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Book Reviews

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BOOK REVIEWS

MATHEMATICS OF BUSINESS AND FINANCE, by William S. Schlauch and Theodore Lang. *The Ronald Press Company*, New York, N. Y. 548 pages. 1937.

SELECTED TABLES FOR BUSINESS AND FINANCIAL CALCULATIONS, organized and arranged by Theodore Lang and William S. Schlauch. *The Ronald Press Company*, New York, N. Y. 182 pages. 1937.

These two companion volumes consist of a treatise on what is customarily termed "mathematics of finance" and a separately bound set of tables. The contents of the first fall roughly into three categories, namely, (1) a set of mathematical tools, (2) an unusually thorough presentation of compound-interest functions, and (3) a miscellany of business applications, some of considerable interest.

The treatise is designed primarily for use as a classroom text and for that reason runs the mathematical gamut from the elementary to the sublime. This encyclopedic comprehensiveness, however, gives the book a distinct value as a reference work. The mathematical tools include review of algebraic processes, certain arithmetical shortcuts, chapters on percentages, markups, chain discounts, logarithms, series and progressions. The most potent of the tools laid to the hand of the reader is a chapter on scientific interpolation. The principles of interpolation by finite differences, simple as they are, must usually be sought in advanced mathematical works. They are almost completely unknown to the accountant and the businessman. This feature alone takes the book out of the class of the ordinary.

Interest functions—compound amounts, present values, annuities, sinking fund payments, and so on—are treated in an extremely comprehensive manner. The development of the various formulas is materially assisted by the liberal use of diagrammatic methods. In addition to the territory usually covered in a work of this character, the book adds a section on cumulative and decreasing annuities.

The selection of business applications includes problems relating to bond valuations, domestic and foreign exchange, an introduction to graphs and the fitting of curves to data, and something on the mathematical valuation of depleting assets, leaseholds, and goodwill.

The book, in common with all books of the sort, is not without minor faults of omission and commission. Instead of the space devoted to the slide rule—an instrument of extremely limited application in accounting and business—an equal number of pages on the use of the electric calculating machine would have been of far greater practical value. The subject of serial bonds is treated in a wholly inadequate manner even though the tools (cumulative and decreasing annuities) for the development of the principles are well shaped. The determination of the yield of an irregular series of bonds by means of the calculating machine is totally overlooked, though it is the quickest of all methods. On the commission side, the book contains a curious bit of pseudo analysis on page 50, and Hoskold's formula is presented as a valid instrument for the valuation of a depleting asset, despite the fact that it yields a criminally high valuation whenever the development of the deposit requires any considerable investment in buildings and machinery. Moreover, the accounting implications of this formula verge on the ludicrous—facts seemingly not yet known to the writers of textbooks.

The whole subject of asset and goodwill valuation is pretty remote from any contact with rude realities.

The book of tables contains the six standard tables of interest functions at rates ranging from $\frac{1}{4}$ per cent to $8\frac{1}{2}$ per cent for 100 periods each. The volume also contains a section of formulas, tables of reciprocals from 1 to 10,000, six-place logarithms (plus a condensed eight-place table), and a miscellaneous collection of other tables useful in business.

LEWIS A. CARMAN

FINANCIAL REPORTS OF MUNICIPALITIES. Uniform Accounting Committee of the League of California Municipalities, Bulletin One. 133 pages. 1938. \$2.50.

This bulletin is "the result of a definite movement in the state of California looking toward uniformity and improvement in municipal accounting." It is of a "tentative" nature, and the committee "invites comment and criticism."

Several commendable features appear in the report, including the decision to integrate the work of the committee with the work of the National Committee on Municipal Accounting, the adoption of the standard terminology of the National Committee, which is reprinted in full, and an expressed desire for "uniformity in principle and results, rather than similarity in the mechanical means employed." Part II of the report consists of an illustration of the suggested statements given in part I applied to an actual situation. This is an excellent idea, as it is doubtful if blank forms are as useful as forms which are illustrated. The balance-sheet and revenue statement of the utility funds is quite satisfactory, and one notes with approval that provision is made for depreciation in these statements.

There are some features of the report which should be questioned before final acceptance. Notable among these is the complexity of most of the statements, especially the statements of receipts and expenditures. Few people will read the nine-column statement of cash receipts, disbursements, transfers, and balances. They are simple enough for an accountant, but these statements are for public study. The public, for the most part, will be business and professional men who are acquainted with commercial balance-sheets, surplus statements, and profit-and-loss state-

ments. They will understand municipal statements better if they are made, as nearly as is practical, in conformity with business reports. In this respect the suggestions of the National Committee, in bulletin number 6, which shows a separate balance-sheet, surplus analysis, and revenue-and-expenditures statement for each revenue fund, are superior to those of the California committee.

There appears to be excessive emphasis upon total cash receipts and disbursements, and this is somewhat surprising in view of their principle number five, page eight, which approves of accrual accounting. Accrual accounting throws emphasis upon the revenues and expenditures, which analyze surplus changes, instead of receipts and disbursements, which analyze cash changes.

Other questionable or unusual items of a minor nature include the classification of the reserve for encumbrances under the general heading, "Accounts and notes payable"; carrying "unapportioned funds" in a separate fund grouping; totaling as "general city" the balance-sheets of a number of funds, including trust and assessment funds; combining bond funds and the property accounts; and the use of the term "accrued revenues" in the balance-sheet.

The most basic idea in the bulletin is the recognition of a need for better municipal budgeting, accounting, and reporting, and the need for more adequate control which improvement in these matters will give. This recognition of a need is the first step in improvement; the second step consists of a thorough investigation by a qualified personnel and a report of findings. These two steps have been taken, and the committee and the league deserve commendation for their perception and their efforts. Other states should follow the example set by California in this respect.

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