

1-1923

Book Reviews

Francis Oakey

J. Hugh Jackson

W. H. Lawton

C. B. Williams

Harold Dudley Greeley

Follow this and additional works at: <https://egrove.olemiss.edu/jofa>



Part of the [Accounting Commons](#)

Recommended Citation

Oakey, Francis; Jackson, J. Hugh; Lawton, W. H.; Williams, C. B.; and Greeley, Harold Dudley (1923) "Book Reviews," *Journal of Accountancy*. Vol. 35: Iss. 1, Article 9.

Available at: <https://egrove.olemiss.edu/jofa/vol35/iss1/9>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Journal of Accountancy by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

Book Reviews

BUDGETARY CONTROL, by J. O. MCKINSEY. *The Ronald Press Co.*, New York. Cloth, 474 pages.

During recent years great progress has been made in determining and definitizing the principles that govern the main functions of business. By observing and recording the experiences of the most successful business enterprises, the data has been collected and conclusions reached as to the methods that should be followed in purchasing, manufacturing, selling, financing, accounting, etc. So far, however, there have been few satisfactory expositions of the methods by which these main functions of business may be effectively coördinated. And yet it is this coördination of functions which is the chief problem of business.

The most satisfactory work on this subject that has come to our notice is Mr. J. O. McKinsey's *Budgetary Control*. Starting with the obviously sound premise that effective coördination cannot be obtained without first formulating and adopting a comprehensive programme, Mr. McKinsey explains how a budget may be installed in a business and outlines the organization that is needed to prepare the budget and establish through its use control over performance. Important suggestions are offered in respect to the responsibilities that should be assumed by the Board of Directors, the chief executive and departmental executives in formulating, adopting and executing the programme. Having laid these foundations, Mr. McKinsey takes up in detail in special chapters the preparation and use of budgets for sales, selling expense, advertising, production, materials, labor, manufacturing expenses, purchases, plant and equipment, and general expense. A thorough treatment is also given to the financial budget. Finally, the use of estimated balance-sheets and profit-and-loss statements is explained as the means of reflecting the anticipated results of the programme.

The outstanding feature of this book is the clear manner in which the relation and coördination of the several budgets are explained. The author is to be congratulated for producing a book that defines in simple language the principles that govern the most difficult phase of business management, namely, comprehensive and coördinated planning.

FRANCIS OAKKY.

FACTORY MANAGEMENT WASTES, by JAMES F. WHITEFORD. *D. Van Nostrand Company*, New York. 220 pages.

At a time when our industrial system is undergoing a period of readjustment and is attempting to return to a condition of normalcy, *Factory Management Wastes* is opportune. The author informs us at the beginning and end of the volume, and several times between, that the suggestions contained in the book "are no idle theories, but are intensely practical, as they have been demonstrated by the logic of proved fact." The material of the book is not new, but the volume is somewhat unique in that it has brought together in comparatively small space the problems involved in the discovery and elimination of wastes, and in that it offers

general suggestions at least for their remedy. The author deals in general with the wastes arising from management, from the control or lack of control of production, and the wastes with reference to materials, machinery and the employee. The questions of overtime, performance records and cost-finding methods, the principles of wage payment and profit-sharing—all in their relation to waste—are also briefly discussed.

One of the greatest causes of waste, in the opinion of the author, is the lack of training and the over-loading of foremen, together with the expectation on the part of executives of more from their foremen than anyone can perform to advantage—a criticism which, for the most part, is entirely fair. Foremen, as a rule, are chosen because of their ability along some one line and they are really never trained for their positions. This is a preventable waste if managers are willing to give the necessary time and proper thought to its solution. Other preventable wastes which are discussed include interruptions of work, mistakes and misunderstandings, wasteful operations, unnecessary motions, misdirected efforts, improper tools, obsolete methods and useless records.

After completing the volume, however, one feels that a book based upon the "logic of proved fact" should be considerably more definite and concrete, whereas this volume deals almost entirely in generalities. If the book does nothing more than emphasize to managers and other executives that any preventable waste is an absolute loss it will more than justify its existence. That it will go far in remedying these evils, other than to point out that they do exist, is doubtful and, in the opinion of the reviewer, to the extent that the author has intended the book as a manual of procedure just so far has he failed. The book will not prove a panacea for even a small portion of our existing industrial ills.

