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Book Reviews

ACCOUNTING PROCEDURES FOR PUBLIC UTILITIES, by WARREN G. BAILEY and D. E. KNOWLES. *A. W. Shaw Co.*, New York. 471 pages.

On the title page of *Accounting Procedures for Public Utilities*, the following appears after the title: "With special reference to electric-light, gas, water, and electric-railway utility companies."

It would have been better had the title itself been modified, as there is practically nothing in the book, outside of generalizations, that applies to the accounting for utilities other than those mentioned above.

Perhaps the best way to indicate the scope intended to be covered by the authors is to list the chapter headings which, in most instances, are self-explanatory. They are as follows, the numbers in parentheses representing the number of pages devoted to each chapter:

I, Introduction (29); II, Place of accounting in public utilities (8); III, Uniform accounting for utility companies (19); IV, General accounting books (18); V, Expense accounting (14); VI, Timekeeping and payroll methods (18); VII, Distribution of labor charges (9); VIII, Departmental responsibilities in accounting for materials (6); IX, Accounting for materials and supplies (22); X, Plant accounting (15); XI, Current liabilities (20); XII, Revenues from utility services (12); XIII, Revenue accounting for electric, gas and water services (22); XIV, Accounting for merchandise sales (19); XV, Accounting for revenue of electric railways (20); XVI, Customers' accounting: Multiple account ledger sheet system (15); XVII, Customers' accounting: Miscellaneous bookkeeping operations (19); XVIII, Customers' accounting: The bill-stub plan of bookkeeping (16); XIX, Customers' accounting: The register and individual account systems (13); XX, Accounting for customers' payments and petty cash (19); XXI, Accounting for refunds and adjustments with customers (13); XXII, Auditing procedure (22); XXIII, Budget procedure (27); XXIV, Interpretation of financial and operating statements (19); XXV, Public-utility construction and extensions (14); XXVI, Accounting for capital stock and dividends (17); XXVII, Accounting for capital-stock sales (12).

There is also an index of nine pages and a list of forms, thirty-nine in number.

The introductory chapter deals with the development and growth of public utilities and the powers of public-utility commissions, and the chapter on plant accounting contains some data on the subject of the rate base. The chapter on uniform accounting is based upon the uniform classifications of accounts for water, gas and electrical utilities prepared by the National Association of Railway and Utilities Commissioners. These classifications, it is stated, have been adopted completely, or in substance, by the commissions of twenty-five states.

After reading the book, one is apt to have what may be termed a reaction complex, particularly if one has been initiated previously in the intricacies of utility accounting and is cognizant of the necessity for accurate accounting information in preparation for rate proceedings and for clearly expressed thoughts in relation to the problems involved.

Parts of the book evidence careful research, other parts are obviously based upon misinformation, or incomplete information, still others appear to have been carelessly edited or proofread, and here and there the authors have wandered afield into the realm of administrative functions with some elementary advice thrown in for good measure.

In other words, the value of the book may well be summarized by resorting to metaphor and borrowing the title of an old song which runs as follows:

Just a little tenor
Just a little baritone
Just a little base

EDWARD H. MOERAN.

TESTING BEFORE INVESTING, by EDMOND E. LINCOLN. *A. W. Shaw Co.*, New York. 96 pages+xiii.

A lady recently complained bitterly that the authorities of a hospital in which her husband was a patient allowed him nothing but "sippy" food. The expression was new to me and is not to be found in the new *Century Dictionary*, but, like many new words, it is expressive and at once suggests food which can be easily digested, even if its food value be somewhat low.

Such a description can properly be applied to the book called *Testing Before Investing*: it is elementary, easily absorbed and easily digested. If Joe Jinks would but study it he would not invest in unseen reported oil wells in Texas and Mr. Gump would not have lost so much of Uncle Bim's money.

The book is addressed to a portion of the community which is of importance and of growing importance, namely, "The new owners of industry, who save and invest while they work." It is full to the brim of good advice and is free from controversial matter; facts and advice are plainly stated and are addressed chiefly to that enormous class "The salaried man" who is urged repeatedly to "*get competent advice*".

After describing the various types of investors, we are told "how to start" and "how not to start". Mention is then made of the various sign posts by the way which may be consulted, and then follows a discussion which might be called "Bonds versus stocks."

A chapter is devoted to the various general classes of securities such as public utilities, rails, industrials, foreign bonds, and real-estate bonds, and in each case a brief form of analysis is given.

After a consideration of business cycles, we are told how to buy bonds and stocks and are furnished with a glossary of investment terms.

An accountant of experience, if a Frenchman, might dismiss the book with "*Ça va sans dire*," but he should remember that he has benefited by the experience of many foolish clients of the "Joe" and "Gump" class.

