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Book Reviews

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Book Reviews

ACCOUNTS IN THEORY AND PRACTICE, by EARL A. SALIERS.
McGraw-Hill Book Company, New York. 300 pp.

PRINCIPLES OF ACCOUNTING, by ALBERT CLAIRE HODGE and JAMES
OSCAR MCKINSEY. *The University of Chicago Press, Chicago.*
389 pp.

It is worth noting that of late years increasing numbers of books on accounting are being written by educators rather than by professional practitioners. This is natural in view of the growing number of accounting courses being installed in our colleges and universities. Aside from the number of young men intending to make accountancy their profession, it is being realized everywhere that knowledge of the principles of accounting is a very necessary part of the equipment for any business or profession. At present, courses in bookkeeping and accounting are mainly a part of general business courses, where they, frankly, are not courses leading to a C. P. A. certificate and accountancy as a profession; but already we see movements in other departments of university teaching to include them as subsidiary but necessary—witness the recent establishment of a new industrial engineering course at Columbia university, which includes the study of accounting, business law, corporation finance and factory costs.

Naturally it follows that we have books written by members of the teaching staff of these accounting departments. They are text-books pure and simple, and one does not as a rule find anything new or startling in them in the way of theory or practice. But it would be a mistake to pronounce them superfluous because they teach merely what has been established as standard by professionals. These writers are practically pioneers blazing the pedagogical ways of accountancy, and as active practitioners have after long years standardized theory and practice, so must the educators gradually standardize the methods of teaching them.

It is in this light that we must consider two books on theory and practice of accounting which have lately come to the reviewer's desk—one showing the method of teaching the subject at Yale university by Professor Saliers, and the other at the University of Chicago by Messrs. Hodge and McKinsey. We have purposely taken the two together because they illustrate so clearly the point we make in the above paragraph. The two methods are practically the same as far as the subject (theory and practice) is concerned. Both have practice problems at the close of each chapter well calculated to test the student's grasp of the principles set forth; and both are well buttressed with bibliographies of standard authorities. But while Professor Saliers begins with the simplest forms of books of original entry, and proceeds, step by step, in the building up of accounts and an accounting system to the final profit and loss statement and balance-sheet,

The Journal of Accountancy

Messrs. Hodge and McKinsey exactly reverse the process, beginning with the balance-sheet and working back to the books of original entry. The reasons for this novel method given (on page 191) by the latter do not seem convincing to us, but we must decline to be dogmatic about it in the absence of any comparative statistics, say the percentage of those from each institution who have successfully passed the American Institute of Accountants examinations. It is true in both cases that the books are intended rather for those who will become in time business executives than for those seeking accountancy as a profession; nevertheless, the successful proportion of the latter who do take the institute examinations would furnish a fairly good test. Be that as it may, however, here are two distinct and diametrically opposed methods of teaching the same subject. It remains for time and experience to tell which should be regarded as the better.

Professor Saliers' book is an admirably concise and logical presentation of the theory of accounts, one that it is a pleasure to read, aside from its educational features. There is a good index, and its make-up, barring a few printer's errors, is excellent. It is intended to cover the first semester of a college year, and includes the main theory of accounting, with accompanying drills in simple practice, and will be followed by a second to cover more complicated aspects of accounting practice, thus completing a whole year's course.

Messrs. Hodge and McKinsey's book covers about the same ground, in reverse order as we have said, as Professor Saliers' first volume, but goes into much more detail, as in the matter of forms of vouchers, cheques, etc. Principles are correctly stated and the practice problems very good, but the book is not easy reading, to say the least. Owing to its novel form there is much referring to later matter, and, conversely, repetition and referring back to earlier matter—a feature the more exasperating because the book contains no index beyond the preliminary table of contents by chapters. That, we admit, might be no disadvantage to the student who is supposed to have mastered and assimilated what has gone before, but it is manifestly destructive of all logical development of a thesis to the ordinary reader.

A striking difference between the books is that Professor Saliers discusses accounting theory broadly with an eye on the legal aspect of it, while Messrs. Hodge and McKinsey devote a large amount of space to the minutiae of a business office. Both features are valuable and necessary, as a casual inspection of the questions in recent institute examinations will prove. It is not easy to draw the line between pure accounting theory and commercial law, on the one hand, and between theory and mere business devices on the other; though the last may well come under the broad term of practice.

W. H. LAWTON.

MATHEMATICS FOR THE ACCOUNTANT, by EUGENE R. VINAL.
The Biddle Publishing Company, New York. 175 pp.