J. HUGH JACKSON.

ACCOUNTING PRINCIPLES, by SPURGEON BELL. *The MacMillan Co.*, New York. 482 pages, cloth.

Accounting Principles is practically a comprehensive manual of book-keeping and accounting with little to distinguish it from other texts of this kind save chapter XIV, which explains briefly methods of analyzing the balance-sheet and revenue statement. This is a valuable feature that should receive better treatment in all text-books on accounting. It is not difficult for a student with ordinary intelligence to learn how to keep books, but few really understand how to read the story told by the resulting financial statements. The desire of manufacturers and wholesalers to extend business is the cause of a growing increase of consignments in late years, so Professor Bell has done well to devote more than the usual amount of space to accounting for consignor and consignee. Every accountant who has had to disentangle such accounts in cases of insolvency and liquidation will appreciate the need of instructing bookkeepers in this subject. Review questions and practical problems at the end of each chapter should give fair tests of the student's grasp of each subject, and there is a good index for reference purposes. Altogether an excellent working manual for the student.

W. H. LAWTON.

Book Reviews

PRACTICAL ACCOUNTING PROBLEMS: PART II, by PAUL-JOSEPH ESQUERRÉ. *The Ronald Press Co.*, New York. 350 pages.

A series of practical accounting problems taken from New York C. P. A. examinations, edited, discussed and solved by the author. Part I, containing twenty problems, was reviewed in *THE JOURNAL OF ACCOUNTANCY* in September, 1921. Part II contains thirty more, all representing typical business situations. What was said in the review of Part I in regard to the type and make-up of this unique form of text-book applies as well to this volume and need not be repeated.

In the preface to Part II Mr. Esquerré emphasizes the chief aim of his two books, viz.: to prepare the student for the C. P. A. examinations. His remarks on the tendency of students to suspect traps and pitfalls in the plainest of examination problems are worth heeding by prospective candidates, and it is to be hoped they will serve to dissipate such suspicions. One notes the peculiarity of the first balance-sheet given in the book, i. e., the assets and liabilities are stated after the manner of our English cousins. Whether this is merely a printer's error or a purposeful example of the sort of "mole-hill" to be ignored by the candidate is not quite clear. At all events, nothing is said about it in the author's solution, though undoubtedly ninety-nine candidates out of a hundred would begin by pronouncing the balance-sheet "wrong."

The breadth and keenness of his analyses of various problems may be the despair of many students, but they are exactly what the problems demand. The power to analyze logically is the most important part of a skilled accountant's mental equipment. Without it he can never hope to advance beyond what a late revered leader in the profession used to call the "holler-and-tick" stage. These discussions are accordingly the most valuable pages in Mr. Esquerré's volumes, and it is hardly necessary to say they are well done.

W. H. LAWTON.

THE PHILOSOPHY OF ACCOUNTS, by CHARLES E. SPRAGUE. *The Ronald Press Co.*, New York.

When a book is called a classic it too frequently means that it has fallen into that limbo of literature where everyone speaks of it with awe and nobody reads it. The latest "six best" lie on the library table soiled and dog-eared with handling; the classics of Jane Austen, Trollope, Thackeray, Dickens, stand in expensive bindings on book-shelves, never taken out except by the good housewife—to dust them off. The case of Macauley, Hallam, Prescott, Parkman, is even worse—they, alas! are out of date; modern research has made them untrustworthy. Who has the time or inclination to read Shakespeare, Scott or Byron in these hectic days of Amy Lowell, Masters and the movies? It becomes a question if there is any compliment in pronouncing a book a classic; it may be but a euphemism for "has been!"

In the practical professions, however, classic still retains an honored and honorable meaning. In each of them some pioneer has blazed a trail of broad principles, marking the path that must be followed by future generations, trails that humbler workers may smooth and broaden, as woodland

and prairie trails have been transformed into smooth pikes and shining rails, but whose general direction cannot be changed.

