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Reviews - Writings in Accounting

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REVIEWS—Writings in Accounting



PHYLLIS E. PETERS, CPA, Editor
Touche, Ross, Bailey & Smart
Detroit, Michigan

"The Potential of Accounting as a Management Information System," Peter A. Firmin, CPA, *Management International Review*, 1966/2. Reprints available from Tulane University, School of Business Administration.

This scholarly article develops the thesis that the potential for an effective management information system exists in the accounting system. Recognizing that present accounting systems do not provide management with much of the information it needs (for example: rate of employee absenteeism and effect on scheduling and production, or rate of seat occupancy to capacity on airlines), he proposes a management information system built upon the framework of the accounting system.

To effectuate this, he suggests a departure for *internal* reporting purposes from the "heritage of conventions which constrain many accounting systems." For example, he urges the use of current values of assets and equities in internal reports.

He also proposes broadening the scope of accounting systems to include nonmonetary information, along with expansion of the concepts of asset and transaction. As examples, he would include under assets such intangibles as management effectiveness and would enlarge transaction to include such things as consumer reaction to a product. A matrix accounting system is suggested which could provide the nonmonetary information; for instance, included with a sales transaction would be such information as geographic area, salesman, rate of commission, sales tax due each governing body, excise tax, method of delivery, etc.

This article will undoubtedly disturb some people, for it suggests that reluctance to depart from tradition and a narrow view of the purpose of their activities may be reasons why accountants have not been able to provide management with all of the kinds of information it needs. There is plenty of food for thought in this article about the future role of the accountant. Can he—will he—be the one who provides management with adequate information? Or, will he relinquish that respon-

sibility to others and become only a part of a small subgroup in a total information system?

Dr. Bernadine Meyer
Duquesne University

SIMULATION, a 57-page brochure published by Burroughs Corporation, Detroit, Michigan 48232, as part of their Management Science Series Presentation.

In 30 pages of nontechnical language, this booklet provides an excellent concept of simulation and its use in business today. It is well worth the short reading time necessary, and for the individual who wants more information, there are 22 pages of bibliography.

A companion in the series, *PERT & CPM: PROVEN TOOLS FOR MANAGEMENT PLANNING & CONTROL* it is equally as good.

Dr. Bernadine Meyer
Duquesne University

"Pathway to Profit: The Management Information System" Bertram A. Colbert, *Management Services*, Volume 4, No. 5, September–October 1967.

Mr. Colbert begins his rather long article by asking the question, "What has information to do with profitability?" and he answers the question by stating that, "Every chief executive knows it has a great deal to do with it." Business decisions have increased in complexity and in magnitude, and many corporate managers have found that existing information systems do not provide the significant data required at the time they are required. As a result of companies' efforts to improve their information and data flow, a group of techniques called the management information system has developed.

The article is an attempt to answer the questions, "What is a management information system? How does it differ from such existing systems as accounting, sales, or production? Should you have one? What is its value? How do you obtain one or put one in a specific company?"

A management information system is defined as an organized method of providing each manager with all the data and only those data

which he needs for decision, when he needs them, and in a form which aids his understanding and stimulates his action.

Mr. Colbert believes that substantial improvement in most companies' management information would result from the following:

Increased use of ratios to provide improved understanding of the effects or results of operations.

Use of information developed from using work sampling, work measurement, and work simplification techniques.

Increased use of network techniques of presentation.

Increased use of PERT techniques in the cost system.

Increased use of incremental cost concepts.

Increased use of data processing equipment as the means of securing vital data in a timely and effective manner to implement the new concepts involved.

Increased attention to the development of a stimulating incentive which would serve as a motivation to management to take action on the basis of the information provided by an improved management information and control system.

Mr. Colbert concludes by stating that the profit picture in any company in the future will be to a significant extent a result of the gathering and intelligent use of good information.

Mary E. Burnet, CPA
Rochester Institute of Technology

"MANAGEMENT DECISION MAKING,"

Max D. Richards and Paul S. Greenslaw,
Richard D. Irwin, Inc., Homewood, Illinois,
1966, 549 pages, \$8.50.

This book begins with a historical treatment of management, and before the end of the first chapter the reader becomes very much aware that "scientific management" and the "classical approach" are now part of history and that today's thinking in management centers around the decision-making process with great emphasis upon the use of quantitative methods and applications from the behavioral sciences.

There is very good treatment (clear and readily understandable) of the use of models, heuristic programming, and simulation in decision making; of the systems concept; of deterministic and stochastic problems faced by the manager.

The accountant will especially enjoy chapters 12 through 18 which include discussions of such topics as control and information systems for control, linear as well as nonlinear

breakeven and profitability analysis, return on investment, capital budgeting, human considerations in budgeting, mathematical programming in allocation of resources, inventory decision making with some quantitative aids. A substantial mathematical background is not needed to follow the discussion of the quantitative methods. A familiarity with mathematical symbols and some elementary algebra is sufficient, since the book's purpose is to provide an understanding of the purpose and use of the various quantitative methods rather than to develop mathematicians.

Chapters 4 through 10 discuss the human element in business, with consideration given to individual and group behavior, the person, and the organizational structure. In the opinion of this reviewer, these chapters do not have the currentness of thought to be found in the rest of the book; for instance, there is no discussion of sensitivity training and the use of t groups.

For the accountant who studied management in the pre-1960's, this book provides a good, clear look at what's new in management today, especially in the quantitative area.

Dr. Bernadine Meyer
Duquesne University

"BASIC DATA PROCESSING," Richard W. Lott, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1967, 221 pages, \$5.95.

This is an excellent source of information for the uninitiated who desire an understanding and comprehensive overview of data processing. Written in easy-to-understand, non-technical language, *Basic Data Processing* will provide readers with a good overall picture of the data processing world. It is the kind of book which accountants and management personnel will find of interest. The accountant will especially appreciate the systems approach.

Liberal use is made of photographs and illustrations so that persons unacquainted with the terminology and equipment can see for themselves what such things as a program drum card, a sorter, or a random access file look like.

Major topics covered include systems analysis and design, computer installation considerations, costs, control with a data processing system, use of punched cards and magnetic tape, random access, fundamentals of programming, data transmission.

For the accountant who has been wanting to get started to learn something about data processing and has not been quite sure where to begin, this is a book for openers.

Dr. Bernadine Meyer
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