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Book Reviews

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Book Reviews

LA PROFESSION D'EXPERT-COMPTABLE AUX ETATS-UNIS, by DR. A. PERREN. *Delachaux & Niestlé, S.A.*, Paris. 125 pages. 1936. \$2.

This book provides an opportunity for public accountants in the United States to learn what a Swiss has to say of them after "un séjour prolongé" (a long stay) in this country. It is in five parts as follows:

1. Historical notes
2. C. P. A. laws
3. Professional associations
4. New fields of activity
5. Problems and tendencies of today

An appendix contains:

1. Recommended American accounting works
2. Rules of professional conduct of the Institute
3. By-laws of the Institute
4. Extracts from the informational circular of the committee on examinations of the Institute
5. Extracts from the by-laws of the N. A. C. A.

The page following the title-page contains the following:

"Le comptable est le véritable économiste, à qui une coterie de faux littérateurs a volé son nom."

PROUDHON

This we may translate, without benefit of dictionary, as "The accountant is the true economist from whom a lot of false writers have stolen his name." Thus we start off in the author's favor. In the introduction we are told that the important rôle of the accountant in the complex world of today makes it necessary that accountants be properly organized, but that only a few European countries (for example, England, Italy and Rumania) have seen the necessity for legislation defining and protecting the public accounting profession; France waited till 1935 to do it. It is to the professional societies of the countries still wanting in legislation that the book is dedicated in the hope that they will find in it useful suggestions for legislation to be proposed.

In the first part of the book attention is called to the fact that documents have been found which prove that accounting has existed since time immemorial. Documents concerning public accounting are rarer

but nevertheless exist to show that auditing was practised throughout the centuries, in all well-governed countries, although limited in antiquity chiefly to verifications of public accounts and those of royal houses. According to Dr. Perren, in the Middle Ages four factors (the Catholic Church with its needs of control, the introduction of Indo-Arabian figures by Leonardi Bonaci in 1170, the revitalization of economic and commercial life first in England and especially in Italy, and the publication in 1494 of the work of the Franciscan Father Luca Pacioli founding double-entry bookkeeping) contributed especially to the renaissance of accounting and accounting control. The first British society of chartered accountants was created in 1853 in Scotland, where the public accounting profession was already recognized in the 17th century. In 1870 the Institute of Chartered Accountants in England and Wales was organized. In the United States the profession was practically unknown outside of New York before 1880. With the coming of big business, the first C. P. A. law was passed in New York in 1896. This law differed from the British because the title of C. P. A., instead of being given to qualified persons by professional associations recognized by the government, was given by the state, which retained for itself the right of conferring the title on candidates successfully passing the state's examination in public accounting.

The second part of the book opens with a discussion of the difficulty of formulating Federal accounting legislation in the United States and the differences which have existed among our state laws. The questions of administration, preliminary education, examination program, restrictions on practice, and reciprocity among the states all receive attention. The purpose of the discussion is to show the disadvantages of decentralized legislation and also the struggle the American Institute will have to make before the designation "C. P. A." obtains uniform and really national significance and is recognized without reservation in the rest of the world as is that of the English "Chartered Accountant."

Professional associations of public accountants in the United States began with the American Association of Public Accountants in 1886. The first state society, New York's, dates from 1897. The Federation of Societies of Public Accountants was founded in 1902 and fused with the American Association in 1905. Out of this latter, to remedy defects therein, the American Institute grew in 1916. The American Society entered the picture, along the lines of the original Federation, in 1921.

Part four deals with new fields of activity. The United States was the first nation in the world to install obligatory supervision over banks. Instead of having them audited by private organizations as in Europe, the Federal and state governments have their own auditors, often drawn from among the C. P. A.'s. Municipal accounting is making headway. New taxes have led to further employment of public accountants, and

the various new laws, "Rooseveltiennes," have done much to add to the scope of their work.

Under "Problems and tendencies of today" the book deals at first with the public accountant's educational background and practical training. Next Dr. Perren discusses the slow disappearance of the big firms of public accountants and the return to individual practice. Finally is considered the danger encountered when the public accountant broadens too much the scope of his functions.

This book, written in French of only ordinary difficulty, would make an excellent text-book to be used in some of our American schools of business. Not only would it serve to give the students practice in using the French language, but the subject-matter is such as to be interesting to students of business, particularly accounting students. The practitioner who has neglected his French would find this book a good one with which to resume his study, even though he found that occasionally he could not quite agree with the author.