Such conception must accompany the crowning of the late Professor Sprague's *Philosophy of Accounts* as a classic. It needs no commendation at the reviewer's hands, for the accountant who has not read it, and with profit, is rare indeed. Yet it will not be amiss to say that it is the first book which should be taken up as an introduction to higher accounting by the student who has mastered the elements of bookkeeping.

W. H. LAWTON.

PRODUCTION ENGINEERING AND COST KEEPING, by WILLIAM R. BASSET and JOHNSON HEYWOOD. *McGraw-Hill Book Company, Inc.* 304 pages.

The title of this book would be more nearly descriptive of its contents if it were "Production Engineering and Cost Keeping for Machine Shops," because the methods and plans described are particularly applicable to machine shops. However, the authors are to be commended for not having attempted the treatment of these subjects in the more general and less practicable manner.

The purpose of the book as stated in the preface is "not only to bring practical assistance to the production managers, foremen and cost accountants of machine shops, but to give the higher executives a knowledge of the best in shop-management practice, so that they may judge how effective are the methods used by their subordinates." This is a lofty purpose. The business world would be richer if shop executives had a better conception of the principles and practices of production planning and industrial accounting. It is doubted if many executives are sufficiently interested in the routine details of a factory system to cause them to give a careful reading to such a book; but production managers, foremen and cost accountants will find the book both interesting and profitable.

Approximately one-half of the book is devoted to production planning and control. The other half treats of industrial accounting for machine shops. In the main the entire work is a description of one system installed by the authors in an automobile-parts shop. The authors state that they consider the conditions in this plant typical of those in the majority of machine shops. One hundred and fifteen illustrations and forms accompany the text by way of explanation of the operation of the system. The book contains some practical suggestions. Its value as a ready reference is enhanced by a complete index and table of contents.

The authors have adopted a rather ingenious style that makes for easy reading. The presentation is logical. Each of the twenty-six chapters opens with an interesting introduction and closes in a way that impels the reader to continue. On the whole a dry subject has been treated in a less uninteresting manner than is usual in a work of this kind. The authors evidently did not intend to make this a book for accountants, as witness the following quotations: "We are trying to make cost accounting clear to machine-shop executives. We are writing for business men, not for accountants." It is

Book Reviews

thought that the financial accountant in general practice will not be greatly benefited by reading this book. However, it should prove interesting to many industrial accountants and production engineers in public practice.

C. B. WILLIAMS.

THE TRUE BASIS OF EFFICIENCY, by LAWRENCE R. DICKSEE. *Gee & Co.*, London, cloth, 90 pages.

In a series of five lectures delivered to the students of the London School of Economics and Political Science Professor Dicksee offers a rather curious mixture of appeals to the higher nature and practical working suggestions as his conception of what should be the true basis of efficiency. Perhaps it may be summarized in the opening paragraph of his introduction:

"The object of this book is to suggest that what we do is primarily the result of what we are, and that, therefore, the efficiency, or otherwise, of our actions will be determined in the main by what we are; that the habit of right thinking must be formed before we can expect right doing; that character and vision are the bed-rock of all true efficiency."

Or perhaps, better still, his quotation (page 15): "For as he thinketh in his heart, so is he."

Readers who like the style of uplift literature with which this country has been flooded of late years will find the lectures much to their taste. Others (I, for one) will seriously doubt the "efficiency" in devoting five sessions of a strenuous course of study to the obvious. At all events, they surely might be compressed into a single introductory lecture or text in *Studies in Commerce*, of which this is the first volume.

However, if somewhat platitudinous, the lectures are full of pithy home-truths, and perhaps they were and are needed in the unrest following the war. Between the lines, and confirmed by the appendix (an article on *Unrest and Its Cure* by John Murray), one may observe the alarm and the protest against a wave of socialism which threatened to submerge the British Isles. But that it should be thought necessary to address such appeals to a class of men whose whole training compels them to deal with economic facts, not half-baked illusive theories, is passing strange.

W. H. LAWTON.

FACTORY STORESKEEPING, by HENRY H. FARQUHAR. *McGraw-Hill Book Company*, New York. 175 pages.

