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Book Reviews

ACCOUNTING, ITS PRINCIPLES AND PROBLEMS, by HENRY RAND HATFIELD. *D. Appleton & Co.*, New York. 548+xviii pages.

In *Accounting, Its Principles and Problems*, Professor Hatfield has combined real scholarship with a vision and literary style unusual in the literature of accounting. This book may be considered a critical survey of existing literature on the principles of accounting; but it is more than that—it contains the gist of more than one hundred and thirty court decisions as they deal with accounting matters. Furthermore, numerous references to statutes, commission rulings, internal-revenue regulations, corporation reports, and so forth, make this, in the opinion of the present reviewer, the most important single book on accounting that has yet appeared.

Accounting, Its Principles and Problems is in reality a revision of Professor Hatfield's earlier classic, *Modern Accounting*. Eighteen years have elapsed since the appearance of *Modern Accounting*—a rather unusual circumstance in view of the volumes of material which are annually coming from the press. A prominent eastern educator remarked to the reviewer this past summer that at present it required a great deal more judgment and wisdom not to write than to publish the sort of books that are generally appearing—I believe he is right. One thing which this young and rapidly growing profession of accounting apparently has not learned is that good books can not be written in a month, or even within a year. Recently the literature of accounting has become somewhat like modern fiction; out of the mass of material which appears each year we may find one, or at most a few, books that will last. Professor Hatfield and accountancy are to be congratulated that *Accounting, Its Principles and Problems* did not appear until it could come forth a finished product of research and genuine scholarship.

This does not mean, however, that the present reviewer or any other reader need necessarily agree with all statements made. Such matters as terminology, bases and methods of valuation, what is profit and when is it realized, profit available for dividends, surplus, reserves, and so forth will always call forth differences of opinion—intelligent differences of opinion denote a healthy condition within the profession. Any reader who peruses these chapters carefully, however, must be impressed with the material presented, and in the majority of cases will probably be given a new appreciation of the whole science of accounting.

It is not the purpose of the reviewer to attempt any criticism of detailed portions of the book. There is so much that is excellent in it that criticism is largely out of place. In order, however, to give an idea of the full scope of the work the chapter headings are given:

- I. The balance-sheet
- II. Assets and their valuation
- III. The valuation of particular assets
- IV. Intangible assets
- V. Depreciation: General considerations
- VI. Depreciation: Methods of calculation
- VII. Capital stock I

- VIII. Capital stock II
- IX. Liabilities
- X. The problem of profits
- XI. Dividends and capital losses
- XII. Profits available for dividends
- XIII. Surplus and reserves
- XIV. Surplus: Its appropriation, investment and distribution
- XV. Sinking funds
- XVI. Trading, manufacturing and income accounts
- XVII. Problems of the income account
- XVIII. Cost accounts
- XIX. Partnership accounts: Organization
- XX. Partnership accounts: Liquidation
- XXI. The statement of affairs and deficiency account
- XXII. Consolidated balance-sheet
- XXIII. Interpretation of the balance-sheet

In addition to these chapters there are some sixty-five pages of questions and short problems, arranged to correspond with the several chapters of the text. These questions and problems are thought-provoking, and will undoubtedly cause the book to be rather widely used among teachers of advanced classes in the theory of accounts.

The present volume has omitted the introductory chapters of *Modern Accounting* dealing with debit and credit, and has begun with a discussion of the balance-sheet as a whole. This method of presenting the subject has become very widely used in colleges of commerce throughout the United States. Other new features which appealed to the present reviewer related to the rather exhaustive discussion of income and surplus and the problems of the income statement, a chapter on the consolidated balance-sheet, and one on the interpretation of the balance-sheet. In practically any of these chapters may be found points with which many readers will take exception; nevertheless Professor Hatfield has produced a book which deserves the very highest commendation, and which without doubt will soon be found in the library of nearly everyone interested in accounting.

J. HUGH JACKSON.

CORPORATIONS DOING BUSINESS IN OTHER STATES, by H. A. HARING. *The Ronald Press Co.*, New York. 302 pages.

It is entirely appropriate that *Corporations Doing Business in Other States* should have been sent to a southern state for review at this season, when so many of us have been reading invitations from each of the forty-eight states to spend our holidays within its borders and have been weighing advantages and economies one against the other, for the object of the book is to inform the reader of the advantages and disadvantages offered by each of those forty-eight states to the corporation desiring to do business therein.

The importance of this information grows greater yearly, as corporations increase in number and importance, as requirements become more and more numerous, and as the lawmakers throughout the country appear to desire to

compete with some of the lower forms of animal life in the number of their progeny.

The whole question is peculiarly an American one, for nowhere else in the world does one nation present the picture of forty-eight sets of laws to which one corporation may be subject if it engages in nation-wide business.

It seems almost a perversion of the English tongue today that a company organized in Missouri is a "domestic" corporation in St. Louis and a "foreign" corporation in East St. Louis, yet many such instances occur and the principle extends throughout the entire country, for business refuses to be confined by any river, or other boundary, which happens to form the frontier of a state.

