

3-1969

Reviews - Writings in Accounting

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Peters, Phyllis E. (1969) "Reviews - Writings in Accounting," *Woman C.P.A.*: Vol. 31 : Iss. 2 , Article 7.
Available at: <https://egrove.olemiss.edu/wcpa/vol31/iss2/7>

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REVIEWS

Writings in Accounting

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"THE FOUNDATIONS OF ACCOUNTING MEASUREMENT: A MATHEMATICAL, ECONOMIC, AND BEHAVIORAL INQUIRY," Yuji Ijiri, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 235 pages, \$6.95.

The value of this scholarly analysis of the foundations of accounting measurement lies in the relationship of measurement methods to the complex problems facing the accounting profession. Price level adjustments, valuation of inventories, and depreciation methods are just a few of the problems directly related to accounting measurement; and Mr. Ijiri's response to contemporary problems is to examine the foundations of accounting and to demonstrate their relevance in the solution of current problems.

Rather than idealize accounting as he believes it should be practiced, the author has examined accounting theories and practices that are currently accepted. His fundamental purpose "is to indicate *what* accounting measures and *how* it is measured." Mr. Ijiri describes his analytical method as "meta-accounting" or "accounting sociology," and his approach to the problem of accounting measurement is from three distinct points of reference. According to Mr. Ijiri, a mathematical inquiry is necessary in order to understand the logical structure of accounting; an economic inquiry indicates what accounting attempts to measure; and a behavioral inquiry illustrates how accountants use the measurement system and how decision makers utilize accounting information.

Although the text adopts mathematical notation to develop certain ideas (notably in the discussion of the linear aggregation coefficient in Chapter Six), the reader needs only a fundamental understanding of algebra and set theory to evaluate the concepts presented. The application of mathematics should not deter practicing accountants from examining this book. Total comprehension of the mathematical sections is not essential to an appreciation of the author's ideas on accounting measurement.

Among the more important topics consid-

ered in the book are the duality and uncertainty of values, exchanges, and utility differential as the source of profit. The significance of historical cost valuation is discussed and its utility for accounting measurement is substantiated. The axiomatic structure of accounting is a topic other writers have discussed. Mr. Ijiri's presentation of the set of axioms—control, quantities, and exchanges—is clear and concise; and he indicates that the axiomatic approach to measurement commands clear empirical as well as theoretical support.

An interesting chapter of the book reviews recording systems of accounting, and distinguishes between classificational double-entry and causal double-entry systems. The author illustrates how the traditional classificational double-entry can be extended to multiple-entry bookkeeping and even to multi-dimensional record keeping. Although fully cognizant of the serious problems requiring solution before multi-dimensional bookkeeping can become a reality, Mr. Ijiri recommends a reevaluation of the necessity for and utility of the current single-value measure.

The concluding chapters examine the relationship between accountants and accounting data and the managers who use the data for decision-making purposes. The objectivity and reliability of accounting information are reviewed together with a behavioral analysis of accounting measurement and decision making.

This book merits study and discussion among practicing accountants, theoreticians, economists, and students because it examines the foundation on which the entire structure of accounting lies. As the author points out: "Measurement is the core of accounting, and without an understanding of what is measured and how it is measured, proper comprehension of accounting is totally impossible." Adequate solutions to the complex and serious problems of contemporary accounting will be impossible unless accountants keep in mind the basic nature of accounting measurement.

Although the book is not easily readable, its deficiencies in organization should not deter accountants from a careful analysis of the author's ideas. Practitioners who recognize the

complexity of current problems and who understand the implications of the crucial questions now facing the profession will appreciate the insights Mr. Ijiri has provided.

Linda H. Kistler, CPA
Lowell Technological Institute

"PLANT FINANCING, ACCOUNTING, AND DIVISIONAL TARGETRY," George J. Staubus, CALIFORNIA MANAGEMENT REVIEW, Volume X, No. 4, Summer 1968.

This very interestingly written article is the true tale of a firm of four hardware stores. It compares the results of relying on return on investment as an indicator of divisional performance with accounting methods which consider cost of capital. Not only does the article have something worthwhile to say, but it is refreshing to read an accounting article which is in short story form.

Dr. Bernadine Meyer
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"ARTS" OF COMMUNICATION

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good or better according to reasonable standards. Within reasonable limits it is possible to increase the speed of handling materials and have better retention results.

Previewing

Analyzing the results of the four patterns, if a reader's rate is slow, his desk has an accumulation of unread materials because he has failed to recognize that different materials vary in importance or in the intensity of the attention they demand. A new approach to eliminating this situation is previewing.

Most prose is written in a rather common structural pattern, lending itself to previewing or surveying rapidly. There is an introductory paragraph that declares the main thought of the unit, the body illustrates and enlarges the main idea and the concluding paragraph sums up the point. So, by reading the topic and summary sentences of each paragraph, then the topic and summary paragraphs of each article, it is possible to cover material quite thoroughly but quickly.

Previewing is a recognized accepted technique recommended by all leading authorities to improve the art of reading. One rapid but complete preview is often sufficient to enable the reader to take whatever action is needed to dispose of the material.

In the accounting profession it is often necessary to do more perfectionistic reading than previewing allows—example, financial state-

ments. Certain facts must be retained pertinent to the particular job to be accomplished. If a reader has previewed the material of lesser importance, he will have ample time for the more important.

Skimming

The previewing technique can be broadened slightly so that it may be the entire act of reading some materials. This is accomplished by skimming—a process of allowing the eyes to travel over a page very quickly, stopping only here and there to gain an idea. Skimming is previewing in a more thorough manner. There are many different ways of skimming, such as reading random sentences that seem to stand out, or reading only the center third of each line.

Combining the technique of previewing with skimming will help the reader to sort materials as to importance, then follow through with more attention to details. The reader will cut reading time by more than half if he uses skimming when it is appropriate. Skill and art in comprehending materials read in this fashion will grow with use of the technique, overcoming slow, cautious reading.

Reading for Ideas

Another way to improve speed and comprehension is reading for ideas. This is accomplished by deleting as many of the less important words as possible. Reading is really thinking along with the writer. All ideas are present despite the omission of words. By reading and assimilating ideas rather than words, the reader understands and retains more. It is possible to learn to read faster by reading for ideas because this is closer to the capacity of thinking rather than a word by word rate.

The need for careful, detailed reading common to the accounting profession, especially in reference to financial reports, often results in a rather rigid habit of slow reading. Technical reports really are a very small portion of the reading requirements accountants have in a day's routine so a special effort should be made not to fall into this habit.

Scanning

Scanning means looking very rapidly over a paragraph or large piece of reading matter to find the answer to a question. Scanning is the proper reading art in the use of a telephone book, almanac, a business directory or a dictionary. Scanning is particularly useful to the accounting profession when looking for a single fact or statistic in a series of charts, tables, annual reports, or in collating a group of facts for a detailed report.