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Book Reviews

W. H. Lawton

Harold Dudley Greeley

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HOW TO RUN A STORE, by HAROLD WHITEHEAD. *Thos. Y. Crowell Co.*, New York. 300 pp.

How to Run a Store is a book of wise advice to the small retail storekeeper or to the man who thinks of becoming one. It tells him what he should do and what he should not do if he hopes to succeed, facts that are often as plain as a pikestaff to the intelligent observer, yet too frequently unsuspected or ignored by the dealer himself. It flays unmercifully, yet good-humoredly, the lazy proprietor who bemoans the competition of the "chain-store" and the great department store, but points out how such competition may be met. The remarkable effect of rapid turn-overs and cash discounts on profits is emphasized, as is also the importance of trifles in increasing sales. Last but not least in the eyes of the accountant, it shows in simple but pertinent illustration the folly of the dealer who "does not bother to keep books."

All the suggestions and warnings are intensely practical and based on common-sense and sound psychology. Indeed the book might well be entitled "Psychology of retailing," but that it would probably scare away many who ought to read it. Withal in its witty and humorous style of enforcing its points the book displays a fine psychology of "selling" its advice, even in chapter XXIII where the ostensible employment of a certified public accountant is used to fortify a very plausible defence of the fallacy of charging interest on capital employed as an expense although not actually incurred.

The book is well worth while to the small storekeepers of the country and it is to be hoped that a wide circulation among them will help to reduce the great mortality in that class of trade. Public accountants with small-town clients will find many helpful suggestions in it to pass on to them.

W. H. LAWTON.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS' YEAR-BOOK, 1922. 106 pp.

The 1922 year-book of the Society of Incorporated Accountants and Auditors of Great Britain contains the names of 3,360 members, of whom 2,859 are in Great Britain and 501 in the colonies and foreign countries. The society has organizations in fourteen towns in Great Britain and Ireland and there are branch societies in Scotland, Australia, South Africa and Canada.

WILLS, ESTATES AND TRUSTS, by CONYNGTON, KNAPP AND PINKERTON. *The Ronald Press Company*, New York. 825 pp.

The first of these two books covers in a general way the transfer of property by death, the method of settling estates and a review of inheritance and income taxation as affecting estates. In the second book, banks and trust companies as trustees, the law of trusts and the ways of account-keeping and statement-preparation in estate work are the subjects discussed. Then

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follow sixty pages of forms and a short glossary of the terms commonly used.

The greater part of the two books is devoted to a restatement of well-known and generally admitted principles of law concerning which there can be no dispute. It is doubtful, however, how valuable this kind of writing would be in a specific case because of differences in local law, estate accounting being almost wholly a local matter. These books obviously were made to sell throughout the country and thus local laws and procedures were necessarily given scant treatment. There is danger in too much generalization. For example, the authors state that "expenses of last illness, cost of burial, and statutory allowances for the family must be paid first, and these three kinds are considered equal." That certainly is not the law in many jurisdictions. Expenses of last illness are usually debts of the decedent and entitled to no preference. It has been held that such expenses of a deceased married woman are not charges against her estate at all, because they are personal obligations of her husband.

The books make a plea for the employment of trust companies in the settlement of estates. In the preface the authors write: "As the advantages of appointing corporate trustees become better known many more men will make banks and trust companies their executors. * * * Personal executorship may then become entirely a thing of the past."

That part of volume II which concerns the accounting for estates and of which Mr. Pinkerton is named as author leaves us, editorially speaking, pleasantly reminiscent. It brings to mind many Saturdays, Sundays and holidays in the summer and fall of 1908 when we, again editorially, were preparing the course known as Accounting 8 for the School of Commerce of New York University. The chief points of this course were reduced to writing for the Alexander Hamilton Institute and published by it in volume X of its edition of 1911. Certain individuals later secured the right to republish this part under the enlightening corporate cognomen of "Key Publishing Company." This new book was widely advertised with a circular showing an obviously busy and seemingly successful executive holding the book almost affectionately and exclaiming so that all who saw the circular could hear him, "It's worth \$10,000 a year to me." It was, as one might say, gratifying to have the book thus appraised.