The book contains only ten chapters, each of which deals with a group of details falling under one head.

Chapter I treats of "Foreign corporations and the comity of states." It describes the difference between an individual and the "artificial person" known as a corporation and limits the discussion throughout the book to those matters affecting the general business concern, leaving out of consideration special corporations such as banks, insurance companies, public-utility companies and others of a special nature.

The peculiarities of interstate commerce are explained, many pitfalls are pointed out and the safe courses are indicated.

A second limitation is placed on the contents of the book, namely the restriction of the discussion to those matters which concern more directly the executive officers who desire to qualify their corporation to do business in several states. Purely legal matters, such as those relating to service, to suits, to bankruptcy and so forth, are too voluminous, and too technical—they are the subjects for attorneys rather than for executives.

Chapter II is entitled "State purpose to raise revenue." It briefly discusses the right of a state to impose taxes and gives a short account of how this particular form of taxation of corporations has grown. Added to the desire to protect their own corporations many of the states have regarded the "foreign" corporation desiring the privilege of doing business in their state as the goat—I can think of no other word which so well expresses the idea. The method of limiting such taxation, when it is so excessive as to affect interstate commerce, is also clearly explained.

The definition of "doing business" is illustrated by interesting examples in chapter III, and the "Restrictions upon average corporations" occupy chapter IV.

Chapter V is important, for it describes the penalties exacted by each state from a corporation for violating the law and it contains a table of the punishment designed by each state, followed by a list of similiar penalties enforceable against the individuals representing a sinning state, and a third schedule showing the effects of neglect or omission upon the validity of contracts made by/with corporations which have disregarded the local provisions.

"The designated agent in a state" is described in chapter VI which contains the pertinent requirements of each state, with the forms to be used in a number of states.

There are forty-eight methods by which a foreign corporation may obtain the privilege to trade, each state having its own procedure. Some of the most elaborate are described in detail with forms, while the forty-eight requirements

Book Reviews

are all shown in one table which gives full particulars as to the person to whom application must be made, the base, and the rate of taxation.

After granting the privilege, many states demand an "Annual report and fees" to show what has been done, and these form the subject of chapter VIII, with another table showing the fees imposed by each state. This chapter also contains the forms necessary in those states requiring elaborate periodic reports.

Chapters IX and X, entitled respectively "A levy difficult to avoid" and "Meeting the situation," are by far the shortest in the book and together occupy only twenty pages. While such taxes can not be avoided, in some cases they may be minimized if the officers avail themselves of the information contained in the first eight chapters, and if the proper procedure be adopted.

The above précis may lead the reader to think the book is dry or uninteresting, but such is not the case, for it contains so many examples of difficulties which have been brought to court. The cases of Armour Packing Co., Singer Sewing Machine Co., Western Union Telegraph Co., Mellins Food Co., Victor Talking Machine Co., Studebaker Corporation and many others are both interesting and instructive to the executive and to the student of economics.

While the book deals mainly with facts, the reader can not fail to recognize the importance of the principles leading to those facts and the widespread confusion which exists. The results are such as Gulliver might have found, or such as might have been born in the fertile imagination of Sir William Gilbert, although it would have taxed the powers of Sir Arthur Sullivan to compose appropriate music, for there had not been invented in his time "jazz," which seems to be the most suitable form of accompaniment.

Unfortunately Mr. Haring holds out no hope for any immediate relief and his conclusions agree with those of the president of the National Conference on Uniform State Laws.

The value of such a book depends upon the accuracy and the amount of detail it contains. The latter has been shown: no one person could certify as to the former but if the requirements of all states are reported as accurately as are those of Florida, they may safely be relied upon, until another crop of state laws is ripe for gathering—a condition to which the author is fully alive. Only three months since some modifications as to corporation agents were placed on the statute books in Florida.

I have said that the book is interesting. I hope I have shown that it is useful, for surely there are few practising accountants who have not some clients interested in extending their businesses beyond the borders of their own state.

WALTER MUCKLOW.

PRINCIPLES OF ORGANIZATION APPLIED TO MODERN RETAILING, by PAUL M. MAZUR, with assistance of MYRON S. SILBERT. *Harper & Brothers*, New York. 331 pages.

At the request of the committee on the study of the fundamentals of retail organization of the National Retail Dry Goods Association, the author of *Principles of Organization Applied to Modern Retailing* undertook a survey of fourteen retail stores of varying sizes representative of all sections of the country and of all sizes of communities. In this work he had the active coöperation of the store executives and of the graduate school of business

administration of Harvard University, the latter in the prosecution of the field studies.