Probably not a few would-be candidates for the American Institute of Accountants or C. P. A. examinations have been more or less puzzled, if

Book Reviews

not daunted, by the inclusion of actuarial problems in the examination papers. It is only recently that books on accounting theory and practice have contained the elementary formulas and instructions dealing with compound interest which are the basis of all actuarial science. Most authors have contented themselves with a few tables showing the comparative results where the effect of compound interest is recognized or ignored, as the case may be, and relegated the whole subject to that field of higher mathematics restricted to life insurance and "mathematical sharks." Curiously enough very few seemed to realize that, once mastered, actuarial formulas are actually labor-saving devices worth knowing.

With the vast accumulation of bond issues with varying maturities, provisions for sinking funds, loans repayable in instalments, etc., it is becoming a matter of necessity for the public accountant to familiarize himself with compound interest and annuity formulas—in other words, to acquire the elements of actuarial science. Professor Vinal's book contains a short course on this subject prepared expressly for accountants. Beginning with preliminary suggestions (which will be decidedly helpful to any junior in his daily grind), the author leads us step by step, and logically, through simple interest, averaging accounts, foreign exchange, logarithms, compound interest, annuities, sinking funds, valuation of assets and amortization to the valuation of bonds as the climax. Additional chapters explain the use of the slide rule and contain review problems and problems taken from institute examination papers. Many of the subjects of these chapters are, of course, handled in any good book on accounting theory on an arithmetical basis. The virtue of Professor Vinal's method is that they are all reduced to a set of labor-saving formulas.

The author promises in a later edition that a collection of formulas shall appear as a separate chapter, a needed improvement.

It is perhaps well to suggest to intending purchasers that tables of logarithms are necessary in order to work out many of the problems submitted. There is only one table (of ten-place logarithms of the interest ratios) in Professor Vinal's book, though we can see no reason why a later edition should not contain the regular tables of logarithms, thus making it not only a text-book for the student but a valuable tool of trade for his working years.

W. H. LAWTON.

BUSINESS LAW, by THOMAS CONYNGTON. *The Ronald Press*, New York. Two volumes. 800 pp.

Of the making of laws, as of books, there is no end, as anyone familiar with the enormous output of congress, the state legislatures, municipalities, utility boards, boards of health, education, etc., can testify. We are all subject to these manifold laws and regulations, and it is a maxim of the law that ignorance of them excuses no man—a maxim which under the limitations of an average lifetime induces a lively sympathy with Mr. Bumble's famous aphorism "The law is a hass!" It has been said, and no doubt with truth, that every one of us is unwittingly guilty of violating some

The Journal of Accountancy

law or local regulation every day of his life. Nevertheless, while one may with some self-respect be ignorant of the fact that he is violating a law when he employs a boy under fourteen as a caddy, offers a cigarette to his son, a minor, or fails to include in his income-tax return the value of sundry balls won by superior skill at golf, "yet," says Mr. Conyngton, "from this unwieldy mass of law may be elicited perhaps certain guiding principles that everyone should know—general rules that will guide us safely past most of the difficult places. Knowing these it is possible for a man so to shape his business course and his relations with his fellows as to have little to do with courts or lawyers." pp. iii-iv). It is with such principles, particularly with regard to business relations, that the book deals. It is by no means an easy subject to handle, and for its successful result requires the experience of one who is both lawyer and practical business man. This experience the author is fortunate enough to possess, and that the book has reached a second edition within two years is evidence that it is fulfilling its purpose.

It cannot be too strongly emphasized that this book is not to be classed with that enticing form of popular fiction denoted by such titles as "Every man his own lawyer!" On the contrary, one cannot give the book an intelligent reading without gaining the strong impression that no important contract or business engagement should be undertaken without competent legal advice. On the other hand a thorough understanding of the legal principles explained in the book will save many from taking foolish steps, or incurring useless and unavailing expense in trying to evade the legal consequences of their own ignorance.

Mr. Conyngton's book is well-known to the public accountancy profession, and is recommended for study by those who seek to enter it, so there is hardly any need for detailed description of it in these pages. It is especially adapted for study by those who are seeking the C. P. A. certificate, in that each chapter closes with review questions which are largely taken from old examination papers.

W. H. LAWTON.

NEW COLLECTION METHODS, by E. H. GARDNER. *The Ronald Press*, New York. 467 pp.

A public accountant can hardly be expected to undertake the task of installing a modern credit department, yet as his diagnosis of a moribund business may indicate "poor collections" to be the chief cause of the patient's alarming condition, the prescription of Mr. Gardner's book might well be in order. As in medicine, so in business, the doctor may not always be able to work a cure, but he can frequently point out the way, after which it is up to the patient. All of which is to say that Mr. Gardner's book is certainly worth a place in the public accountant's working library—if only to suggest ways of collecting his own bills!

