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Book Reviews

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Book Reviews

MONEY AND CURRENCY; Fifth Revision. By JOSEPH FRENCH JOHNSON. *Ginn & Co.* New York, 1915. \$1.75.

The present conditions of world finance, arising out of the unparalleled use of the credit of the great European nations in prosecuting a disastrous war, make the appearance of the fifth revision of Dean Johnson's book opportune and timely. Moreover, it is difficult to measure the importance to our country in these circumstances of the initial operation of the federal reserve law a few months after the commencement of European hostilities.

The relation of the terms "money," "currency," "credit," "value," "cost" and "price" as commonly used—often improperly—has for hundreds of years formed a basis for serious, every-day thought and study in the world's marts, national politics, among framers of customs tariffs and banking laws, and even in the mind of the humblest individual citizen. Adam Smith gave us his great work, *Wealth of Nations*, in 1776, since which the works of Mill, Marshall, Seager, Fetter, Gide, Pierson and numerous others have contributed to the development of the science of economics.

Dean Johnson's book is a welcome compendium of the literature of the science, and its fifth edition is particularly valuable for the new material in chapter XVII which brings the review of monetary and banking legislation in the United States up to date. A thoughtful analysis is given of the federal reserve act of December 23, 1913, and the probable effects of its operation are discussed. It is probable that the book was completed before the extent of the present continuing war was appreciated, and its subsequent editions will no doubt deal with the possible revision of some theories of economics which have heretofore come to be accepted as gospel.

We must confess to some disappointment in the brevity of the author's comments on the criticisms which have been made of the powers given the central federal reserve board, as, for instance, with reference to the compulsion which it can exert over the regional banks to rediscount for one another. We would have welcomed an extension of Dean Johnson's opinion that (central) "power seems to be essential to the (federal reserve) system." The great test of the federal reserve law will undoubtedly come when European peace is restored. Special efforts, in which the power of the central board will have to be enthusiastically recognized and supported by all member banks of the regional federal reserve centers, will be necessary to maintain and strengthen the position of our country in the international banking world. In order to avoid the possibility of a repetition of the paralysis of the entire world's credit which followed the breaking out of the war, we must take full and proper advantage of our opportunity for financial independence which the federal reserve law provides. We are now able to finance our own imports and exports by

The Journal of Accountancy

the use of American acceptances. We are also able to finance the trade of other nations and to some extent displace Great Britain in the rôle of banker to the world. To do this, however, we must have discount rates that compare favorably with our competitors'. The federal reserve banks must also facilitate the quotation of "forward discount rates." A foreign banker must have assurances, in buying a "dollar acceptance," of the rate at which the bill will be discounted when it reaches our country. The rate will probably dominate the business.

Dean Johnson briefly disposes of this alluring prospect in the operation of the new law by stating that it is expected that at least one of the federal reserve banks, probably the one located in New York, will be powerful enough to exercise some control over the foreign exchanges so as to regulate the inflow and outflow of gold. The central board is not given authority to force such responsibility upon any one of the federal reserve banks. While the author does not express his opinions as fully and positively on many features of the federal reserve act as would be welcomed from one whose previous writings stamp him as a worthy authority on the subject of money and currency, the volume is a most valuable addition to the literature of the subject, and we recommend it to accountants and others whose equipment is not complete without a thorough knowledge of the science of economics.

F. G. COLLEY.

AUDITING. By LAWRENCE R. DICKSEE, F. C. A. Tenth edition, revised and enlarged. *Gee & Company*, London.

A book that has passed through ten English and two American editions, comprising 22,000 copies, within twenty-three years speaks for itself. It is bromidic to say that "no student can do without it," or that "for the English accountant, at least, and also for the American accountant in many respects, it is an indispensable reference book."

To be sure, it is fair to say that the average American accountant, especially of the student class, will find the second American edition (*Dicksee's Auditing—Authorized American Edition*, edited by Robt. H. Montgomery, C. P. A.) more useful and practical, since it conforms with American practice and conditions. For this reason it is likely that the present English edition will not command as large a sale in this country as previous editions. Nevertheless there are features of it which will naturally commend the book to those leaders of the profession who take a broad and high view of the future growth of public accountancy in the United States.

Such changes and additions as were made necessary by recent English legislative acts and legal decisions have been made in the body of the work, and very full extracts from such acts and decisions are given in the appendix. The growing size of the latter suggests the comment that future editions might well be issued in two volumes for greater convenience in handling. The present work comprises nearly a thousand pages, and though paper and press-work are a delight to the eye and

Book Reviews

reflect credit on the publisher, it is not a book that the average man would care to carry on a railway journey.

Accountants who are engaged in public utility work will read the section dealing with municipal trading departments (pp. 141-148) with much interest. Our English cousins have apparently not met with much more success than we in impressing upon those having authority over public utilities the correct principles which should govern such matters as depreciation, sinking funds and capital versus revenue expenditures. In fact, we may plume ourselves somewhat in having a better standard than the English in the interstate commerce commission classifications and those of some of our more advanced state commissions. This is not to the discredit of English accountants, however, and perhaps it does not become us who were unable to secure rectification of some absurdities in the income tax law to cast the first stone.