The work was undertaken not to prove a preconceived theory but to determine what in practice had given the most satisfactory results. The author recognizes the difficulties in carrying out any ideal plan of organization, due to the limitation of human material available or actually filling each position. He states:

"The problem of personnel is as specific in character as the human material in each organization—and that knowledge is not available to an outsider. To include the personal factor would remove all possibility of general conclusions and substitute for them a psychological service to test the fitness of men in order to assign jobs. Each executive must determine the degree to which he must modify a theoretically logical organization to meet the needs of the material on hand. He can, however, realize that a change in the principles upon which he should organize his business should be made only for good reason. Moreover, in a structure which varies as continuously as the personnel of a business organization he can gradually find men who will fulfil the requirements which he has set forth for his ideal organization. That is really what an ideal organization is, a standard to be gradually approached rather than a mold into which all kinds of human materials should be poured to take at once a rigid form."

The ideal plan of organization is not in existence as a whole in any one store but brings together the best in use in all stores. Under this plan the organization is headed by a general manager whose function it is to decide general policies and to coordinate the activities of the four main operating division heads—the merchandise manager, the publicity manager, the store manager and the controller. Great stress is placed upon the fact that these division heads must be of equal rank. When it is recognized that in a great many stores the general manager is usually one who in the past devoted all his energies to merchandising and with whom merchandising is still looked upon as the only vital factor in the store, it will be seen how radical a change this form of organization implies for many retail establishments.

It is interesting to note that the author follows the modern trend with regard to the controller and pictures him as best serving the interests of the store by doing more than merely furnishing figures. He states that the controller "will fulfil his greatest possibilities if he is an essential part of management, analyzing conditions, interpreting statistics, and forcing consideration of important facts and factors by other divisions and by the general management. Preparing figures, creating systems, he will develop fewer records for the sake of records and more systems that are useful aids to judgment if he is a party to the use of those records and systems. His outlook should be one of conservation—conservation of assets, funds and net profits. Although not so dramatic as the enthusiasm of sales promotion, his careful phlegmatic, critical attitude, if well directed, will render a valuable protection to general management, an excellent service to the net profits of future department-store operation."

Some portions of the plan of organization will be found with which the reader will not agree. In fact, some of the conclusions have already brought about animated discussion wherever department-store executives have gathered. On the whole, however, it is clear that the book represents a significant contribution to the increasing field of retail literature. Many changes in organiza-

tion have already been brought about as a result of the recommendations which it makes. It is a book that should be studied by those interested in retail distribution.

J. P. FRIEDMAN.

MULTIPLIERS FOR INTERMEDIATE YIELD RATES, by ARTHUR S. LITTLE. *Financial Publishing Company*, Boston. 29 pages.
FACTORS FOR TRUE VALUES TO THE EXACT DAY, by ARTHUR S. LITTLE AND FINANCIAL PUBLISHING COMPANY. *Financial Publishing Company*, Boston. 127 pages.

In a little book of less than thirty pages, Mr. Little has multiplied the usefulness of the best bond tables by 500. The best bond tables show values at intervals of one-twentieth per cent. in the yield basis, but these multipliers make it feasible to compute accurately to the eighth or ninth place the values for 500 intermediate rates.

The multipliers have been computed from the formula for interpolation, namely,

$$a + na_1 + \frac{n(n-1)}{2} a_2 + \frac{n(n-1)(n-2)}{6} a_3 \dots$$

in which a_1 , a_2 , etc., are the successive orders of differences in the series a , and n is the interval to the required result. If the terms of the series a be designated A , B , and so on, $a_1 = A - B$, $a_2 = A - 2B + C$, and so on, and it is therefore possible to apply the coefficient of the differentials directly to the terms of the series themselves. The tables are the result of calculating and tabulating these coefficients for 500 values of n .

By multiplying four successive values in any bond table by the four respective multipliers prescribed, and adding the results, the value at any intermediate rate, such as 4.3617%, is accurately determined. As most of the multipliers contain nine digits, the scheme would be too laborious for practical application were it not for the fact that calculating machines are now in such general use. With the use of the calculating machine, however, the process is surprisingly simple.

The scheme should be of tremendous value to all those who must calculate bond values in large units, whether it be the buyers and sellers of bonds or the accountants who must compute amortization with any degree of accuracy, and will fill a long-felt want in all such cases.

In the *Factors For True Values To The Exact Day*, the correct valuation for all yield rates usually given in bond tables, from 2.80% to 9%, are computed for each day in a six months' period. In the ordinary way the value of a bond due in 28 years and 9 months must be found from the tables by getting the arithmetic mean between the values for 28½ years and for 29 years. As the inaccuracy in this method may easily be as much as \$200 on \$1,000,000 of bonds, it is a matter of some moment to get the true value at the yield rate desired. Here, again, not only the buyer and seller of the bonds are aided, but also the accountant who attempts to apportion amortization accurately over the life of the bonds and to the respective fiscal periods when these differ from the coupon dates. The factors are also of use in any other financial

transaction involving the amount or present worth at compound interest for an odd period.

The typography of both books is admirable. The type in *The Multipliers* is very large and heavy-faced, and neatly spaced both horizontally and vertically, so as to make it very easy for the eye to follow. The type used in the *Factors For True Values* is also bold-faced, clearly legible type. This feature will be appreciated by those who must use bond tables with any frequency.

F. C. BELSER