The fact that the book is in its second edition indicates sufficiently that it fills the need of a practical manual of procedure for the credit-man. Mainly it is descriptive of methods and forms used by some of our most successful wholesalers and mail-order houses in making collections promptly

Book Reviews

and systematically. Ordinarily this would furnish dry reading to those not interested in the subject, but Mr. Gardner has succeeded in making it interesting to the general reader by his study of the practical psychology underlying the various methods of prodding reluctant debtors.

The only consistent thing about human life apparently is its inconsistency. Therefore, perhaps one should not be astonished by curious contradictions one encounters in the book, such as the statement: "To go to a cash basis would set back the clock by centuries" (p. 26). The aim of the credit department being to shorten the terms of credit as much as possible, it would be logical to consider the cash basis as the ultimate goal to be obtained. If it is argued that the retailer should have a reasonable time in which to turn over his stock, the obvious retort is that he should either have sufficient working capital of his own to tide him over or else look to the banks, which are the proper purveyors of credit. Again, after reading the praises of high moral standing and frankness in commercial life, it jars a bit to note the instances of saying one thing while meaning something entirely different, as shown in some of the form letters which Mr. Gardner quotes. This may be tact, but it irresistibly reminds one of the cynical definition of tact—"the ability to lie like a diplomat." Still, if business is competition and competition is but but a form of war, we must give the credit-man his due for endeavoring in his field to eliminate the frightfulness of the verbal bludgeon in favor of the more skillful and no less deadly play of the rapier.

W. H. L.

BONDS AND THE BOND MARKET. March number, *The Annals of the American Academy of Political and Social Science*, published by *The American Academy of Political and Social Science*, Philadelphia.

The number of the *Annals* in question has as much of an appeal to the student as to the present or the prospective investor. One is impressed with the orderly and scholarly arrangement and presentation as well as the quality of the material offered. The first part analyzes and discusses bonds as financial investments, and describes the media and mechanism whereby bonds are brought to the investor. The second part differentiates the various classes of American government and corporate bonds. These articles are by well-known persons whose practical experience in the field of finance makes the contributions the more authoritative and valuable. The third part, on foreign government bonds, is especially illuminating and interesting. It helps to open up a vista which Americans must needs have if America is to take her place in the affairs of international finance. It helps one, incidentally, to think about domestic problems which are now so complicated by international relations. The balance of the number is made up of miscellaneous articles, the outstanding of which are *The Effect of Taxation on Securities*, *History of Bond Prices*, and *Causes Affecting the Value of Bonds*.

Whoever conceived the idea of making the March number of the *Annals* a treatise on bonds and the bond market conferred a favor on society. It

The Journal of Accountancy

brings together in a very coherent manner much information which formerly was widely scattered. It adds some things which, so far as the reviewer is aware, formerly did not exist.

JOHN RAYMOND WILDMAN.

STATISTICS IN BUSINESS, by HORACE SECRIST. *McGraw-Hill Book Company*, New York.

Dr. Secrist follows up his larger work—*An Introduction to Statistical Methods*, which was noticed in the September, 1918, issue of THE JOURNAL OF ACCOUNTANCY—with a small handbook for the use of executives in business. Doubtless it might, as the author hopes, be of use in schools of commerce, but personally we should prefer to see the student secure the broader foundation of the author's earlier volume. As a manual for the business-man, however, it is all that such a book should be. Any intelligent man can grasp the fundamental principles quickly and readily, and in the illustrations of graphs and charts he will have little difficulty in finding something suited to his needs.

The book tells how to gather pertinent statistics, how to analyze them, how to chart them, and finally how to use the charts to the best advantage. The most helpful chapter to the average business man is the second, *The Facts of Business*, which tells him generally what kind of facts he needs and where he may find them. Simple as that may sound to the average reader, the author has nevertheless elaborated a most important fact, viz:—that statistics to be of practical use must be gathered very largely from outside the business concern. Internal statistics are necessary and useful, but unless they are related to external facts and conditions governing the trade, all progress is necessarily haphazard. Most business-men realize this more or less, but have been ignorant of where such facts could be obtained. To such this chapter will be an eye-opener.

W. H. L.

COST AND WAGE RATE BOOK, published by the *Special Purpose Book Company*, New York, 1919.

There is nothing particularly new or startling about this book so far as the reviewer knows. Rate books have been used for many years, perhaps many centuries. Interest tables were probably the first representation of this form of book. Latterly the activity in cost accounting has created a demand for tables, especially those having to do with wages. The book in question appears to be serviceable in computing labor costs. It might also be used, perhaps somewhat more laboriously, in making material calculations. The rates begin at ten cents and increase by intervals of one-half cent until they reach one dollar. Beyond that and up to a dollar and twenty-five cents they increase by intervals of two and a half cents. For each cent or half cent of increase there is shown the amount corresponding to each hour or fraction thereof, the fractions being scaled to tenths except in the cases of one-quarter and three-quarters.