However, to return to the book under review. The temptation to make comparisons is too strong to resist. For brevity, the earlier volume will be referred to as the Key book. It is understood that the Ronald Press owns the copyright of this former book which was allowed to get out of print.

In the Key book we read that it is the belief of many persons that "all an executor has to do is to receive and disburse money and at the end of his administration fill out a blank form provided by the clerk of the probate or surrogate's court. * * * Will makers have persisted in requiring only social qualifications until the incompetence of executors generally has become a matter of common knowledge." Thirteen years later Mr. Pinkerton writes that people are still thinking that "the * * * duties of an executor are to receive and disburse money and at the end of his administration to fill

out a blank form provided by the clerk of the probate or surrogate's court. * * * testators * * * have persisted in requiring only social qualifications. * * * The incompetence of executors generally has become a matter of common knowledge." This is a bad situation because, as stated in the Key book, "estates are greater in size than ever before and the work of the executor has increased proportionately." Mr. Pinkerton agrees when he says: "Estates are larger than ever before and the work of the executor has increased proportionately * * *"

Executors were warned in the Key book that "many courts have held that where an executor fails to keep current books or keeps them in such manner that it is impossible readily to prepare the final accounting, the executor may be charged personally with the expense of preparing the final account. Consequently it is desirable that the executor keep his current accounts in a way which will enable him to prepare his final accounting without difficulty and at the same time to handle his current work without unnecessary labor." Mr. Pinkerton seems to be of the same opinion for he writes: "If the executor fails to keep books or keeps them in such a manner that it is impossible readily to prepare the final accounting, he may be charged personally with the expense of drawing off that account. For this reason it is especially desirable that the executor keep his current accounts in a way which will enable him to prepare his final accounting without difficulty and at the same time to handle his current work without unnecessary labor."

While it is highly commendable in Mr. Pinkerton to avoid the split infinitive by writing "readily to prepare," it is to be regretted that in other cases he has not been as careful in the use of words as he might have been. For instance, he speaks of "cash divided among the heirs-at-law." If by any chance he should ever see the Key book, he will discover that in it such technical words as heirs, next-of-kin, legatees and devisees are used correctly.

In the illustrative example used in the Key book the testator died on October 15, 1908, while in that used by Mr. Pinkerton he did not die until October 15, 1919. On November 17, 1908, the executor procured certified copies of the will and letters testamentary at an expense of \$10.40. On November 17, 1919, just exactly eleven years to a day, the same copies still cost \$10.40. Here is one item in the cost of living which did not increase. In 1908 certain money was stolen and the Key book states, "Since the money stolen belonged to income, the loss of it is charged to income and thus does not fall upon the general assets of the estate." Mr. Pinkerton deals with a similar loss by saying, "The loss would be charged against income because the money stolen belonged to income and the loss should not fall upon the general assets of the estate."

Space does not permit further comparisons, of which there are many. It should not be inferred, however, that the authors do not give credit where they think credit is due. Montgomery's *Income-tax* book and his *Auditing Theory and Practice* receive honorable mention. So also do a few other worth-while works, including the advanced accounting course of the Walton School of Commerce.

HAROLD DUDLEY GREELEY.

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INCOME TAX PROCEDURE, 1922, by ROBERT H. MONTGOMERY. *Ronald Press Company*, New York. 1,911 pp.

This is the sixth consecutive year in which this hardy perennial has been reviewed in the *JOURNAL*, and in 1921 it required three reviews, one for each volume. Notwithstanding the temptation to air his own ideas, each of the three reviewers has commented to a considerable extent upon the book itself, and the present review might be constructed almost wholly out of the preceding seven. Certainly, the following excerpts are as applicable to the 1922 edition as to the former ones which inspired them: "Possesses the advantage of being complete up to a very recent date." "Instructive from the point of general accounting as well as of income-tax procedure." "The breadth and scope of the work place it above and beyond detailed comment." "Comprehensive and logically developed." "Much practical advice throughout the volume." "Handles the subject in a vigorous and common-sense way."