Factory Storeskeeping concerns the acquisition, storage and issue of raw material, work-in-process and finished goods, but it has nothing to do with the routing of work while in process. The viewpoint of the author is that of a manager of production in a medium-size plant with a varied output both for stock and on order. No systems for specific types of business are outlined, but the various phases of material control are illustrated by practical examples.

The first twenty-five pages deal with the relation between material control and production and the prerequisites of adequate control. One

hundred and fifty pages are devoted to organization, control of purchases, material balance-sheets, purchasing, traffic, receiving and inspection departments, storerooms, classification of materials and material accounting. In an appendix is an interesting table showing the number of units of certain kinds of nuts, bolts and washers which can be stored in one cubic foot of bin space. This table is not complete enough to be of much value, but it exemplifies an idea which someone can develop further by additional experimentation. This might profitably lead to the creation of a handbook on storage capacity data. There are some storeroom photographs of suggestive value, but most of the routine described at length seems to be the regular orthodox procedures outlined in other good text-books on material accounting. Each chapter has a head-note which is called a "summary." These are merely lists of topics and give little information. In subsequent editions, if a head-note is wanted, it might be advisable to use one briefly digesting the substance of the chapter after the fashion of headnotes of decisions in law reports. It might be advisable also in subsequent editions to devote some space to graphic methods in the control of material and running inventories.

HAROLD DUDLEY GREELEY.

SURETY BONDS: NATURE, FUNCTIONS, UNDERWRITING REQUIREMENTS, by EDWARD C. LUNT. *The Ronald Press Company*, New York.

Mr. Lunt's jocular remark (p. 341) on a section of a certain chapter may well be applied to his book as a whole—it is "interesting, informative, uplifting and altogether delightful." At first blush nothing might seem to the general reader likely to be so dull and uninteresting as a book devoted to the subject of surety bonds; nevertheless he will find in this book much of interest and information.

Suretyship as a corporate enterprise is very modern. An attempt was made to organize such a company in London in 1720, but it was not until 1840 that the first successful English company was launched. In 1875 the Fidelity & Casualty Co. took the lead in the United States, and to-day there are some twenty-five surety companies in this country whose premiums in 1921 amounted to nearly sixty million dollars. The classification of the various kinds of bonds issued embraces about one hundred divisions with some three hundred sub-divisions. Generally speaking, there are two main classes of surety bonds; in one, the surety guarantees the fidelity of a person; in the other, it guarantees that the person will perform a certain contract, or will pay a certain amount, and so on. The latter is by far the larger and more important class. A fact that will astonish most people is that suretyship is not insurance. In the author's words (p. 5)

"In the case of ordinary insurance the underwriter as a matter of course takes all the risk, while in the case of suretyship, pure and simple, the bonding company takes, theoretically, no risk whatever."

This sounds like a paradox, but the explanation is that what the bonding company does is to provide the credit that somebody wants, but

Book Reviews

the company itself must be properly secured against loss by the principal in the case. This broad statement is, of course, limited in its application to fidelity bonds, which are therefore said to be "written on an insurance basis"; i. e., the bonding company is not usually secured by the principal and must therefore set aside something from the premiums as a fund with which to meet losses.

There is not much in the book of especial interest to accountants beyond the general information on the subject of surety bonds. That surety companies place much importance on good accounting methods and periodical audits is already well known in the profession. Indirectly Mr. Lunt calls attention to a point worth watching for in audits. Where an auditor discovers surety bonds in favor of his client, it is well to inquire if the client has been obliged to put up collateral or assume any responsibility as indemnitor under these bonds.

Of course, we accountants will take exception to the author's approval of auditing by the surety companies themselves, which he says (p. 43) "marks a real and scientific advance in the conduct of the business, and the movement ought to grow."

Aside from selfish views, it is fair to point out (1) that an audit by an interested party can never be impartial, (2) that an audit by the surety company is likely to be limited to the interests of that company, and the client relying upon it might come to grief in thinking that his whole business has been covered, and (3) that there is the important element of secrecy to be considered. A certified public accountant is bound by the ethics of a profession to maintain strict silence as to his client's affairs.

W. H. LAWTON.