Any one who has a deal of computing to do would undoubtedly find the book useful. It should appeal especially, as is suggested, to timekeepers,

Book Reviews

estimators, engineers, surveyors, contractors and cost accountants. The auditor might find it of help in cases where there are many calculations to check.

JOHN RAYMOND WILDMAN.

R. A. O. A. NINETEEN-TWENTY SYNOPSIS, edited by E. R. WOODSON, secretary, Railway Accounting Officers' Association, 1116 Woodward building, Washington, D. C.

This book is a synopsis of decisions and recommendations relating to freight, passenger and disbursement accounting, covering from July, 1888, to May, 1920. It deals with one phase of railway accounting—interline traffic—and is confined to primary reports to be made by station agents and accountants for interline billing, accounting and auditing.

It is surprising at first to read in *The Railway Age* that "this is the first book of its kind ever published," but the first paragraph of the book (p. 10) explains succinctly the obstacles which the R. A. O. A. had to overcome in persuading the railroads to adopt a uniform interline system. The recital of these obstacles will arouse reminiscent and sympathetic emotions in the mind of the accountant who has ever taken part in a similar movement for uniform accounting. We have the word of *The Railway Age* that the compiler of the book has been eminently successful in his work, and certainly a cursory perusal of many paragraphs carries the impression that the rules laid down are clear and unambiguous.

Though the manual is intended primarily for the use of railway agents and auditors, it is well worth study by the public accountant, if only to get valuable hints how to handle so complicated a matter tersely and lucidly.

W. H. L.

GRAIN EXPORT CALCULATION TABLES, by FREDERICK H. BAUGH. *The John Hinrichs Cable Code Company, Baltimore.*

If any excuse is required for Mr. Baugh's handy little book (102 pp. and small enough to carry in one's pocket) it will be found in the opening paragraphs of the preface:

"Owing to the wide fluctuations of commodity prices and exchange rates, existing tables for figuring grain exports have become inadequate.

"To compile a book of tables by former methods * * * would require approximately 5,000 pages."

The export grain trade is surely under heavy obligations to Mr. Baugh for this labor-saving device. Public accountants auditing concerns in this trade will need it in verifying sales.

W. H. L.

INCORPORATED ACCOUNTANTS' YEAR-BOOK FOR 1920.

The Incorporated Accountants' Year-Book, issued by the council of the Society of Incorporated Accountants and Auditors of Great Britain, contains the names of 2,910 members, of whom all but 446 are residents of Great Britain. The year-book contains the usual information in regard to regulations, etc., of the society.

The Journal of Accountancy

HOW TO AUDIT. *The McArdle Press, Inc.*, New York.

A manual of instruction originally prepared for the staff of and under the supervision of a firm of accountants and auditors. The book is an attempt at the practical, though it may better be said to discuss certain purely mechanical processes without in any way getting at the fundamentals of the science of auditing. The four sections of the book cover (a) the general rules of conduct for the auditor, (b) general instructions covering the conduct of an audit, (c) peculiar conditions to be looked for in particular businesses, and (d) suggested paragraphs for use in writing a report.

We are informed that "the mere presentation of a financial statement is seldom enough," and then are furnished with some 125 stereotyped paragraphs to insert verbatim in writing the report. It at first seemed odd to us that the author's name appeared nowhere in the book, but after a short perusal the reason was obvious. For the commercializer of accounting practice the book will have a real appeal. For the accountant who considers himself a member of a learned and honorable profession, who desires to give his client more than a report of stereotyped paragraphs, it can have no appeal. It is to be regretted that such a book has made its appearance in accounting literature.

J. H. J.

American Association of University Instructors in Accounting

The American Association of University Instructors in Accounting is to hold its fifth annual meeting at Haddon Hall, Atlantic City, December 28 and 29, 1920. The programme as arranged by H. T. Scovill, of the university of Illinois, includes the following:

Tuesday, December 28, morning session, beginning at 10 A. M., aim and scope of courses in cost accounting, income-tax procedure and graduate and research work in accounting. The afternoon session, Tuesday, will be devoted to a discussion of the relation of the University Accounting Instructors' Association to other organizations interested in accounting education, such as the American Institute of Accountants, correspondence schools and private business enterprises.

Wednesday, December 29, morning session, beginning at 9:30, profits and income and revision of federal taxation. The afternoon is reserved for a short business session, followed at 3 P. M. by a discussion of teaching methods in accounting. Twenty-five of the leading accounting educators of the country are to take part in the programme.

An invitation is extended to all interested in accounting education to attend the meeting.

Theodore I. Schneider announces the change of his firm name from Frank Loeb Schneider Company to Theodore I. Schneider Company, and the removal of offices from 220 Fifth avenue to 1140 Broadway, New York.