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## Book Reviews

Dan Throop Smith

Theodore Lang

J. S. Seidman

C. C.

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## BOOK REVIEWS

**SOCIAL SECURITY AND PAYROLL TAX ACCOUNTING**, by Sherwood and Pendery. *South-Western Publishing Co.*, Cincinnati, Ohio. 256 pages. 1939. \$2.60.

*Social Security and Pay-Roll Tax Accounting*, by Sherwood and Pendery, is described by the authors, in their introduction, as designed to "provide information of both social and vocational value to the student who expects to become either an employee or employer after leaving school." Several chapters, designated as lectures, provide a clear and complete exposition of the benefits and taxes payable under our federal social-security legislation, as modified by the 1939 amendments. This first part of the book is equally suitable for the general reader or as a background for the specialized accounting treatment which follows.

The later chapters in the book deal with forms and reports used, records required, and general problems of payroll accounting. Illustrations and problems at the end of each chapter are designed to give a working familiarity with the procedures under the law. In addition, a single project at the end of the book serves to tie together the various aspects of social-security accounting. Somewhat over one hundred pages of stationery for use in preparing solutions to the problems are included in the book. The reproduction of filled-out government forms lends a useful touch of realism to several parts.

It should be clearly stated that this book is purely expository. In no sense does it even suggest any criteria for passing critical judgment on our social-security legislation, nor does it deal with the possible alternatives to the methods actually adopted. The book does do very satisfactorily what it is intended to do; it explains the present provisions of our social-security system and indicates the modifications in accounting procedures made necessary by federal and state social-security legislation.

DAN THROOP SMITH

**THE CONTROL OF COMPETITION IN CANADA**, by Lloyd G. Reynolds. Harvard University Press, Cambridge, Mass. XIV, 324 pages. 1940. \$3.50.

Canada's economy is not fully developed and yet it has developed many problems found in countries industrially more mature. The first five chapters discuss the techniques used by Canadian business to control prices and production, and trace some of the economic consequences of this control in manufacturing, the extractive industries, and trade. An outstanding characteristic is the dominance of many Canadian industries by a few producers who ape the practices of monopolies in regulating prices and production in their own interest, but fail to achieve maximum efficiency when judged from the standpoint of economic welfare of the body social.

The last five chapters discuss the central problem of competition, its preservation, limitation, or prevention. It also discusses the legal and political limits of economic policy and explores cautiously the possibility of legislation in the public interest, possibly in the form of public ownership.

Business generally considers competition destructive and aims to control it. In many cases, however, sellers are too numerous for effective organization. The ideal economic system provides among other things a maximum output coupled with minimum cost. The latter involves problems of optimum size of plant to be operated at capacity, expansion of productive facilities to keep pace with enlarging demand, and a selling price barely covering cost of production (in the economic sense). Judged by these standards monopolistic control in Canada shows output restriction and price maintenance; price discriminations are prevalent; and finally maintenance of stabilized monopoly prices accentuates the depression phases of business cycles.

Where price agreements are indulged in, the desire for profits results in excessive plant

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capacities which involve costly intensive sales effort. However, the same situation is met under free competition, except that under competition excess capacity corrects itself through elimination of the high cost producer.

Legislation in Canada in many respects parallels experience in the United States, particularly the N.R.A. experience. Administrative agencies empowered to conduct investigations, regulate prices and wages, issue and revoke licenses, have been created, but the author correctly points out that a really independent board insisting on efficiency and low prices would be legislated out of existence (p. 241).

In exploring the possibilities of public operation of industry, the author is under no illusion that the problems they raise can be solved in the immediate future.

The book is written so far as possible in nontechnical language, so that anyone with a working knowledge of the principles of economics may follow the theme. The author has done an excellent job in assembling and presenting his material.

THEODORE LANG

1940 MANUAL OF FEDERAL INCOME TAX PROCEDURE, by LaSalle Extension University. *La Salle Extension University*, Chicago, Ill. 268 pages. 1940. \$2.

Students should have no difficulty in coming promptly to grips with fundamental income-tax concepts and at the same time develop an intimacy with 1939 federal income-tax returns, if they make the friendship of this manual. Nurtured by a ripe experience with twenty-five previous editions, the manual serves as a staunch companion and leader through the income-tax maze.

Though the preface dedicates the manual as a guide to taxpayers in preparing their 1939 returns, it is undoubtedly the student for whom there is really a prize package. Its very typography is in the form of typewritten notes so popular on the campus. In excellent pedagogical fashion the manual calls the roll of factors inherent in the preparation of individual, partnership, and corporate returns. In the process, many simplifying and interesting charts are exhibited and illustrative case material provided. Capital-stock- and excess-profits-tax returns also gain attention. Even ways of minimizing taxes are noted.

