaning of "chest" loses all significance by being rendered "account." The translation of the heading to chapter 35 of Pacioli is misleading, the reference to the journal being entirely out of place, and the later phrase, "One must be a good bookkeeper and a capable accountant" is shown by the context to be incorrect. What Pacioli meant was that before learning bookkeeping one must master the use of figures as taught in the earlier portion of the *Summa*. In the title page of Manzoni, *quaderno* is translated "cash-book" instead of "ledger," and on page 128 *comptes* is rendered "books," again destroying its accounting significance. It is only fair to the author to state that these mistranslations were probably made by another, to whom the author in the preface expresses misplaced gratitude.

The ideas of Pacioli in regard to bookkeeping are misrepresented in several places. The moneys received were not to be converted into the standard money of account in the Memorial, for Pacioli distinctly states, in chapter XX, that the conversion is to be made when the item is transferred into the journal. The author misconceives the location of dates in journal and ledger; the lines drawn across the journal entry to indicate that it had been posted were not to be drawn in opposite directions but somewhat parallel, as is fully indicated in Manzoni's sample journal. Debit entries, not debit accounts, are to be placed on the left-hand page of the ledger. Ledger accounts were not formed on a single page, but on the two opposite pages. Mercantile expense was not to be apportioned to various shipments, for Pacioli specifically says in chapter XXXIV that this account is to be closed into profit-and-loss.

The picking of flaws does not necessarily prove that a book is not praiseworthy. But, however much allowance may be made for the recent style of impressionistic biography, when it comes to a matter-of-fact history of bookkeeping, especially a history of the literature of the subject, it is fair to demand a high degree of accuracy, careful scholarship and scrupulous attention to bibliographical detail. The cited instances in which this history fails in these respects have been merely illustrative; many more could be given but are omitted out of respect to the patience of readers of THE JOURNAL. Enough has been given to show that the book is by no means satisfactory. There is still room for a comprehensive history of bookkeeping. But to compete with Besta, Kheil and Row-Fogo it must be more accurate and trustworthy than the present treatise.

HENRY RAND HATFIELD.

FINANCIAL STATEMENTS IN ANNUAL REPORTS TO STOCKHOLDERS, published by the *Policyholders' Service Bureau, Metropolitan Life Insurance Co.*, New York. 72 pages.

Financial Statements in Annual Reports to Stockholders, a monograph recently issued by the policyholders' service bureau of the Metropolitan Life Insurance Company, affords in brief compass an instructive reference to forms of published accounts.

The striking development of corporate enterprise in every field of industrial and commercial activity has been accompanied in recent years by a notable

growth in the number of stockholders. Not so long ago a census of investors and others interested in corporate securities would have been an easy task within a restricted range. Searching today for the average investor, we shall probably find the average American. At any rate, his trail leads from coast to coast; in short, the major industries, at least, are publicly owned. Parenthetically, the gloomy winter of their discontent now obscures the sun. But that is another story—and, can spring be far behind?

With this widespread community of interest, the administration of corporations involves the responsibility of providing such information as will enable stockholders and others to appraise their interests on a supportable basis of fact rather than the fancies of conjecture. The necessity for clear and informative accounts and their importance in stockholder-public relations is increasingly recognized, as is evidenced by the comprehensive statements now issued by many representative corporations. Influenced by a changed viewpoint of progressive executives, reticence in accounts that present apparently with reluctance and misgiving a minimum of information is giving way to more adequate statements. There is, to be sure, no transformation; there is, however, a pronounced trend observable at least as far as the financial position is concerned. At the same time, the statement of operations, the profit-and-loss account, continues with notable exceptions largely along traditional lines—a mere framework with little form and less substance. Evidently sales volume, costs, expenses must not be disclosed, except under a sort of duress, otherwise the business may be exposed to the hazards of sales resistance, competitor attack, regulatory enactments. Actually there does not appear to be substantial ground in the reasons assigned for these apprehensions; nevertheless as an expression of an inherent caution they persist.

With these observations one may turn with profit to a brief consideration of the monograph mentioned, *Financial Statements in Annual Reports to Stockholders*, which summarizes the conclusions and reproduces specific statements following an examination of some five hundred annual reports to stockholders, embracing banks, department stores, railroads, manufacturing companies, mining and public utilities.

The elements and classification of a balance-sheet are graphically illustrated from selected reports, while the balance-sheets and profit-and-loss accounts in like manner exemplify well drawn, informative statements that promote understanding of the financial position of the reporting companies. Then, too, the accounts presented by representative companies are brought together in convenient form for reference. For this reason among others the monograph is worthy of notice. It well repays a careful reading.

HUGH J. BYRNE.