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## Book Reviews

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## BOOK REVIEWS

TREATISE ON BANKRUPTCY FOR ACCOUNTANTS, by Charles S. Banks. *LaSalle Extension University*, Chicago, Ill. 129 pages. 1939. \$1.

Times and methods change. New concepts displace old. Of nothing is this more true than it is of the philosophy that underlies statutory forgiveness of debt.

Rehabilitation has succeeded liquidation as the dominating theory underlying bankruptcy legislation just as New Deal planned economy has succeeded laissez faire. Deflation and liquidation; inflation and rehabilitation!

Mr. Banks' *Treatise on Bankruptcy for Accountants* is authoritative. It is from the pen of an experienced practitioner and one of the small group of public-spirited specialists in bankruptcy who, as the drafting committee of the National Bankruptcy Conference, labored to give the nation H. R. 8046, a modern bankruptcy law, better known as the Chandler act.

As the author puts it, "The new law recognizes the part the profession of accountancy plays in aiding the court to uncover the facts upon which judicial action may be taken, *not so much by naming the duties of accountants as by requiring things to be done which only an accountant can properly do; . . .*"

He emphasizes the peculiar fitness of accountants to act as receivers and trustees in bankruptcy, pointing out that "as professional practitioners, they are keenly alive to fiduciary responsibilities."

"Ascertainment of facts" is emphasized as the dominating thought behind the procedural requirements of the act; and the author reminds his readers that "in this whole field of investigation and financial determination, the accountant is . . . the only one fundamentally equipped by training and experience" to render dependable service.

The volume contains not only a comprehensive but also a very readable outline and explanation of the new law, with citations throughout of opportunities which it makes for public accountants and auditors; also a

review of the background of the law and a concise statement of the nature of bankruptcy legislation; and, what is most important to the author's fellow-practitioners, he gives in chapter XII a summary of the types of accounting and auditing service which will be required of public accountants and auditors in the administration of the act.

The act does indeed give extensive recognition to the accounting profession, but how soon the profession will begin to "cash in" on this probably depends upon how good a job it does of convincing the judiciary that it should make practical application of the obvious opinion of the framers of the act that the talents and skill of the public accountant and auditor are essential to proper administration of the bankruptcy statutes.

Mr. Banks' work is one which no public accountant and auditor can fail to examine studiously without rendering himself guilty of neglecting to "keep up with the times."

T. COLEMAN ANDREWS

ADVANCED COST ACCOUNTING, by Charles F. Schlatter. *John Wiley & Sons, Inc.*, New York, N. Y. 217 pages. 1939. \$2.50.

This textbook is the second volume of a series of works by the same author on the subject of cost accounting. The first volume, entitled *Elementary Cost Accounting*, was published in 1927. The author is professor of accountancy and associate dean of the College of Commerce and Business Administration, University of Illinois. The book is based upon material which in mimeographed form has been used by students during past years. Although only two of the chapters are entitled "Standard Costs," the book is really an exposition of this subject beginning with a study of its foundations in flexible standard budgets and ending with a study of the total standard cost of the finished product.

Chapter II deals with expense distribution. The author's treatment of semivariable expenses and the bases for separate distribution

of fixed and variable service department expenses is most interesting.

Chapter III treats of control. It explains the uses of standards for expenses by showing how the comparisons of actual expenses with flexible standard budgets are made.

Chapters IV, V, and VI deal with the applications of burden by means of standard burden rates. The question of the several available bases for standard rates is fully covered as is also the analysis of burden variances into their causes. Chapter VI deals with special problems of burden application of which six have been selected for explanation.

Chapter VII deals with the effect of volume of production on total costs and profits and is freely illustrated with graphic charts in explanation of differential costs and "break even" points.

Chapters VIII and IX are entitled "Standard Costs." Chapter VIII deals with phases of standards for materials and labor, with the application of standard burden to standard labor and with analyses of variations from standards. Chapter IX is concerned largely with the treatment of standard costs in financial statements and with problems in connection with changes in standards.

Chapter X considers problems arising from market changes and introduces the subject of stating cost of sales at reproductive cost.

Chapter XI deals chiefly with joint costs and its related subjects.

Chapter XII is entitled "Interest as a Cost of Manufacturing," and both sides of this debatable question are presented.

Each chapter includes problems which are solved by the author, also a number of problems without solution as well as a series of questions designed to encourage review of the general principles involved.

Throughout the book the author treats fully the views of different schools of cost accounting with respect to debatable phases but does not hesitate to express his own preferences with his reasons therefor. The book is a valuable addition to the literature of cost accounting for students, businessmen, and accountants engaged in general practice, as the material is presented more to emphasize the purposes and results of standard cost accounting than to show only the mechanics of accounting.

