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Reviews - Writings in Accounting

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Reviews

Writings in Accounting



Editor:
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THE ACCOUNTING SAMPLER, Third Edition, Thomas J. Burns and Harvey S. Hendrickson, editors; McGraw-Hill Book Company, New York, N.Y., 1976; 595 pages, \$6.95 (paper back)

This readings book contains articles written by distinguished scholars and leading practitioners from government, industry, and the accounting profession, a quote by Telly Savalas, and a quote from an advertisement for vodka. Approximately 90 percent of the 153 short articles were not included in the second edition. The articles cover a span of fifty years of writing of which 77 percent were written in the past five years with the majority published in 1975. Topics such as current controversies on recent developments in accounting (forecasts, leases, pensions, inflation accounting, franchising, human assets, multinationals, segment reporting, tax allocation, goodwill, GAAP, the Trueblood report, auditor's liability, and extraordinary items) are covered as well as the conventional subject matters relating to financial statements.

The authors have selected subjects as diverse as international accounting,

nonprofit organizations, social accounting, accounting organizations, rulemaking agencies, accounting history, and the Accounting Hall of Fame. Interesting articles on accounting for cattle ranching, a drive-in diner, Jack Nicklaus, United Fund Agencies, football teams, and nuclear fuel are included in the collection.

The contents of the book were drawn from 75 sources and from leading accounting and business periodicals from several countries (United States, Australia, England, New Zealand, Scotland, Canada, and the U.S.S.R.). Among the writers are practitioners such as a Peace Corps accountant, a movie accountant, a young CPA, an accountant in the FBI, a retired accountant, an accountant for artists, a sports accountant, a management accountant, and a controller.

The book contains questions after each article as well as a correlation table relating selections to chapters of 13 elementary accounting texts. There is a solutions manual available to instructors who might adopt the book for their classes.

This readings book is appropriate for the accounting student, the practicing

accountant (both public and private), and the academician. It contains several aspects of the subject of accounting (theory and practice) and it highlights the policy maker's (FASB, SEC, and CASB) role in the accounting profession. Since many different subject matters from many different sources are included, the reader is provided insight into pertinent matters in the accounting profession in the United States as well as other countries.

Bobbie Harper Hopkins, Ph.D.
Mississippi State University

WOMAN AND THE WORKPLACE: THE IMPLICATIONS OF OCCUPATIONAL SEGREGATION, Martha Blaxall and Barbara Reagan, editors; The University of Chicago Press, Chicago, 1976; 326 pages, \$3.95 (paper back)

This volume of proceedings from a 1975 conference sponsored by the American Economic Association's Committee on the Status of Women in the Economics profession is good reading for the general public and professional women. The underlying, interlocking institutional factors influencing occupational segregation are examined (three or four articles per topic) with emphasis on three main disciplines — economics, history and psychology/sociology. An interesting, pertinent comment section follows each main topic and a final section prescribes and evaluates policies to overcome such segregation.

Occupational segregation exists in an occupation whenever "the work force in that occupation does not contain a representative distribution of persons on the major demographic variables according to their proportion in the adult population." This definition extends the concept beyond sexual grounds to include other aspects such as age, race, or religious discrimination.

More familiar ideas explored are pressures from increased responsibilities facing the woman who is unable to relinquish past homemaking duties upon labor force entry; laws defining the male as "head of the household" thereby implying female dependency; motivational studies showing high work incentives among welfare mothers thwarted by their inability to find jobs paying even welfare level incomes; and male egos in need of earning larger incomes than their spouse's

fostering low wages in female — dominant professions such as nursing and teaching.

Less familiar elements discussed are whether low female aspirational levels reflect expected low returns from human capital investment or past socialization processes; labor market duality in socialist nations whose ideological rhetoric claims equality; female subjection as necessary to the support of capitalism; subtle discriminatory behavior arising from established business customs, e.g., sponsored for guiding on through promotional channels; and the large numbers of women who remain unaware of discriminatory practices or of the benefits they derive from the women's movement.

