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Book Reviews

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Book Reviews

RETAIL BUYING, by NORRIS A. BRISCO and JOHN W. WINGATE. *Prentice-Hall, Inc.*, New York. Cloth, 388 pages.

It is a far cry from the general store of the past to the department store of the present. Not long ago the merchant in the community was looked down upon because of the feeling that a man did not become a merchant if he could earn his living in a more dignified manner, that is, by practising a profession. Today, however, the situation is far different. The merchant is highly respected and is usually one of the leading men in his locality. This change in the status of the merchant has been accompanied by the development of scientific principles of merchandising. The publication of the "Retailing Series," of which *Retail Buying* is a part, is a result of this development. The series has been written principally to fill pedagogical requirements. The text of each chapter is followed by problems relative to that phase of the subject which has just been presented.

This book, although for use principally in the classroom, will without question interest all those associated with department stores in a buying or executive capacity. Accountants may also read this volume with profit, particularly the chapters on invoice procedure and control, mark-up, mark-down and the remarking of merchandise, inventory methods and stock control.

The study of retailing practices and principles has resulted in many discoveries and the presentation of these discoveries helps to make this book interesting. It has been found, for instance, that the trend of customer traffic is to the right from the entrance. Therefore, the display on the left is made more attractive than that on the right thus drawing customers to the left and avoiding congestion in aisles. Possibly some of us have never realized that pricing an article at ninety-eight cents instead of one dollar not only induces the customer to buy but also helps to prevent dishonesty on the part of salespeople. This is because the customer will in all probability present a dollar bill thus making it necessary for the salesman to write out a sales slip and make change.

W. B. FRANKE.

COMPLETE PRACTICAL INCOME TAX, by A. G. MCBAIN. *Gee and Company, Ltd.*, London.

Here is a book about the income-tax laws of Great Britain, written in a language not only easily comprehensible to an accountant but so devoid of technical language as to be readily understood by anyone who has tax problems. After an examination of the book's contents it is not difficult to agree with the author in the claim that "this book meets the whole practical requirement of final examination students . . . and also of the practising accountant and business man."

The subject is treated concisely, clearly and in a comprehensive manner; there are many examples setting forth the solutions of individual problems, which give life to what otherwise would be merely abstract dicta. In addition, the book is written to instruct those who must be interested in the subject, and, unlike other no less valuable contributions upon the subject, this one ap-

proaches taxation from the standpoint of the taxpayer and shows him how to meet his individual problems. It is worthy of note that so much of value can be compressed into a book of about two hundred and fifty pages. To those whose interest in income taxes is such that a comparison of the finance acts of the United Kingdom with the several revenue acts of our own country will be instructive this book will have a strong appeal.

STEPHEN G. RUSK.

HOW TO READ A FINANCIAL STATEMENT, by HERBERT G. STOCKWELL. *Ronald Press Company*, New York.

A right preface has some resemblance to a good character—a sure guidepost of content in the one case as of conduct in the other. The author there asserts his purposes and, barring verbiage, the reviewer has little more to do than to attest accomplishment or point out shortcomings. If Mr. Stockwell will pardon paraphrase of his preface in an attempt to repeat its essence it might be put thus:

- I. Every business man should know how to read not only his own financial statement but that of other concerns as well, for as creditor, banker, investor or what not he is equally interested in theirs.
- II. The main purpose of the book is (a) to enable the business man to do this, or failing that, (b) to know wherein the statement is not trustworthy.
- III. There being no standard model of financial statement the book deals with the varying forms actually in use.

Digesting that, what other conclusion could the thinking mind come to than that "all sorts of statements are presented"? "I comprehend my own, of course, but it behooves me to be able to understand others, or at least to discern if they are worthy of belief."

So much was written before a word of the book had been read, and then, having in mind its purpose, the attitude of the inquiring reader seeking enlightenment on various assumed obscurities and ambiguities was taken, with this outcome—that the chapter headings furnish an adequate guide to the general subject; that the paragraph headings running through the chapters enable the reader quickly to fasten on his particular point of the general subject and that, if one be still further interested, the index spreads before him the divergences.

Except perhaps as to a very few still disputed points the subject matter of the book is an expression of sound and well established accounting opinion, with the further potent merit of being presented in an interesting way.

The difficulties of arrangement alone in a work designed for this purpose are not to be lightly solved. In the first place there is the wide difference in the view which regards a business as a going concern and that taken in anticipation of its closing and liquidation. To keep this distinction clearly and persistently evident throughout a volume is no easy matter. Second, there is the important question of how best to present the subject in order that the idea may be readily grasped. Some minds more easily absorb an idea when presented in an abstract way; some in a concrete way; and for some the two, precept and ex-

Book Reviews

ample, are best commingled. The author has chosen, and I think wisely, the intermingled illustration and comment arrangement.