ARTHUR W. HANSON

ACCOUNTING, PART I, by STANLEY W. ROWLAND and BRIAN MAGEE. *Gee & Company, Ltd.*, London. 445 pages, including index. 1936. 8/5.

What at first appears to be a modest little volume turns out to have no less than 440 pages of accounting instruction and lore. Any one who reads this book will, at the end, be as much surprised and impressed by the contents as he was by the size of the book. Perhaps my long absence from contact with current textbooks on accounting is the cause, but I am inclined to think that this volume contains many valuable features which are developed considerably better than is usual in our textbooks. These features are not small matters, but are concerned with the most important aspects in accounting.

The most interesting element in the book is the acquaintance with business transactions that is given the reader, preparatory to presenting the accounting technique which is applied to these transactions. No matter of accounting technique is discussed without first describing the business affairs which the particular item of accounting technique is supposed to record and analyze. No one could read this book and learn any accounting without at the same time learning a tremendous amount about the nature of business transactions, their purpose, and the manner in which they are completed.

The second most interesting feature of the book, to my mind, is the manner of approaching and handling the subject. This is best illustrated by noting some of the titles in the table of contents. Section I of the book, containing chapters I to VIII, bears the title "Elements of account-

ing," and describes the nature of business transactions, theory of double entry, and the purpose of the main types of accounts. Section II, containing chapters IX to XII, under the title of "Some practical aspects," takes up the purely bookkeeping part of accounting; and, surprising though it may seem, it is explained in fifty-five pages. Section III, containing chapters XIII to XVIII, gives the application of accounting principles to special types of undertakings and transactions, such as partnership accounts, branch and departmental accounts, consignments, joint-stock companies, and others. Section IV, with two chapters, has the title "The ascertainment of profit." The title of one chapter is "Capital and revenue; Valuation of assets and liabilities." The title of the second chapter is "Depreciation." This, it seems to me, reveals the essential "coup" of the authors, in that they have treated the mechanics of bookkeeping and accounting separately from the problems of substance in accounting. It is quite clear in this textbook that the ascertainment of profit and the preparation of financial statements are not the mechanical results following inevitably upon the preceding processes of bookkeeping. The conception of accounting as the use of judgment and broad experience, as distinguished from accounting as a mechanical procedure, is very clearly presented and described in this way. Section V continues with the interpretation of the balance-sheet. Section VI, "The place of accounts in management and control," takes up cost accounting, budgetary control, and internal check and audit. Finally, in section VII, under the title of "Maintenance of solvency," such questions as reserves and sinking funds are discussed.

In summary, I do not recall ever having seen an elementary volume on accounting which has so well presented the fundamental point of view of accounting; which so well accomplished the important job of differentiating between the process of applying judgment in accounting and the use of accounting procedure; which so well introduced valuable description of business transactions; and which, at the same time, covered all of the ground required in a detailed introduction to accounting. Having studied this book, a novice is rather more likely than is usually the case to find his knowledge reasonably well in accord with his experiences in work. Upon finishing the volume, I thought here is a book written by a practical man of wide experience and unusual vision and literary ability. Nevertheless, the authors describe themselves as lecturers in accounting at the London School of Economics and at the University of Bristol. To be sure, the book contains some details of form and set-up customary in England which differ somewhat from our customs, but these constitute no difficulty for any one who is interested in reading a good book.

PHILIP SAUNDERS

HANDBOOK OF INTERSTATE MOTOR-CARRIER LAW, by D. BRODSKY and J. A. LIBERMAN. *Milbin Publishing Co.*, New York. 182 pages. 1937. \$3.

Considering that the law placing highway carriers in interstate commerce under the jurisdiction of the Interstate Commerce Commission is well into its second year, the amount of literature on the subject has been quite small. Most of what has been published has been by the I. C. C. itself; and loose-leaf reprints thereof by the same people who publish the tax services. A great deal of periodical literature on the subject has appeared, but a single volume that will tell the harassed trucker just what he most wants to know, and in language which he can understand, did not exist till now. The book is well-printed, contains only 182 pages, can be carried in an overcoat pocket, and commends itself on sight. What taxes does any state levy on commercial motor vehicles, or their operators? Turn to the state in which you are interested, and there in succinct fashion is the entire list of tariffs, fees, taxes or permits which must be paid for if business is to be done legally. Even the gasoline taxes are included. In short, it is a book that any accountant may well own.

