

9-1940

Book Reviews

Harold Dudley Greeley

Clarence L. Turner

M. H. Waterman

William A. Dawson

Follow this and additional works at: <https://egrove.olemiss.edu/jofa>



Part of the [Accounting Commons](#)

Recommended Citation

Greeley, Harold Dudley; Turner, Clarence L.; Waterman, M. H.; and Dawson, William A. (1940) "Book Reviews," *Journal of Accountancy*. Vol. 70: Iss. 3, Article 16.

Available at: <https://egrove.olemiss.edu/jofa/vol70/iss3/16>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in *Journal of Accountancy* by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

BOOK REVIEWS

ESTATE ADMINISTRATION AND ACCOUNTING, by Dodge and Sullivan. Lawyer's and Accountant's Edition. *Clark Boardman Company, Ltd.*, New York, N. Y. 872 pages. 1940. \$8.

This 1940 revised edition will be an excellent desk book for any New York law office and it will be helpful to accountants who are called upon to prepare statements during and at the close of estate administrations. In 1923, in a paper read at a convention of the American Association of University Instructors in Accounting, in Columbus, Ohio, I ventured the opinion that estate accounting as a subject was 90 per cent law, 5 per cent probate practice, and 5 per cent bookkeeping and accounting. This book is substantially in accordance with that formula. The first 478 pages, with a few exceptions, are wholly law. Then, after a brief interlude of 30 pages devoted to the federal and New York estate taxes and their apportionment under a New York statute, the next 40 pages are devoted to the New York law governing the allowance of commissions to executors and other fiduciaries. The following section of 40 pages suggests books of account for use in estates, gives rules for journalizing, and describes the form of account to be submitted for judicial settlement in New York. A hypothetical statement of facts then requires 30 pages, when the book returns again to law, devoting 35 pages to court procedure on accountings. The remainder of the book, 140 pages, is devoted to "Forms, Entries and Computations," in which the bookkeeping required by the aforesaid hypothetical statement of facts is illustrated and a typical account for judicial settlement is prepared. A valuable feature of this part of the book is the facsimile reproduction of all of the usual court forms, which gives a realistic touch for students and others who have had no opportunity to see them. A table of cases, giving complete citations and also references to the pages on which the cases were mentioned in the book, uses 40 pages, and the book closes

with a double column index 30 pages in length.

There are very few things in this excellent book to which an experienced estate lawyer would take exception, but one of them certainly is the statement on page 93 that, "It is not necessary to engage a lawyer in the making of a will." This half truth is especially dangerous in a book advertised for laymen as well as lawyers. Few practising lawyers have failed to observe the heartaches, the family rows, and the financial losses caused by home-made wills. Even a lawyer who draws his own will, unless it is of the simplest kind, is wise when he has another lawyer examine it for ambiguities. A layman not only runs the risk of failing to execute his will in a form that will entitle it to admission to probate, but he will be completely lost if he attempts to create trusts when he has never heard of the unlawful suspension of the power of alienation or the prohibited accumulation of income. And he cannot learn all that he needs to know of these and other technical subjects by the study of this or any other one book.

The illustrative journal, beginning on page 692, contains many memorandum entries of nonfinancial transactions. I admit that I introduced this form at New York University in 1908 and used it in the first edition of the Alexander Hamilton *Modern Business*, but I now think it of little value. In any estate except the smallest, the person who keeps the books will not be the lawyer who attends to the legal work of the administration. These memorandum entries belong in the lawyer's law register and not in the bookkeeper's journal. Since the practice of the law is made possible by differences of opinion, the learned authors surely will not object to one with respect to their method of apportioning estate taxes under the New York statute. It does not seem to be the most equitable, but a short book review is not a forum for debate and the details of this disagreement should, and probably will, be presented elsewhere.

Book Reviews

This edition is a valuable one to have in the library of any lawyer, and of any accountant who has work to do in the administration of New York estates.

HAROLD DUDLEY GREELEY

INTRODUCTION TO FEDERAL TAXATION, by George T. Altman. *Commerce Clearing House, Inc.*, New York, N. Y. 252 pages. 1940. \$2.

Innumerable volumes have been written on the subject of federal income taxes, some voluminous, some sketchy, but all as profound as the subject itself. Mr. Altman's new volume eliminates the "middle man" as it were, differing from some tax guides in that direct reference is made on its 240 annotated pages to appropriate sections of the Internal Revenue Code, Board of Tax Appeals' decisions, and Federal District and Supreme Court cases, thus making unnecessary the "intermediate" reference to tax services for cases or rulings.