To sum up, Mr. Stockwell has here given us a book which is full of meat and well worth study and I went through it with a growing feeling that the credit man, banker or investor to whom it is addressed might justly complain of being enticed to absorb more information than was at the moment strictly necessary to his purpose. Such idea, however, will be far from the mind of the accountancy student or thoughtful practitioner, for such will read this book with interest and profit from beginning to end.

LOUIS G. PELOUBET.

ACCOUNTING, by W. A. PATON. *The Macmillan Company*, New York.
894 pages.

It is a pleasure to receive a new work on accounting by Professor Paton, for there is perhaps no other accountant who equals him in keenness of insight, careful analysis and penetrative interpretation.

The new book is in reality a thorough-going revision of *Principles of Accounting*, of which Professor Stevenson was joint author. In a rough way it follows the same arrangement, though the subjects treated in the new book are handled at greater length. A saving is accomplished by omitting the disproportionately long treatment (covering over one hundred pages) of the interest problem, which was contained in the earlier book, and by also omitting the somewhat inadequate attempt to treat of special fields of accounting, cost accounting, municipal accounting, railroad accounting and auditing. And finally the new work is made almost incalculably more serviceable by the inclusion of some hundred pages of well selected and carefully arranged accounting problems.

Professor Paton places some emphasis on his chosen formula for bookkeeping, that is, assets = equities, as against that made familiar by Sprague, assets = liabilities + proprietorship. The change is not one to which any particular objection can be made. But it is possible that he, with pardonable prejudice, overestimates the significance of this innovation, for he states: "It must be borne in mind that two quite distinct elements are included under the head of equities, proprietorship and liabilities", (page 73). To some it would seem that there is little significant difference between saying that the right-hand side of the balance-sheet contains two distinct categories, liabilities and proprietorship, and saying that it contains only equities, but these are divided into "two quite distinct elements."

In so far as "equities" is adopted to prevent the continuance of the prevailing custom of heading the right-hand side of the balance-sheet simply "liabilities" the proposed substitution is admirable. Indeed Professor Paton states that the adoption of the new term was made "especially to avoid the confusion," for obviously all the items in the ordinary balance-sheet are not liabilities. It is wrong to label the right-hand side of the balance-sheet "liabilities," for it contains both liabilities and proprietorship items. But it is somewhat confusing to find, on page 37, both of these two distinct categories described in a model balance-sheet as "ownership." It is true the heading reads "equities" but the two items are "student, ownership," and "neighbor, ownership," the

former of these items representing the proprietor's capital, the latter a liability for borrowed goods. Perhaps there is in Professor Paton's mind a fine distinction between proprietorship and ownership, which so far seems to have been overlooked by Crabb and the makers of dictionaries. But it seems to many that, if it is objectionable to list both liabilities and proprietorship under the name of the former, it is quite as objectionable to describe these two distinct classes by a word which seems a synonym of the latter class.

Special interest is to be taken in Professor Paton's masterly discussion of appreciation. This has from the beginning been a feature in his accounting theory. Professor Paton was perhaps the pioneer in boldly coming out for consistent treatment of fluctuations in value as against the current, falsely-called conservative practice. Accountants have in practice drifted a little toward his view, doubtless influenced by sweeping price fluctuations coinciding with the adoption of income and excess-profits taxes. On the other hand, it seems that Professor Paton has become a little less pronounced in his views on the subject. In his first work there were many pages given to defending the doctrine that appreciation, even of fixed assets, should be shown. In his *Accounting Theory* stress is put on showing appreciation of current assets. In the present work, the author still advocates showing appreciation, (no real accountant ever changes his views) but it seems, at least to the present reviewer, that he advances the views with somewhat more reserve, with a little less positiveness.

There is only one point in the book which the present reviewer cares to criticize. This is the adoption of the term "net income" as the balance of earnings from which both interest and dividends are to be subtracted. Net income, as used by the interstate commerce commission, is a pretty well crystallized term. It seems unnecessarily confusing to use it now with an entirely different content. Professor Paton argues most soundly that the balance which he calls "net income" is of great significance and its amount should be brought clearly to the attention of those reading an income statement. Perhaps "gross income", the term used by the commission, is not entirely satisfactory to Professor Paton. But one who had the originality to devise the term "equities", would surely have been able to think up some new term rather than to use an old term with a new meaning.

HENRY RAND HATFIELD.

THE PROFESSION OF AN ACCOUNTANT, by ALBERT CREW. *Gee & Co., Ltd.*, London. 117 pages.