A. R. KASSANDER

MANUAL OF WATER WORKS ACCOUNTING, by the Municipal Finance Officers Association and the American Water Works Association. *Municipal Finance Officers Association and American Water Works Association*. 483 pages. 1938. \$4.

The book is exactly what the name implies, a "manual." The preface says that it was prepared for the reason that "although much has been written on the various phases of water works accounting, no single book integrating all of this material existed." It also says confidently that "it should be kept in mind that the manual has been prepared in accordance with sound accounting principles."

For a long time the accounting of water utilities has been subject to the regulations of public-service commissions which have prescribed uniform systems of accounts. The system of accounts promulgated by the National Association of Railroad and Utilities Commissioners is the basis of this book.

The manual could be called a supplement to the accounting systems prescribed by state regulatory bodies and an outline of the procedure to be followed. The accounting orders of the public-service commissions leave the utilities to their own devices in recording financial transactions to comply with their orders, except that the double-entry and accrual methods are required.

The book furnishes water companies an exhaustive explanation of the procedure to record all transactions that will finally flow into the general financial books.

One hundred and forty-five specimen forms are illustrated which cover practically every record needed in water-utility operations and bookkeeping.

The manual nature of the book is evidenced by journal entry illustrations used throughout. These probably are for the guidance of bookkeepers, and are naturally elementary. It seems to be acknowledged that the book is for the guidance of bookkeepers as the difference between the cash and accrual basis is explained at length, and the double-entry method is described with illustration, as for beginners, such as, how to rule up monthly and post the books of original entry. An example of a bank reconciliation is also given.

The book is in five parts, covering (1) the accounting department and system, (2) customer accounting and collecting, (3) account-

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ing for expenditures, including purchases, materials and supplies used, payroll, contractual services, and taxes, also depreciation and cost accounting, (4) accounting for assets, liabilities, and net worth, and (5) the preparation and use of financial statements.

Customer accounting and collecting is an important part of water-utility management, as it covers the revenue. The manual describes the procedure from the taking of the application for services to the recording of the cash received in payment for the service and writing off of an uncollectible account. Accounting for meters is not covered.

In the chapter on depreciation the straight-line and sinking-fund methods are amply explained, but the "retirement-reserve method" is quickly passed over with the following paragraph:

"Under this method there is included in operating expenses an annual provision for retirements and a corresponding retirement reserve is set up. The annual provision is usually made on the basis of past experience. The purpose of the reserve is to equalize the effect of losses occasioned by the retirement or replacement of property."

The regulatory bodies are abolishing this method of recording depreciation in the accounts. The bibliography shows that the authors read the book, *Depreciation; A Review of Legal and Accounting Problems*, prepared by the staff of the Wisconsin Public Service Commission, in which the abuse of the method was disclosed and its use thoroughly discredited, but they were probably aware that in the new accounting systems prepared by the National Association of Railroad and Utilities Commissioners the method is abandoned.

The manual is carefully prepared and is comprehensive. There is little to criticize. It is a credit to those who compiled it.

WILL-A. CLADER

PRACTICAL CREDIT ANALYSIS, by Eugene S. Benjamin. *The Author*, New York, N. Y. 180 pages. 1939. \$7. Rev. Ed. The "Practical Credit Analysis for Bank

and Trade Credit Men, Accountants, Investors, Business Schools, and Merchants" is a practical, condensed study of credits for the practical credit man or advanced student.

The work is based on an analysis of industries over a period of years and applies principally to normal conditions of business and a normal acceptance by the banks of a business enterprise for credit purposes. Little is given regarding the granting of credit by the large banking institutions under present conditions. The credit methods of today perhaps are not normal and the procedure of the banks in granting credit differs from that under old-time banking conditions, from which many of the examples used in this work have been taken. With these present conditions in mind and also looking forward to a return to normalcy of the banking systems, the business credit man will find this work of very great value.

The student will find the material a practical help in tracing the development of the credit systems into their present condition where increased emphasis is laid on a study of the figures and results of the business operations and such factors as the integrity of the management and personality of the concern are relegated to a secondary rôle in credit considerations.

The methods adopted by the banks, as presented in this study of credits, is of principal interest to any concern that is seeking credit. It not only shows the procedure by which the banks determine whether credit should be granted and how much, but it shows clearly the many assets of a business enterprise that are considered worthless. If this advice is worth anything to a concern, it will direct the concern in the method of setting up its assets and in putting its best foot forward in preparing its statements for presentation to the credit departments of banks and to bankers.

The widest use of the book will probably be as a text for the student, and its chief value is in its practicability and completeness of detail.

RAYMOND C. BROWN