Appendix B, being reports of cases, the decisions on which are of professional interest, will command the attention and study of those far-sighted members of the profession who hope and expect to see public accountancy take the officially recognized position in the United States which it holds in Great Britain and her colonies. These decisions will in due time furnish important precedents for the American courts when the business and financial world awake to the fact that auditors are responsible legally no less than morally to their clients. It is a pleasant reflection that public accountancy is growing steadily in importance, but we should not lose sight of the fact that increased dignity of standing brings with it definite legal responsibility, particularly so to those who hold a commission from the state as certified public accountants. At the present time about the only penalty for slack or incompetent work is the loss of a client and perhaps a black eye for the profession in general. Yet undoubtedly at common law any client who suffers monetary loss by reason of the failure of a public accountant to do what he agrees and professes to be able to do has a good claim for damages.

The heads of our leading accountancy firms are, of course, familiar with this phase of the auditor's responsibility, and are careful to have the scope of an auditing contract clearly defined with their clients. But there are altogether too many individual practitioners, particularly among the younger accountants, who accept contracts for restricted audits in such vague and general terms that they are in grave danger of innocently making themselves liable for non-performance of work which they do not understand their clients expect from them. Irrespective of the body of Mr. Dicksee's book, the appendix B alone is well worth careful study by American accountants as a guide to making clear and definite contracts with their clients.

W. H. L.

EFFECTIVE BUSINESS LETTERS. By EDWARD HALL GARDNER. *The Ronald Press Company*, New York. \$2.00.

In these days of hasty dictation of letters, it would be well if every business man would procure and study—not merely read—this excellent

The Journal of Accountancy

book. It is written in such a clear and lucid style that the mere reading of it convinces one that the author thoroughly understands his subject. It needs no argument to show that any one who can set forth his ideas in such a forceful, and at the same time interesting, manner can be trusted to give good advice to others.

The various parts of his subject are treated by the author in short paragraphs in which every word tells. There is no padding, and yet there is enough said about each point to make it clearly understood. The principles underlying the more important points are thoroughly explained in such a manner as to impress them on the mind of the reader, and to lead him to form his own style in accordance with them. In fact, one of the best features of the book is that it does not attempt to set up a lot of forms that must be followed whether the reason for them is grasped or not. Such letters would always sound machine-made and mechanical. Instead of this, the author says: "Aim at a personal quality in your style, in order to convey an impression of sincerity and of interest in the person addressed." He then gives the general principles which should be followed in order to attain this object.

It is difficult to pick out special points to mention where all are excellent. One concerns correctness. Many men will allow grammatical or rhetorical errors to appear in their letters, on the ground that the receivers will be either too ignorant or too busy to notice them. Mr. Gardner says: "It is not safe to rely on their ignorance; even men who make mistakes themselves notice them in others, and the most intelligent customers are those you care most for. And though bad grammar, punctuation and spelling will be forgiven by the reader, you do not want him to take the time to forgive them—you want him to read your letter. To economize the reader's attention, be correct." He neglects to state, however, how the writer is going to be correct, or to know whether he is or not, if he has had only the wretched training, or rather lack of it, afforded by our average public school.

The chapter on the "Make-up of the letter" is very full and comprehensive. From the nature of the subject many of the suggestions are by no means new, but even the old ones will bear reading over by many careless writers. One point emphasized is that the address of a letter should be the same as that used by the writer of the letter to which it is an answer. Having received a letter addressed to him as "Esq." the ordinary American business man is more than likely to allow the answer to be addressed "Mr." The first impression on a man accustomed to the British salutation is liable to be a bad one.

In his chapter on mistakes in language he condemns many stock phrases such as "we beg to state," "contents carefully noted," and one that has always been the pet aversion of the writer, "same" used as a pronoun, as in "We will give your account credit for same," instead of "credit for it." These, and others like them, may be very small things, but they are often irritating and distracting. When one receives a letter saying "I wish to say," one is apt to stop and think "If he wished to say it, why does he not say it." The use of such phrases arises often from

Book Reviews

ignorance of the proper way to make a direct statement in a graceful manner.

Space is lacking for more than a brief mention of the more important matters treated of in this book, such as the proper way to write letters asking for, or giving, or refusing information; ordering goods; returning goods or asking for adjustments; making or refusing the adjustments requested; asking for credit information, and granting or refusing credit. All these subjects are very fully treated, and many examples are given of both the poor forms to be avoided and the better ones to be imitated.

The three chapters on collection letters are worth careful reading by every business man. They are probably the most difficult of all letters to write successfully, so as to be emphatic and effective, without becoming offensive and thereby defeating their purpose. Although many excellent examples are given, the author utters a warning against blindly copying any of them, and advises a study of them, so that the general principles exemplified by them may be followed with due regard to the circumstances of each individual case.