The fact that this book embraces the 1939 revenue act is unfortunate in so far as the rate tables are concerned, inasmuch as the new national defense revenue measure of 1940 will render the rate tables of *Introduction to Federal Taxation* ineffective. However, the release of the book at such a time does not detract from its value in the fundamentals of federal taxation. Properly introducing his subject, Mr. Altman devotes some space to the historical background and constitutional implications and authority, not only of federal income taxation but also state income taxes, the latter subject of growing importance due to the ever-increasing scramble on the part of the various states to satisfy base revenue requirements through the levying of various types of taxes on income.

The book is divided into three main parts:

Part I—The Income Tax.

Part II—Excise Taxes.

Part III—Gift and Estate Taxes.

In addition, it includes an alphabetical table of over six hundred cases, referred to throughout the text. In general, its treatment of income tax falls within the same scheme as most of the volumes previously written, yet the writer's style, while technical and precise, lends itself to being easily understood by the student. The volume accordingly, in addition to its ready-reference value, would

make an excellent textbook for an advanced college group, the illustrations being clear and understandable, and yet not so elementary as to bore the practitioner.

The practising accountant would find Mr. Altman's volume of tremendous value for quick references, although its lack of illustrative tax forms takes it out of the tax-service class.

CLARENCE L. TURNER

CORPORATE FINANCIAL POLICY, by Guthmann and Dougall. *Prentice Hall, Inc.*, New York, N. Y. 795 pages. 1940. \$5.35.

Pity the poor textbook writer; particularly one venturing into the field of corporation finance. Every session of Congress, every decision of the Securities and Exchange Commission, every shift in money rates, and every tendency for the unusual to become usual contributes to the obsolescence of his book and operates even as the printer's ink is drying. At the moment Guthmann and Dougall's *Corporate Financial Policy* is the most up-to-date text in the field, and it offers excellent coverage of the problems of corporation finance. Aside from the advantage of being current, however, the work has little that is not available in numerous books on the same subject.

In outline *Corporate Financial Policy* follows the orthodox arrangement, treating forms of organization, corporate securities, promotion, capital structures, capital-raising techniques, working capital management, income administration, mergers and reorganization, in order. The detailed treatment of each subject is very complete and case studies enhance the picture, but the authors do what may be necessary in any undergraduate textbook; they enumerate and classify factors bearing on each topic as if classification itself would afford the solution to financial problems. The naturally analytical mind finds such classification helpful as a starting point, but the student in need of stimulation must seek elsewhere.

This reviewer missed any subtle consideration of one topic which he feels is essential in the consideration of business financial problems; namely, valuation. So many financial decisions must hinge on the concepts of value, not only in connection with mergers, where the authors treat the problem, but also in cases of promotions, expansion, capi-

talization, and reorganization. Any presentation lacking careful analysis of the concepts of value in business seems not quite complete, but it may be only individual prejudice that prefers more emphasis on the question, "What are the creative elements in business value?"

The admirable organization of the material in the book deserves emphasis as does the clear and readable style. The concluding chapter on "Social Aspects of Corporation Finance" contributes a partial antidote to the cataloging mentioned above and provokes real thought about the implications of financial practices. Federal regulation as it impinges on financial tools and practices is included in a descriptive manner with little critical comment. The reference lists accompanying each chapter comprise excellent bibliographies of the respective subjects under consideration.

M. H. WATERMAN

NONPROFIT HOSPITAL SERVICE PLANS, by C. Rufus Rorem. *American Hospital Association*. Chicago, Ill. 130 pages. 1940. 50 cents.

The country-wide development of group hospital-service plans opened a new field for the public accountant, and therefore there is a need to know what it is all about. Rufus Rorem has written what he calls a brochure. If by brochure he means a pamphlet then he has produced more than the word implies. Here is a book which covers the historical,

economic, and business phases of service plans.

Many questions are being asked by laymen, subscribers, executives, doctors, and hospital administrators concerning hospital-service plans. The answers to these questions can be found in this book.

The book contains a classification of accounts for the balance-sheet and operating statement. Each account is defined.

There are some accounting procedures which might be debated. It is stated, "In some jurisdictions 'subscribers payments receivable' are not admissible assets for the purpose of determining financial solvency." The book does not explain why these receivables are not admissible assets.

Depreciation of furniture and fixtures is recommended at 20 per cent. This is a short service life.

A reserve for contingencies is recommended at "the minimum reserve required by law." What is the purpose of this reserve? Should it not be established on a basis of hospitalization liability? Should it not be funded?

Nonprofit organizations should accumulate no surplus but if a surplus exists it would be evident in the operating reserves. The operating reserves are represented in three accounts. The operation of these accounts should be explained.

Dr. Rorem is well qualified to write on the subject matter. The book is recommended for its informative value.

WILLIAM A. DAWSON