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Book Reviews

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Book Reviews

INTERMEDIATE ACCOUNTING, by HARRY ALTSCHULER. *The Ronald Press Co.*, New York. 335 pages.

We have here a collection of fifteen lectures under the general title of *Intermediate Accounting*, one of the series of the complete accounting course as used at Northwestern university. With no general standard as to just what is comprised in the term "intermediate," every institution being its own authority, it must suffice to state the subject of each lecture, viz: the balance-sheet, profit-and-loss statement, application-of-funds statement, analysis of changes in profits, capital and revenue expenditures; depreciation, joint-venture accounting, consignments, domestic-branch accounting, foreign-branch accounting, consolidated balance-sheet—100 per cent. ownership, consolidated balance-sheet—minority interests, accounting on liquidation basis, accounting for corpus and income and general review questions. It is apparent that many of these subjects might well be classed as higher accounting, and some as special phases.

No words are wasted in discussions or reasons why; the student is simply told what to do. Definitions are succinct and clear, the illustrations well constructed and to the point, and the problems and questions for each lecture are adequate to test the student's understanding of it. The wisdom of supplying solutions and answers (at the close of the following lecture) may be questioned, but supplementary review questions without answers are also provided.

The loose-leaf binding is most exasperating owing to the narrow binding margin, making it difficult to read the inside edges of the page, and impossible to lay the book open on a desk for reference. This sort of binding may have its purposes and advantages for the students of Northwestern university, but for general readers the ordinary book-binding would be preferable.

W. H. LAWTON.

THE CRISIS IN HOSPITAL FINANCE, by MICHAEL M. DAVIS and C. RUFUS ROREM. *The University of Chicago Press*. 235 pages.

During the closing years of the last century, I was obliged to become acquainted with—and soon became deeply interested in—the accounts of hospitals, but at that time could find only one book on the subject, and that was a small pamphlet written by Gerard Van de Linde and published in London in 1888. Since then much has been written on the subject and I must plead guilty to having added to the flood.

The latest addition consists, in the main, of studies which have appeared in various magazines, and the authors say that it is now published "in the thought that their collective issue at this time might perhaps stimulate thought and action upon the difficult and pressing issues which confront the trustees, administrators, physicians, public officials and others concerned with hospitals and clinics."

The work is divided into four parts dealing, respectively, with

1. The general situation.
2. Economics and hospital care.
3. Problems of hospital finance.
4. Issues and experiments.

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These headings, taken with the above quotation, indicate the classes of readers to whom the book is addressed, and it will be noticed that accountants are not specifically mentioned. To those directly concerned with hospital management there is much that is of deep interest, but the book does not directly concern the accountant, as such, although chapter XII on "fixed charges in hospital accounting" is adapted from an article written by Mr. Rorem which appeared in the issue of THE JOURNAL OF ACCOUNTANCY for June, 1931.

By the same mail which brought the book to me, there came from England the annual report of King Edward's hospital fund in which the Prince of Wales speaks of the fact that each year it appears to be more difficult to carry on than it has been in the past, yet the public responds; but to strengthen this response it is necessary that those connected with hospitals should inform the public of the various difficulties existing. For such a purpose the present work has much value.

The brevity of this notice must not be taken as indicating the value of the book, but merely its usefulness to the practising accountant.

WALTER MUCKLOW.

CUTTING CLERICAL COSTS, by EUGENE J. BENGE. *McGraw-Hill Book Company, Inc.*, New York, 1931. 327 pages.

Notwithstanding that in some quarters the extent of realizable reductions in the cost of clerical operations has been considerably overestimated, *Cutting Clerical Costs* might well be read advantageously not only by office managers, to whom principally it is addressed, but also by those having an interest generally in efficient and economical office operation.

Mr. Benge's treatment of his subject is largely from an engineering viewpoint. His assertion that scientific-management principles have been quite neglected in the office function and his conviction that economic forces which have resulted in the wide-spread application of those principles in the shop also will operate to bring about "mass production, mechanization, and standardization" in office practice suggest the general tenor of the book. The scientific-management principles and procedures calculated to bring about reductions in clerical costs are set forth in thirteen chapters.

Methods for office improvements are presented by the author in commendable detail and in a readable style, with adequate illustrative material. The proper correlation of the office layout and the flow of work and the determination of the quantity and quality of space requirements is covered in an interesting chapter. This latter phase of office management is not frequently encountered but the former is ever present and only too seldom does it receive the consideration which it deserves as an important factor in efficient and economical office operation.

To an accountant, the material devoted to improvement of office methods may impart an impression of incompleteness. However, when it is borne in mind that the subject matter is clerical work generally and when consideration is given to the author's statement that "practically all accounting work consists of clerical acts, although not all clerical acts belong to the field of accounting," the presentation chosen becomes readily understandable. In point of reducing the cost of work described generically as clerical operations, the principles

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enunciated are meritorious and ably presented. Their applicability to work strictly accounting in nature is only a matter of degree.

Means of achieving economy in what Mr. Bengé succinctly but expressively describes as "paper work" are dealt with in a practicable manner. They will be found to be worthy of study by even the most efficiently managed office organizations.

Brief descriptions of the usual types of office equipment are given, together with methods for determining their need and for choosing the proper equipment to meet particular requirements. As the author recognizes, continuing advances in the office-equipment field make it extremely wise to investigate thoroughly the available equipment whenever replacements or additions are contemplated. A mathematical formula for estimating the probable savings in machine methods as opposed to hand methods is given by Mr. Bengé, but it is admitted that the conclusiveness of the results indicated by the calculation is dependent in the first instance upon the correctness of the assumptions which must be made.

The selection, training, and compensation of clerical employees, as well as non-financial incentives for increasing their output, are treated in elaborate detail. While the processes which are delineated often approach the idealistic, many organizations would find much of immediate value in the principles and procedures expounded.

Towards the close of the book, there arises the impression of a tendency to cover much ground in a somewhat abbreviated fashion. In consequence, the standard of preceding chapters is not maintained and, more important, some rather untenable assertions are made.

In relation to the use of operating ratios as a means of control, the statement is made that "where there is a preparatory element chargeable to the operation (of direct labor) whether one unit or a million units are produced, the use of the ratio method of analysis and control is weak or invalid." This quite dogmatic assertion unfortunately fails to recognize that properly contrived and practicable methods of accounting will result in avoiding the pitfall mentioned and that the element of set-up, per se, need not have the vitiating influence attributed to it.

A subtle disparagement of the use of standard costs as applied to production is decidedly incompatible with the author's advocacy of standards in many phases of office practice. The premise which is advanced that volume and repetitiveness must be present in order to warrant the use of standard costs is a mistaken idea that has been conclusively controverted.

An inferential condoning, in the interest of economy, of occasional spot costing as a substitute for continuous costing is not in keeping with the soundness of principle otherwise generally evident throughout the work. Such a practice is so inimical to a proper control of costs that it has no place in the modern office, even as a measure for "cutting clerical costs."

T. R. SULLIVAN.