New ideas include an explanation of occupational segregation as a normal result of a self-sufficient homosocial male society where men "derive satisfaction for their intellectual, physical, political, economic, occupational, social, power, and status needs — and in some circumstances their sexual needs — from other men." Where their power and pecking order rests on resource control, and where woman's lack of resource ownership decreases her usefulness. Female recognition comes mainly through sexuality, motherhood or other services which increase the male's eminence in *his* world. A second idea calls for the development of a new science exploring the dimorphic nature of the human race. Using scientific practices, dimorphics studies societal systems and their resulting institutional forces from an interdisciplinary perspective.

The causes and consequences of occupational segregation unearthed in the book are similar to those espoused in popular women's magazines; however, the depth of the analysis, adds needed rigor without sacrificing readability or understanding. Its more general scholarly approach clearly states assumptions, spells out definitions, gives data sources, states research methods and shortcomings, and suggests numerous areas for future research.

This book is fascinating, must reading for anyone who things economics is dry, dull, sterile and clinical. It shows discriminatory practices and underlying values being legitimized as they filter through an interactive social system. It raises awareness of subtle discriminatory mechanisms and available

legal safeguards. It shows that women are too busy comparing their work/pay status with JANE, when it should be JOHN, Doe. It adds much to the literature on women, and on the economics of discrimination.

Kathie Gilbert, Ph.D.
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THE COMPLETE BOND BOOK, David M. Darst; McGraw-Hill Book Company, New York, New York, 1975; 336 pages, \$12.95 (cloth-cover).

The most singularly outstanding feature of *The Complete Bond Book* is perhaps its breadth and diversity of coverage. However, since investors are constantly confronted by inflationary pressures and a vacillating economic environment, change appears to be pervasive within the investment community. Regardless of the particular investment medium, investors now appear to be making a concerted effort to derive maximum yield or return while limiting risk to the guidelines of some predetermined level. The broad scope of this book is a tribute to the author and his perception in setting forth a comprehensive list of available alternatives complete with risk/return considerations. The author is very generous in his efforts to aid the reader in circumventing the interpretation and selection caveats which beset contemporary investors.

The author delineates alternative courses of action which may be employed during varying economic climates and the different actions implemented by the Federal Reserve Board. The author further contends that his approach should provide impetus to the reader in moving toward the development of new ideas and techniques. The author reinforces the thesis of the proper detection of undervalued and overvalued securities and maintains that proper fixed-income security analysis must necessarily be integrated with an accurate assessment of the current and projected status of the economy. For example, the author stresses several different tools that an investor might utilize in monitoring the money supply and credit. Monetary and economic data are presented from the standpoint of both their correct interpretation (Chapter 5), and their accessibility from informational sources.

Chapters six to eleven contain an overview of the specific security types. Detailed coverage is provided on U.S.

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government securities, securities of U.S. Government Agencies, money market in short-term investment vehicles, municipals or tax-exempt instruments, and corporate securities. Chapter 11 is focused on international securities, as the author enumerates the primary benefits and inherent risks of investment in international fixed-income security types. Chapter 12 is designed specifically to provide an abridged synthesis of the more common fixed-return security types. Chapters 13, 14, and 15 contain more sophisticated investment concepts and techniques. Coverage is extended to such areas as yield curve analysis, portfolio transactions and improvements (i.e., such as swap transactions), and general and technical informational sources.

It is the opinion of this reviewer that this book is an excellent reference and informational source. The book is written with the express intention of being applicable to most investors. The book is conceived in such a manner as to assist the investor in becoming more judicious and discriminate in his investment selection. The orientation of the book is general but pragmatic and contains an excellent framework for both macro- and microeconomic factors that may dictate some influence on any given fixed-return investment situation

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The authors of this article present a capital budgeting model for explicitly incorporating inflation and which allows for uncertainties in real cash flows. As a starting point, the traditional risk-adjusted discount-rate (RADR) model is considered. In the remainder of the article, the authors relax, in a step-by-step fashion, six restrictive characteristics which are typically associated with the traditional RADR model.

First, in the traditional RADR model nominal cash flows are discounted. The authors argue that since an investment may be viewed as foregoing current for future consumption, real cash flows should be utilized not nominal cash flows. This is done by expressing the nominal cash flows in terms of dollars of the period in which the project is being considered.