The chapters on sales letters contain many useful hints in regard to the original letters and the follow-up methods. Advertising by correspondence has been discussed so extensively that there is not much novelty possible in the treatment of the subject, but the author's remarks are well worth careful study, especially in regard to the principles to be observed. The same remarks will apply to his treatment of the much discussed subject of form letters.

Taking the book as a whole, the subject is treated in a masterly manner that in itself carries conviction that the author is entitled to speak with authority from his own knowledge and has not merely prepared a compendium made up of more or less disguised extracts from other writers.

SEYMOUR WALTON.

FINANCING AN ENTERPRISE. By F. COOPER. *The Ronald Press Company.*

The author states: "The object of the present work is . . . to point out the common mistakes, to suggest the best methods of procedure and to serve generally as a manual of information." Pointing out the "common mistakes," however, has been carried to such extent that "How Not to Finance an Enterprise" would be a more descriptive title of the work. The author deals almost wholly with new enterprises, and the chapters on the preparation of the prospectus and the manner and methods of presenting the enterprise to prospective investors are well worked out so far as new enterprises are concerned. The usefulness of the work would have been greater if the author had developed these chapters to include the problems confronting established enterprises seeking fresh capital for the extension of their activities. The methods and results of the investigation of the merits of a proposition as laid down by the author readily could have been extended to embrace investigation of established enter-

The Journal of Accountancy

prises. The chapter on experimental work and model making very clearly sets forth the besetting sin of the ordinary inventor in believing that simply his idea of the practicability of his invention is all that is necessary to demonstrate its profit-making possibilities sufficiently to make the proposition attractive to capital.

This work may be of but little use to the practising accountant, but a person inexperienced in placing new propositions before the investing public would find many useful hints and very many timely "don'ts" within its pages, and it would also be very useful to those not skilled in the art of analyzing prospectuses relating to new enterprises. As a manual of information for prospective investors the work should be of service. Particularly to be recommended is the list of questions regarding various features of a proposition for investment. Accurate replies to these questions would enable an investor readily to determine if the enterprise was a legitimate one and founded on a safe basis. If the suggestions contained in these questions had been followed generally by the investing public the many "get-rich-quick" propositions which have been foisted upon the public would have met with little success. The easy conversational style of the book is very attractive and serves to hold the attention of the reader far better than the formal tone usually found in works on finance.

GEORGE L. BISHOP.

PROBLEMS IN THE PRINCIPLES OF ACCOUNTING. By WILLIAM MORSE COLE, M.A. *Harvard University Press.*

The purpose of this little book of some 100 pages is best explained in the author's own words:

" . . . The prime aim is to afford material on which the student may cultivate the power and habit of seeing straight, of seeing deeply and of seeing whole."

It is true to say that the book is a collection of problems, perhaps taken in good part from actual examination papers, illustrating practically the theory of accounts and accounting laid down in Mr. Cole's former work *Accounts: their construction and interpretation*, but that would not be all the truth. The problems are of the same character and scope as of most C. P. A. examination papers, and afford real tests of the student's ability to think and reason for himself. Moreover, they are so drawn that the examiner is enabled to judge from the student's work whether or not he really understands the underlying principles involved, so that the book may well serve as a model for teachers and examiners in framing similar questions for their classes.

In view of the complaints which have been made that too often C. P. A. examination questions are academical and frequently involve conditions rarely met with in actual practice, Mr. Cole's introductory remarks on his use of imaginary sets of figures are sound and convincing. In fact, the entire introduction is a complete statement of the real aim and place

Book Reviews

of test problems in accountancy and sufficient reply to those who declaim so strenuously against "impractical" C. P. A. questions. Aside from its educational place as a companion volume to the author's larger work, the book will furnish interesting material to the accountant who enjoys the study of the higher and more abstruse problems of accountancy which involve reorganizations, bond valuations, etc.

W. H. L.

MINING COSTS OF THE WORLD. By E. N. SKINNER and H. R. PLATE. *McGraw-Hill Book Company*. \$5.00.

Mining Costs of the World is not adapted to general statistical purposes. It is written entirely from the point of view of a mining engineer or mine manager, and any attempts to use figures for the operations of the various properties listed to compare with others would be very dangerous without a considerable knowledge of mining methods as well as a knowledge of the different formations of the properties considered. The operations of some of the properties are given in considerable detail, but many of them omit fundamental information necessary for any kind of a comparison.

The accuracy of these various costs cannot very well be determined. The author states that most of them have been taken from the companies' annual reports, but he also states that many of them have been calculated by the author, and there does not seem to be any mark of distinction between the properties whose real cost is given and those whose cost is calculated.

In conclusion, while the book is very valuable for reference purposes for a mine manager or mining engineer, any man not familiar with mining engineering can be very easily misled by attempting to make use of it for statistical purposes.

W. B. RICHARDS.