The preface of *The Profession of an Accountant* states that the book consists of articles which appeared originally in several English law or accounting journals. Four chapters deal with professionalism as a whole, with especial reference to the profession of an accountant. Two chapters are devoted to notes on the legal profession. The following table of contents and a few excerpts may serve to give the reader an idea of the scope and character of this excellent little book.

Contents: Some characteristics of a profession; professional etiquette; registration and recognition; the right to use professional designatory letters; recognition and registration of the legal and other professions; some aspects of

Book Reviews

the legal profession; stamping of receipts for professional fees; professional dinners; books on professionalism; notes—(a) expulsion from a professional institute or society, (b) professional advertising, (c) statutory registration.

EXCERPTS

“A profession has been defined as a trade which is organised for the performance of functions. It is not simply a collection of individuals who get a living for themselves by the same kind of work. Nor is it merely a group which is organised exclusively for the economic protection of its members, though that is nominally amongst its purposes. It is a body of men who carry on their work in accordance with the rules designed to enforce certain standards both for the better protection of its members and for the better service of the public. Its essence is that it assumes certain responsibilities for the competence of its members, or the quality of its wares, and that it deliberately prohibits certain kinds of conduct on the ground that, though they may be profitable to the individual, they are calculated to bring into disrepute the organisation to which he belongs.”

“No one can fail to be impressed with the beneficial effect on a brain-working profession of its effective organisation, in the way of raising the standard of professional honor, improving the education of its members, increasing the opportunities for their professional training, disseminating improvements in professional technique, and even in promoting the scientific study of its subject-matter. In all these ways professional organisation has for its result an improvement of the service which the profession has to render to the community; and it is not a matter of complaint if, coincidentally, there is also a raising of the status of the profession in public consideration and even an increase in its aggregate emoluments and privileges.”

“The professional accountant has been described as an independent expert, undertaking, in return for a professional fee, to execute work for, or to give advice to, a succession of clients, subject to a duty to the public which makes him morally, and in some cases legally, responsible for the accuracy of anything to which he puts his name; and for the impartial exercise of any office of trust. The profession may be said to have come into existence as a sequel to the great outburst of joint-stock enterprise of the middle of the nineteenth century, and the growing intricacy of accounts in large enterprises, partnerships and trusts.

“The Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors have not only made accountancy a profession, but have given it dignity and status, and compelled the world of commerce and industry to recognise its worth and value, so that the terms ‘chartered accountant’ and ‘incorporated accountant’ are to-day almost as commonly understood and appreciated as those of ‘barrister’ and ‘solicitor.’”

“Accountancy is therefore a profession, not only because it is properly organised by the institute and society, but because it has the same characteristics of other professions. What then are the essential characteristics of a profession? A profession must be independent, controlled and governed alone by its own members, and relying entirely upon itself. It must not be bolstered up by mere window dressing like a limited company with its guinea-pig directors, or a mere society which requires for its support presidents, vice-presidents and other ornamental persons who are distinguished in every way except in those things which the profession aims to be or to do. A profession is not a mere society of men and women but an independent body of persons, skilled and learned in some calling or vocation, which skill and learning are recognised at large.”

“No one, however eminent, can become a lawyer, a medical man, or a chartered or incorporated accountant unless he enters such profession by

the straight and narrow paths of examination, professional training and experience, to which there are no by-paths or short cuts. Nothing adds so much to the strength, dignity and status of a profession as the strict adoption of this rule of admission."

"Objections may easily be made as to the unreliability and imperfections of the examination test, but all professions without exception require entrance by examination, not because it is the best test, but because it is the only fair and practical test."

"The difference between trade and profession is clear. The essence of the former is that its only criterion is the financial return which it offers to the individuals concerned. The essence of the latter is that though men enter it for the sake of a livelihood, the measure of their success is the service which they perform, not the gains which they amass. They may, as in the case of the successful doctor, grow rich, but the meaning of their profession both for themselves and for the public is not that they make money but that they make health, or safety, or knowledge, or good government, or good law. They depend on it for their income, but they do not consider that any conduct which increases their income is on that account good."

"It will be sufficient to say that in a profession its governing body not only considers the rights of members but exercises discipline and control not only as between individual members of the profession but also between members and the public who employ them; that there are no restrictions as to the number of members who may enter the profession; and that there is always the highest endeavour to increase the standard of knowledge, experience and ability."

"Professional etiquette may be described as the unwritten code of honor by which members of a profession are prohibited from doing certain things deemed likely to injure the interests of their brethren or to lower the dignity of their profession."

"Many professions, including that of accountants, are governed and controlled, *inter alia*, by disciplinary bodies, and in their charter or by-laws such professions specify certain acts or conduct which may lead to expulsion or suspension."