Second, the traditional approach of using a constant risk-adjusted discount rate is changed in favor of discounting at the risk-free rate once the risk adjustment has been made. Overadjustment due to compounding the risk premium is avoided.

Considering the difficult nature of capital budgeting in general, this article is written in a clear, concise manner and its subject matter is presented in a logical sequence. While the authors do present a model for explicitly considering inflation, their analysis actually goes beyond inflation alone. The inclusion of such topics as depreciation tax shields and the proper risk-adjusted discount rate procedure to use adds to the value of this article.

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¹Eugene H. Byrne, *Genoese Shipping in the Twelfth and Thirteenth Centuries* (Cambridge, Mass.: The Medieval Academy of America, 1930), p. 59.

²Walter Ashburner, *The Rhodian Sea-Law* (Oxford: Clarendon Press, 1909), pp. cxxxvii, clxxxviii.

³*Ibid.*, p. cxxxviii.

⁴Byrne, *Genoese Shipping*, p. 60.

⁵Ashburner, *Rhodian Sea-Law*, p. cxxxvii.

⁶Robert S. Lopez and Irving W. Raymond, *Medieval Trade in the Medieval World* (New York: Columbia University Press, 1955), pp. 176-78.

⁷M.M. Postan, *Medieval Trade and Finance* (Cambridge: University Press, 1973), p.34.

The Ship Scribe As Accountant in Medieval Sea Trade

Ship scribes performed duties of recording and summarizing transactions occurring on sea ventures in the medieval period. One, sometimes two, scribes traveled on board each merchant ship the entire journey. By the thirteenth century the scribe's role in sea ventures originating from Italian ports was well defined. In some respects he performed duties similar to those of a modern-day notary public, but the greatest amount of his time was spent on activities which we recognize today as those of a twentieth century accountant.

The ship scribes were at first agents of investors who had entered into contracts with sea merchants.¹ Later, however, city statutes of those cities located on major water routes required the presence of scribes on ships trading at their ports.² Ship scribes thus acquired a responsibility to report to the local government as well as to the parties with interests in the venture. In this role, ship scribes were expected to mediate the interests of all who were involved in a venture, much as auditors today attempt to maintain an independence in their position as servants of the public and private interests of those involved in an operation.

The ship scribe entered transactions in a *quaderno* or *cartularium*, much as did landlocked bookkeepers in northern Italy during the thirteenth and fourteenth centuries. In this book, which served then much as do documents of a transaction or several transactions today, the ship scribe recorded inventories of goods received on board ship as these were loaded. He also recorded the removal of goods from the ship when they were sold or jettisoned. Often this part of his *quaderno* was copied and given to the owner of goods immediately after loading. The owner then used the copy of the inventory as a negotiable instrument. The scribe also recorded agreements with the mariners, mariners' wages, and expenses of feeding the mariners. Of course the contract between the merchant who went with the ship and the other investors was also an essential part of the scribe's record.³

The ship scribe faced a problem common to accountants today, the valuation of inventories. His problem was multiplied, however, by the necessity of repeating his inventory at each port of call and of recording entries involving many varieties of currency. He also was faced with the present-day problem of determining income, for he was required to keep track of sales and expenses to provide an accounting of profit for each investor.⁴

In some cities the *quaderno* was required to be deposited with a city authority as a public document. In cases of dispute between investors and the sea merchants the scribe's book became an important part of the evidence.⁵

The role of the ship scribe probably evolved from that of the notary who commonly attested to documents and wrote agreements between parties in Italy and elsewhere during the medieval period. There exist *commenda* agreements which bear the attestation and signature of a notary in Venice in the early medieval period.⁶

Some similarities between the role of the scribe and the English *scrivener* are worth noticing. The *scrivener* reached a position of significant importance in the Middle Ages. He composed most diplomatic writings and wrote private bonds. He kept a record of these and other private documents which he notarized and his record was accorded the standing of evidence in merchant cases.⁷

In summary, the scribe was an accountant who performed many modern functions of bookkeeping, including the analysis, recording, and classifying of information relating to transactions on the voyages in which he took part. He probably did not use ledger accounts as we know them and we have no evidence that he practiced double-entry bookkeeping. He held a position of public trust much as our public accountants today. His role probably developed out of the profession of the notary public as well as that of the bookkeeper.

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