While everything is focused upon the 1939 return, the material is handled in such a way that wherever "tax accounting" and "accounting accounting" go their separate ways—as they so frequently do—the fact of departure is called to attention and critical analysis applied. That taxes and accounting have not always seen eye to eye is an old story, but from the student's standpoint it is undoubtedly an aid in the development of proficiency in both subjects to have the myopia diagnosed.

Just a few suggestions: It would enhance completeness if treatment were accorded the subject of important administrative procedures on the examination of returns, deficiencies, refunds, etc. Also, section 820 beckons for consideration. One chapter deals, in part, with the surtax on "improper" surplus. The tax impropriety is the "accumulation" of surplus or its quantum, not its quality. The subject of inventories, instead of being a tailender, would be more opportune if advanced to that part of the manual dealing with generic and pervasive subjects, like gain or loss, and depreciation. Readability would be improved if the size of the type for quotations and charts were enlarged. It would also be well, for convenience of reference and follow-through, to give the names of the case and citation wherever quotation is made from a decision or ruling. This information is not now uniformly given.

There are a few substantive tax phases that might be re-examined. One chart (p. 17) makes it appear that in preparing a tax return, one of the tax credits is the credit for overpayment of taxes. This does not comport with actual procedure. On page 34, reference is made to the nondeductibility of gambling losses of a husband from larger gambling profits of the wife, or vice versa, in a joint return. That was undoubtedly written before the *Janney* case. On page 77, it is said that fees paid an attorney for recovering back wages of the taxpayer would not be deductible because not incurred in a trade or business. That conclusion may well be challenged. On page 210, it is indicated that while dividends in preferred stock on preferred stock are probably taxable, an exception may be spelled out where the preferred stock is issued to cover dividend arrearages. It would be interesting to learn the theory for such exception.

The accounting profession has a direct

interest in wishing well to this and similar manuals. If accounting students would absorb the grounding in taxes that these manuals provide, one element in the problem of competent staff recruits would find solution.

J. S. SEIDMAN

THE NEW OUTLOOK IN BUSINESS, edited by Bronson Batchelor. *Harper & Brothers*, New York, N. Y. 324 pages. 1940. \$3.

Under such headings as "New Objectives of Management," "The Risks of Security," "Education and Enterprise," and "The Challenge to Industry," twenty-one leading American industrialists have each contributed a chapter to form a book which is, in effect, the credo of business as they believe it. Their "outlook" takes into consideration job security, the antitrust laws, labor, education, questions of distribution and population, as well as an impressive concern with the fundamentals that go to make up the system of free enterprise. The result is a studied and practical discussion of the workings of industry under a democratic form of government. Singularly free from both prophecies of doom and theoretical panaceas, such criticism of the existing order as the book contains is cautious and eminently realistic.

Accountants who read *The New Outlook in Business* will be particularly interested in the chapter entitled "Taxation and Industry," by Robert H. Montgomery. Into his discussion of taxes, Colonel Montgomery has brought experience gained from an accounting career of over fifty years. In addition to a cogent summary of the principal problems posed to the taxpayers by the violent rise in public expenditures in the last ten

years (in the course of which he points out that it is a dangerous fallacy to refer to this deficit as an "investment"), Colonel Montgomery suggests several modifications of the present tax laws affecting corporations which he feels would accelerate business recovery. Chief among these modifications are:

1. Repeal capital-stock and excess-profits taxes.
2. Allow consolidated tax returns when all business is carried on by a group of corporations consisting of subsidiaries and a parent company.
3. Discontinue taxation of intercorporate dividends.

Another constructive suggestion, which brings to mind the Celler bill (H. J. Res. 483) recently introduced into Congress, is contained in the following sentences: "What is now vital is a simple, stable system of taxation based on principles so clear-cut that businessmen of the country can accurately appraise the extent of their tax obligations. We ought to have a nonpartisan tax commission, made up of the best expert minds available, which would study the situation thoroughly."

If this book can be safely taken for a criterion—and it is certainly representative—the new outlook of business is an outlook to give heart to those who are turning to that field for courageous and constructive leadership. These twenty-one essays betray in common a sense of deep social responsibility and a positive concern with the world of tomorrow. Business has only recently found a tongue. It is gratifying to find that in its speech there is little trace of bewilderment, weakness, or venality.

C. C.