"The characteristic feature of professional self-government is the development within its organisation of rules of conduct which are enforced on its members; the development of professional ethics is perhaps one of the best results of professional organisation. These rules relate either to the conduct of professional men to each other or to their conduct towards the community in general. The rules relating to the conduct of members, *inter se*, generally forbid competition and advertisement, discourage the adoption of unorthodox views, and prevent the association with unqualified persons of their own profession, and even qualified persons of allied professions. These rules tend to good feeling and the maintenance of a high standard of honor between members of the profession. The rules relating to the conduct towards the community in general seek to distinguish between what is permitted to a professional from that which is permitted to a business man. There is an insistence on a profession being regarded as a vocation founded upon specialised educational training, the purpose of which is to supply disinterested counsel and service to others for a direct and definite compensation, wholly apart from expectation of other business gain.

"Business men may compete with one another in price and quality and use the arts of advertising in selling their goods. They may enter into secret understandings with others with regard to the sharing of profits and will endeavour to prevent anyone else from making use or profit of any new invention or discovery. Professional men, on the other hand, are always assumed to gain their livelihood by the sole use of their faculties—

except in regard to a limited class of assistants—they are prohibited from having any interest in the things which they recommend to their clients. Any receipt of commissions from other professionals, or from business enterprises, is against professional etiquette. In his private relations with individual clients the professional man is prohibited from using the influence that he gains as a professional man to extract from his client anything more than his recognised remuneration. Any attempt to use his professional position as an opportunity for injuring his client is condemned as infamous conduct. So long as he is professionally engaged, the member of a brain-working profession is required to think only of the advantage of his client, and not of his own interests. In the higher ranges of professional ethics he is expected to risk, and even to sacrifice, his health or his life in the performance of his professional duty, an expectation which never exists in business."

"Usually, unprofessional conduct of a member consists of acts or omissions which are likely to injure the interests of other members, or to lower the dignity of the profession and usually comprises one of the following:

"(a) Advertising.

"(b) Holding offices or engaging in other business which are not incidental to or consistent with the profession.

"(c) Touting for work.

"(d) The giving of commissions or presents for the introduction of business.

"(e) Accepting fees less than the recognised minimum fees."

"State jurisdiction, which usually results in bureaucratic control, rather tends to equality between members at the expense of efficiency and initiative.

"Obviously, a profession which adopts registration must necessarily lose some of its independence, and it is a matter in which there may very well be great difference of opinion as to whether registration is so very attractive and desirable as it appears to be. It is usually the policy of the state, when it grants a monopoly, e.g. to allow none but registered members to practise, to accompany it with some control."

"The highest ideal of a profession is public service, which, indeed, is its main function; the distinguishing characteristic of a profession is its independence as evidenced by its complete self-government."

The book is an English book. It is written by an English barrister-at-law for the English (or, at most, the British) reader. Necessarily, it discusses the subject from the English point of view, English both temperamentally and historically, from the standpoint of English law, from the viewpoint of approved English practice and procedure and in the light of English customs and precedents.

There are many differences between English practice and law and American practice and law. It is, perhaps, natural that the writer of this review should generally prefer the American way and consider it an improvement over the English way. But there is one difference between the profession of an accountant in England and the profession of an accountant in the United States in which his preference for things American is not so enthusiastically patriotic. In England the accountant himself has generally adopted a professional point of view and his professional status is rather generally recognized and conceded by the business and lay public. In the United States the laity is only beginning to recognize his professional claims while many practitioners, although claiming professional status, as yet have an unprofessional point of view and pursue many unprofessional practices. Indeed some practitioners disclaim

The Journal of Accountancy

the professional status altogether—some with such financial success as to engender a great lust after the fleshpots and seriously to hamper the efforts of the organized profession to find itself.

This little volume contains much that will be found interesting to the American professional accountant, as well as the American layman, if he be a person who already has what might be described as the "professional sense" or if he be a person who has the capacity for seeing from the professional viewpoint as distinguished from the commercial, or merely vocational, viewpoint. I would especially commend the book to those hopeful souls who pin their faith to legislative restrictions with their inevitable bureaucratic interference and control, in preference to the slow, but certain and enduring, development and growth of professional standards and ideals which are evolved from within the body of the profession itself and are enforced by the power of example and the sanctions of an informed and enlightened public opinion. In view of the present hysteria which sees a cure for every real or fancied ill of the social or economic body by simply enacting a statute, perhaps a reading of this little book will at least raise a suspicion in the mind of the reader that not everything which glitters must necessarily always be fine gold. This little book will also be very helpful to those upon whom devolves the duty of leadership during these formative years in the development of the profession in this country.

CARL H. NAU.