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Book Reviews

Wayne Kendrick

Howard C. Greer

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Book Reviews

INCOME TAX FUNDAMENTALS, by FREDERICK LEON PEARCE.
The Foundation Press, Inc. Chicago, Ill. 581 pages. 1937. \$6.50.

It is a well known fact that the subject covered by this book is a broad one. The author has stated in the introduction that the purpose of this book is for use, primarily, as a text in law, accounting and business schools in a course upon the fundamentals of Federal income tax. In view of the constant and frequent changes in Federal income-tax laws, as well as changes in interpretation of the old and new laws, certainly nothing more could reasonably be expected of any book. Unquestionably the use of this book as a text, with due attention given in class to current changes in Federal income-tax laws, regulations and judicial decisions, will furnish the conscientious student with ample knowledge of the subject to handle problems arising thereunder.

I have no hesitancy in stating that, in my opinion, this book will serve as a valuable text for the teaching and the studying of Federal income taxes.

WAYNE KENDRICK

COST ACCOUNTING by W. B. LAWRENCE; *Prentice-Hall, Inc.*,
New York, N. Y. 598 pages. 1937. \$5.

This book is a revised edition of a work published under the same title in 1925. The original treatise went through ten printings and achieved the distinction of being used in such far away places as Russia, China and Japan. These are claims to merit which no reviewer would like to dispute.

In the present volume, Professor Lawrence has rearranged his earlier material, brought up to date a good many of the comments on accepted practice, added some chapters on distribution costs, and expanded the material on standard costs. In other respects, the book follows rather closely the outlines of the earlier work.

Following a general introductory section of several chapters, the book deals at length with the procedures of what the author terms "specific-order cost accounting." One might expect this discussion to be followed immediately by a description of alternative cost methods, but instead the discussion turns to distribution costs, closing entries, and the preparation and analysis of financial statements. After bringing the material to a rather logical conclusion at this point, the author then returns to an explanation of process costs and standard costs. Then follow several chapters dealing with special topics, such as the inclusion

in costs of interest on investment, the graphic presentation of cost information, the advantages of a cost system in auditing work, and the importance of the uniform accounting systems developed by a number of trades and industries. The book closes with about 100 pages of graded problems.

The approach throughout is distinctly that of the teacher who has had long experience in the introduction of undergraduate students to the mysteries of cost-accounting procedure. The discussion of the mechanics of cost accounting is exceedingly thorough and comprehensive. The author views cost accounting not as a theoretical subject, involving isolated computations for specific purposes, but instead as an elaboration of the more elementary bookkeeping system, designed primarily to build up values for inventories of work in process and finished goods and for cost of goods sold. The necessary forms and records are fully illustrated and their function is adequately described. Every step in the procedure is related to the essential ledger accounts and journal entries which necessarily form a part of any serviceable cost-accounting system.

It is no criticism of the volume to point out that it contains very little effective discussion of cost theory and a rather limited discussion of cost usage. Cost accounting is too broad a subject to be covered completely in a single volume. An experienced and well informed instructor in cost accounting should be able to supplement Professor Lawrence's able presentation of the mechanics of the subject with an oral presentation of the significance of cost data and the contrasting uses of various cost facts for differing purposes.

The instructor can also point out that while the "specific-order cost" procedure requires thorough study and complete understanding, and thus necessitates extended study, almost all large industries in recent years have substituted an accounting procedure based on standard costs for the detailed compilation of item-by-item costs on individual products. At that, the volume would be better balanced with more emphasis on standard costs and a more complete explanation of how a standard cost system operates, including some reference to Camman's ideas on "basic standard cost" procedure.

This reviewer suspects that some students may be misled by the author's occasional insistence that there is some one single cost figure which is "accurate" while all others are not. On the other hand, students will benefit from the author's particularly careful statement of the purposes and advantages of cost accounting, which he describes fairly and sanely, avoiding the exaggerations and absurdities which have characterized some claims by proponents of cost systems.

This is a thorough, careful, readable presentation of a very important aspect of all modern accounting systems. HOWARD C. GREER