L. GLUICK

PROCEEDINGS OF THE AUSTRALASIAN CONGRESS ON ACCOUNTING, held in Melbourne, Australia, March 16-20, 1936. *Australian Congress on Accounting*, Melbourne. 361 pages. 1936. 5/6.

In March, 1936, a congress of accountants was held in Melbourne and the record of the proceedings of this congress, published late that year, contains eight papers as follows:

- "Public finance and the form and presentation of public accounts," by Mr. A. E. Barton
- "The rights of preference shareholders," by Mr. J. S. McInnes
- "The auditor's report," by Mr. H. H. Cummins
- "Accounting terminology," by Mr. A. A. Fitzgerald, B. Com.
- "Cost accounting," by Mr. D. J. Nolan, A.M.I.E. (Aust.)
- "Budgetary control," by Mr. L. A. Brumby
- "The history of the accounting profession, and the position of the accountant in commerce," by Mr. E. V. Nixon, C.M.G.
- "The resumption of privately-owned public utilities," by Mr. S. Russell Booth, M.A.

I was happy to learn that so much interest was shown in the meetings in Australia that some 400 or 500 accountants attended the Congress. The papers presented were of high quality and show that the same problems confront the accountant everywhere. The development of accounting in Australia, as in America, looks towards the future and emphasizes the responsibility of the professional accountant. In this

review, it is not possible to do more than give some random reflections on the papers.

Where it is necessary to express anything more than the simplest thought, we must use correct language. Correct language not only helps to clarify the thought in the mind of the one expressing it, but helps the hearer or reader to understand the thought correctly. As we know, a good deal of controversy arises merely because there is no meeting of minds. This is true in law and is true in accounting, except that where the lawyer can draw a document with minute definitions of apparently simplest terms, the accountant, on the other hand, must condense his voluminous information in a short report. There is lack of agreement among accountants as to the use of terms, and most unfortunately, the terms are often not understood by laymen at all. The improvement in overcoming this is due to discussions in accounting journals and at meetings, and to the work of committees of the various accounting societies, particularly the American Institute. Much remains to be done, and if I had anything to do with arranging programs of meetings of accounting societies, I would have this subject of terminology discussed more often.

Incorrect, vague or evasive language increases not only the auditor's moral responsibility, but his legal responsibility as well. I fear that the auditor is relying too much on limiting his responsibility by the manner of presentation of his report. For example, I do not know whether he can evade his legal responsibility by stating the limitations of his audit; he certainly cannot evade his moral liability, no matter how distinctly he states these limitations, if he should not have agreed to them in the first place. A statement may be incorrect not only because of what it states but of what it omits. There are implications that will be drawn from a statement, and the auditor should be careful that the ordinary careful layman does not draw incorrect implications. A report may be technically faultless but practically valueless, if not false, if the reader, whether he be the investor who wishes to hold, buy or sell, or the executive who needs to plan and control, will be apt to draw an erroneous conclusion from the report.

The papers on cost accounting, on budget control, and the history of the profession and the position of the accountant in commerce show how accounting has developed from merely recording transactions, and interpreting the record, towards planning and controlling future transactions. It is becoming a true science. When this development finally reaches fruition, we may hope that the legislature and the bench will make their concepts conform to the accountants', instead of vice versa. That will only be when the accountant devotes his attention to the broader problems, worrying less about meticulous accuracy of each individual item and more about whether the basis of accounting itself,

on which the whole statement is founded, fairly reflects the situation under the particular circumstances.

The paper on the rights of preference shareholders shows the world-wide tendency since the depression of 1929 to consider the preferred shareholder more as a creditor, but with rights junior to the creditor, so that in reorganizations of corporations his rights are encroached upon for the benefit of the common stockholders.

Government accounting is much behind accounting in private affairs. Governmental bodies cannot apparently become interested in distinctions between income and capital, or with statements other than of cash received and disbursed. This is probably due to the fact that taxpayers watch to control thievery, not inefficiency. It is the inefficiencies that cause the greater loss to the taxpayer.

The paper on the resumption of privately owned public utilities discusses in detail a case involving the basis of compensation to the owners of an industry taken over by the government, particularly the matter of the valuation of the goodwill.

The societies which arranged the Australasian Congress are to be complimented on their work. Both the papers and the discussions that followed show a wide grasp of the problems confronting the profession.

ALEXANDER S. BANKS