To the young man, to him who is not brought into touch with investments and to whom the language of Wall street is an unknown tongue, the book forms a safe guide to start him safely on a road where, after all that is said and written and done, experience is the only guide of value. If only we could or would or had followed Mr. Lincoln's advice, many of us would today have a larger bank account and a less costly crop of experience.

WALTER MUCKLOW.

Book Reviews

FINANCIAL MANAGEMENT OF FARMERS' ELEVATORS, by GERALD M. FRANCIS. *A. W. Shaw Co.*, New York. 109 pages.

The title page of *Financial Management of Farmers' Elevators* states that this is a study in the principles of corporate finance as applied to grain marketing companies, and the foreword informs the reader that the book received the second prize offered in 1926 by the Chicago Trust Company for monographs in the field of business development and the modern trust company.

The author deserves commendation for the care exercised in the preparation of his work. Throughout the book the text is amplified and illustrated by forms and tables, and footnotes make reference to the author's sources of information. At the end of the volume is an index and a bibliography showing the books, pamphlets and periodicals containing material relating to coöperative grain marketing made use of in the preparation of the thesis.

The first two chapters are introductory and historical, covering such subjects as the early causes of coöperation, the origin and effect of the "maintenance clause," price stabilization through control of supply, the legal recognition of farmers' needs, the competitive strength of farmers' elevators and their importance to grain pools. Herein is one conclusion which should challenge the serious attention of coöperative executives; i. e., while the establishment of competition in local buying has been a profitable achievement for the farmers, this has been accomplished in spite of the fact that there is an abundance of opportunity for farmers to develop greater efficiency and economy in the business of handling grain.

The succeeding chapters are devoted to a discussion of financial operations. Due to the aversion of farmers to the assumption of the burdens of complex business and the expense incident to the maintenance of adequate records, Mr. Francis finds a lack of dependable figures affording a basis for the solution of the problems of farmers' companies.

The author does not maintain that the data presented as the result of his study are sufficiently broad or representative to justify final conclusion on all points of management discussed, yet he has made good use of the materials at hand and has made an important contribution to a more or less neglected subject. Any coöperative elevator which must depend upon local bankers for credit will undoubtedly find that the amount of credit obtainable and the interest rates demanded will depend upon the factors set forth in the author's analysis.

The use of these studies would make it easier for the intelligent manager to determine and to maintain his institution's claim to sound credit standing, and would enable him to prepare against possible depression in the grain-elevator business.

Chapter eight contains an analysis of the liability of farmers' coöperative associations for federal income taxes. This analysis points out the conditions precedent to exemption and indicates the changes that may be of assistance to those companies operating close to the border line.

The author points out a condition that has long been known to accountants. A survey of the records of coöperatives indicates that the companies too frequently rely upon inadequate audits both internal and external. The farmer's aversion to bookkeeping has prevented a full appreciation of the

benefits derived from the employment of skilled accounting and financial counsel.

It is clearly demonstrated that farmers' companies must realize that the precautions necessary in ordinary business management are equally essential to the success of coöperatives. Coöperatives are subject to the same economic laws as govern other enterprises. The form of coöperative organization employed and its relation to a terminal association, while important problems, are in fact secondary to the internal financial management of the individual companies.

This book should be on the shelf of every accountant who numbers farmers' companies among his clients.

ELLIS LEMASTER.

DEPRECIATION, RESERVES AND RESERVE FUNDS, by LAWRENCE
R. DICKSEE. *Gee & Co.*, London. 78 pages.

Depreciation, Reserves and Reserve Funds is the fifth edition of volume XXVI of The Accountants' Library, a brief textbook for English students on the subjects indicated in the title. To an American reader its most striking characteristic is the difference in nomenclature from ours with respect to reserves and reserve funds, a feature sure to cause confusion in the minds of American students of accountancy. For example, Professor Dicksee places both reserves and reserve funds on the liability side of the balance-sheet, whereas American teaching prescribes that a reserve is a liability but a reserve fund is an asset. It only adds to the confusion (of the American student) to be told (on page 57) that a sinking fund is "very widely used to cover any systematic accumulation of moneys for the repayment of liabilities becoming due at definite future dates" and then to read further (on page 61), ". . . the account that would ordinarily be called 'reserve for depreciation account' might be styled 'sinking fund' and so stated on the liabilities' side of the balance-sheet. . . ."

It is, of course, merely a matter of defining terms. Translated into American usage what Professor Dicksee calls a "reserve" is our operating reserve, i. e. a reserve created by a charge in current operating expenses; his reserve fund is our reserve from profits or surplus. Our sinking fund records actual cash or securities set aside for specific purposes; Professor Dicksee calls it an investment account. Our sinking-fund reserve is his sinking-fund account.

And yet we pride ourselves (sometimes) on using a "common language"! But one would think the editors of the Library would give some attention to such differences in usage before seeking an American market.

W. H. LAWTON.