

11-1937

Book Reviews

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Recommended Citation

Williams, T. Dwight; Chambers, Norman G.; and Meyer, H. J. (1937) "Book Reviews," *Journal of Accountancy*. Vol. 64: Iss. 5, Article 11.

Available at: <https://egrove.olemiss.edu/jofa/vol64/iss5/11>

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Book Reviews

THE LAW OF BUSINESS, by JAMES L. DOHR. *The Ronald Press Company*, New York, N. Y. 659 pages. 1937. \$4.

The Law of Business is a text-book written primarily for students of accounting. Its author is associate professor of accounting, school of business, Columbia University, an attorney-at-law and a certified public accountant. This book is one of the "University accounting series" edited by Roy B. Kester, Ph. D., professor of accounting at Columbia University.

The approach to the subject is unique in that it presents the principles of business law with particular attention to the manner in which they affect accountants and their profession. A brief summary at the end of each chapter or subject, pointing out the practical application of the principles discussed therein to the work of the accountant, is an interesting feature.

I am unable to improve upon the author's concise statement of the objectives of his study. His statement accurately describes the nature of the work. After a short discussion of the necessity and reason for the study of law by accountants, the following statement is made:

"With these purposes in mind, the objectives of a study of law by accountants may be formulated as follows:

- (a) To develop a knowledge of law generally, including the approach, reasoning and methods used in the solution of legal problems,
- (b) To develop a general knowledge of business law,
- (c) To develop a detailed knowledge of those portions of the law which are involved in accounting principles, procedure and practice, and
- (d) To enable the student to prepare for the law examinations leading to the certificate of certified public accountant."

To reach these objectives the study is divided into four parts, the first three of which comprise the book under review, the fourth to be presented in a second volume. The first part, "Introduction to the study of law," comprising three chapters, presents the general background of the history and development of the law, as well as the purposes of law study by accountants. The second part consists of 12 chapters and deals with the classifications of "basic law," i.e., the organization of government, criminal law and torts, real and personal property, contracts, the law of remedies, evidence and the financing of

government or taxation. Of the last named, the author in his preface says: "The final chapter of this section is devoted to the law of taxation, which has obviously become a basic legal classification." The writer is inclined to add "of the law of business."

The remaining sixteen chapters are given over to a presentation of the law relating to the conduct of business, i.e., agency, unincorporated associations (including partnerships, trusts, etc.), corporations, sales, employment, guaranty and suretyship, negotiable instruments, negotiable evidences of ownership, liens, conditional sales and mortgages, insurance and, last but not least, "the regulation of business." This last chapter presents information as to the regulation of Federal and state banks, railways and other carriers, public utilities, bankrupts, as well as Federal regulation of securities issuers. The comments of the author are condensed, the greater portion of this chapter consisting of reprints of Federal and state statutes. Although these statutes could hardly have been omitted, it is wished that reference might have been made to them and more of the author's views on this important topic included in their stead.

An outline of commercial law taken from the New York C.P.A. syllabus is included as appendix A.

Frequent citations of leading cases and representative statutes, as well as references to other texts, make the book more valuable to the practising accountant and to those students who desire to pursue the subject further. Included as appendix B are 13 leading cases relating to the topics discussed in the body of the text.

It is noted that a pamphlet containing cases and questions has been prepared for use in connection with the text. While this was not furnished the reviewer, such a pamphlet should prove valuable to those preparing for the examination for the C.P.A. certificate.

The author states that the fourth part of his study is to be presented in a second volume and will consider in detail,

"(a) The law involved in the financial statements, including such law as is of importance in connection with the assets and liabilities, with the proprietorship section of the balance-sheet, and with the various items of income and expense, and

"(b) The law involved in the public practice of accounting generally and in a number of specialized accounting fields. This part of the study will conclude with a consideration of the use of accounting records in the proof of accounting facts in legal proceedings."

After noting the careful and capable manner in which the first part of this study has been completed and presented, the reviewer anxiously awaits the second volume with the certainty that the completed study will fill a vacancy in accounting literature.

A note of warning is sounded by the author, which I am sure all practising accountants will recognize as sound and which the student will do well to heed, in this statement:

“It must be distinctly understood in this connection that it is at no time the privilege or duty of an accountant to advise clients on matters of law and that it is in no sense the purpose of this study to enable or qualify him to do so. He must understand such law as is essential to the conduct of his profession; he should be familiar with legal reasoning and the methods used by lawyers in the solution of their problems; he should know enough of the law to recognize legal problems when they arise and to know when to consult, or advise consultation with, a lawyer as such problems are encountered in his work. Advice on legal matters should, however, be left strictly to the qualified legal practitioner.”

The accountancy profession is indebted to the author for a clear exposition of the law as it pertains to business and the manner in which the different phases of the law may be expected to affect accountants.

The book, though written primarily for students, is one which may be profitably read and used as a reference work by practising accountants.

T. DWIGHT WILLIAMS

HOW SHALL BUSINESS BE TAXED? A symposium conducted by the TAX POLICY LEAGUE, December 28–29, 1936. *Tax Policy League*, New York, N. Y. 175 pages. 1937. \$2.50.

The collection of addresses presented in this volume represents the opinions of some of the best known professors of economics and others who have made a study of the subject of taxation and gives an excellent presentation of some theories of taxation now current. However, very little argument in justification of the theories held is given, while on the other hand, critics of current methods of taxation present a good case, for their arguments can be based on practical experience of the application of the tax laws. The danger for the future of many concerns, if the undistributed-profits tax is not adequately amended, has been well stated, and apparently the best that can be said for this tax is that it is an attempt to equalize the burden of taxation on incorporated business with that borne by partnerships and private businesses. After reading what the various professors have to say, the average business man will want to turn back and read again the chapter presenting the attitude of business concerning business taxation. It is to be regretted that the discussion from the floor following the various addresses could not be included in this volume, for presumably it would have brought out a more complete exposition of the more debatable theories presented.

Book Reviews

However, hope is held out that these discussions will be covered in a later volume.

The statement is made that the average family which pays no income tax today, according to recent studies, pays out between twelve and sixteen per cent. of its annual income in "hidden taxes," unseen in the cost of what it buys, and hence a wider use of direct taxes on the individual would make the voters more conscious of the effect upon themselves of government expenditures. There is much food for thought in the various addresses, and a careful reading should help to crystalize the reader's own ideas on the subject of "How shall business be taxed?"

NORMAN G. CHAMBERS

THE INTERPRETATION OF FINANCIAL STATEMENTS, by BENJAMIN GRAHAM and SPENCER B. MEREDITH. *Harper & Brothers*, New York, N. Y. 122 pages. 1937. \$1.

This book is a simple treatise on the subject of financial statements of corporations. It is well written and certainly worth its cost. While the experienced accountant and statistician would undoubtedly consider it rather elementary, one must agree with the statement of the authors that, even in the elementary aspects of the subject, there are peculiarities and pitfalls which it is important to recognize and guard against.

To many a business man and investor the book should be particularly helpful. It contains 122 pages and is arranged in three parts. Part I provides an explanation of the various items usually found in a typical corporate balance-sheet and income account and the various factors to be considered in the interpretation of financial statements; part II deals with an analysis of a balance-sheet and income account by the ratio method, and part III contains definitions of financial terms and phrases. The material in the book is used in the courses on security analysis given by the New York Stock Exchange Institute.

H. J. MEYER