The present edition has somewhat over 1,900 pages, of which about 100 are devoted to helpful indexes. In addition to a general index of 62 double-column pages, there are those covering the special laws relating to estates, capital stock and excess-profits and others dealing with the law, the revised statutes and the regulations. After an introduction of 27 pages, the book is divided into sections concerned respectively with administrative matters, determination of income, deductions, special classes of taxpayers and the estate and capital stock taxes. At the end of the book, 100 pages are devoted to bringing the excess-profits tax procedure up to date, 50 are given over to forms, and nearly 100 are used in printing the revenue act itself.

The typographical plan is excellent. Extracts from the law appear in small, black-faced type; regulations, rulings and decisions are clearly differentiated; the author's comments, criticisms and illustrations are printed in ordinary text type. The reader is materially assisted by finding at the beginning of most chapters a short paragraph giving the keynote of the chapter. He is further assisted by occasional quotations from the dictionary when words like "usufruct" (p. 1,451) have to be employed.

The typography is remarkably good for a volume rushed to press. An occasional error escaped detection, as, for example, on page 1,377, where the printer decided that the first line of a paragraph should be the last. Even here, the mistake is not serious, for a little ingenuity on the reader's part enables him to reconstruct the paragraph. It may be a good thing to wake him up in this way, assuming that he has read the 1,376 preceding pages. Seriously, however, this work is encyclopædic—it is not recommended for light, continuous reading. Just to show that the reviewer has at least glanced through the book, the attention of the publishers is respectfully directed to the third line on page 1,488 where a letter "e" fails to occupy its accustomed place in the word "different," and to the first line on page 1,484 where "gift" is printed "gife." Incidentally, it is suggested to the learned author that in the next edition he use "devise" instead of "bequeath" in the first line on page 1,483.

These trivial comments are more by way of pleasantry than otherwise. The 1922 edition is fully up to the standards set by the previous ones, which is a genuine compliment. So many new matters are incorporated that all of them cannot even be listed. Among the more important may be mentioned the preparation of returns covering the sale of capital assets, changes in the tax features of reorganizations, the application of losses against income for subsequent years, the taxability of personal-service corporations, stock dividends and claims for amortization.

One of the valuable features is the complete explanation of all of the important supreme court decisions rendered during the year. Of these, perhaps the most striking is the *La Belle Iron Works* case (pp. 1,598 and 1,604), which held that appreciation cannot be included in invested capital. This sustained the view that Colonel Montgomery has advanced ever since the enactment of the 1917 law. He comments vigorously (p. 983) on the seeming illegality of former regulations (now amended) defining the taxability of gains on the sale of assets, taking as his text the cases of *Goodrich v. Edwards* and *Brewster v. Walsh*. The author's contention that the treasury has no power to question the reasonableness of salaries paid in good faith by a corporation to its officers has been upheld by *United States v. Philadelphia Knitting Mills Co.* (p. 871). The important decisions of *United States v. Phellis*, and *Rockefeller v. United States* concerning dividends paid in stock of other corporations are quoted at length (p. 736).

There is a discussion on page 743 of cash dividends the taxability of which has been questioned, but the reviewer has been unable to find there or anywhere else in the book any reference to dividends declared by savings banks and usually taxed on the theory that they are payments of interest. This seems a fairly important matter in view of the increase of savings bank deposits, and perhaps it should find a place in the next edition. It would be helpful also to include a tax calendar showing due dates for the various returns and payments. At present, taxpayers rely on banks, publishing houses and enterprising accountants for such aids to the memory.

The chapter on the federal estate tax is a valuable addition to the book. There appears, however, one statement which seems too broad. In arguing against the taxability of life insurance (in excess of \$40,000) payable to beneficiaries other than the estate, the author says, on page 1,466: "The proceeds of life insurance which do not go to a decedent's estate never formed any part of the decedent's estate, nor were they liable for his debts." In New York, at least, such insurance can be reached by creditors to the extent that it was purchased by premiums exceeding \$500 a year. It has been said that even the worthy Homer sometimes nods. But criticizing the author and his exceptionally able staff of collaborators is risky because

"Those oft are stratagems that errors seem,
Nor is it Homer nods, but we that dream."

HAROLD DUDLEY GREELEY.