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## Book Department

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## Book Department

EDITED BY LEE GALLOWAY, Ph.D.

**"SOLICITORS' ACCOUNTS."** By Lawrence R. Dicksee. Published by Gee & Co. 3/6 net, 3/10 post free.

The accountant's library, of which this book is Vol. XII, is performing a valuable service in providing ideas by the leading accountants of England at a cost which is nominal, as compared with that of most American books on accounting subjects. There is no particular disadvantage to American accountants in the fact that this is an English book, because there are few particulars in which its subject matter is too local to be of value generally. One such instance, however, is that relating to premiums on articles of clerkship. The book is particularly valuable in that very little has been written on this subject and lawyers are notoriously lax in the keeping of their accounts. It is of interest to note in this connection the opinion of the court in the case reported on page 91 of this book, that "the negligent keeping of accounts in the case of a solicitor receiving the money of his clients might amount to professional misconduct."

The system of bookkeeping outlined is a simple double entry system, but it is doubtful whether the layman in accounting could grasp the idea of the controlling accounts used; consequently the book should be considered from the accountant's point of view. So considered, the suggestions as to methods are, in the main, sound and practical. In addition to the system outlined, which is illustrated by a complete set of transactions, reference is made to the cash journal method of bookkeeping which is used in the United States by many small law firms. The book also gives certain suggestions as to auditing which makes it of greater value to the accountant.

Among the few things on which American accountants might disagree with the author is the method of handling small collections such as notary's fees, described on page 73. The author suggests that these fees be deposited in a locked box, which should be opened periodically and turned over to the cashier. Probably most American accountants would prefer to have them deposited in the general bank account as received, the amounts being added to any other collections to be deposited at the same time. The author points out, however, that such fees should not be added to the petty cash fund, a conclusion in which all careful accountants will agree.

A matter of greater importance is the fact that the book does not go into the division of profits at sufficient length. While a general rule is laid down as to division on a basis of earnings instead of cash and attention is called to the fact that certain reserves may be necessary, the book would be of greater value if concrete illustrations of the necessity of such reserves were given. For instance, some law offices divide as profits only the cash on hand which was received for fees. This, of course, excludes from the cash available for division all moneys that have been disbursed on account of clients, but which is recoverable. If a controlling account for such dis-

### *The Journal of Accountancy.*

bursements is used it would represent only the net outstanding balance, whereas it usually happens that some clients have credit balances, due to deposits with the lawyer to meet future disbursements. If, then, only the balance shown by the controlling account is regarded in arriving at the cash for distribution, the effect is to distribute as profits cash which really constitutes a trust fund. If situations of this kind were treated by the book it would be more valuable to the practicing accountant. However, the book does not profess to be an exhaustive treatise.

HAROLD DUDLEY GREELEY.

#### TREATMENT OF FLUCTUATING CURRENCY IN ACCOUNTS. By

A. E. Cutforth, A.C.A. Published by Gee & Co., London. Cloth, pp. 56. 1910. Price, 2s. 6d.

The author terms his book "elementary," and well he may, for he treats fluctuating currency in accounts in a manner that will not bring much help or many new ideas to any accountant of experience or judgment.

The author takes as his basis the workings of a London concern with an office in Chile, and points out that the violent fluctuation in the value of the Chilean currency adds to the difficulty of keeping such accounts. He suggests and plans for using the average rates of exchange of given periods in order to lessen the amount of labor and to arrive at a fairly accurate knowledge of the loss or gain in exchange for that period.

He tells us that in cases where the currency fluctuates less violently (e.g. Mexico), the period over which the rate average is spread may be longer—six months or a year, as against a month or a quarter in the case of a South American country.

Oddly enough, the author does not point out that the case of accounts between two gold countries is exactly analogous to that between a gold and a silver, or gold and paper countries. While they may not be so fluctuating between gold countries, variations in the exchange rates do exist and cause trouble enough. The author gives no space to foreign exchange accounting (i.e. from the banking point of view); yet in his prefatory remark he mentions the absence of his topic in works on foreign exchange. Indeed, he appears to confuse the science of foreign exchange as such, and the *accounting* of foreign exchange—two branches quite separate and distinct.

The work will no doubt be helpful to accountants having to arrange a system for a house with a branch in South America—i.e. for a British house. For an American house the plans would probably be confusing, though they shouldn't be.

Physically the book is unattractive, as it is but fairly printed on coarse yellow paper. This feature is secondary, of course, but is bound to influence the reader's opinion of the whole.

F. P. G.

### *Book Department.*

**ACCOUNTING EVERY BUSINESS MAN SHOULD KNOW.** By Elisha Ely Garrison. Published by Doubleday, Page and Company, New York, 1909. 8°. x+188 pp. Price, \$1.00.

In this brief treatise the author has successfully accomplished the difficult task of expounding the principles of accounting so as to make them intelligible to the business man who is not himself a trained accountant. Almost free from matters of technic, containing only three bookkeeping forms, the principles are so clearly stated that the perplexed layman, confronted by a set of accounts, is enabled to understand what it is all about, even though he, himself, cannot and does not desire to keep books.

Particularly admirable is the sketch of the development of bookkeeping forms and methods. In a somewhat idealized form, for the author does not profess in this to be strictly historical, he shows how, from a simple record of transactions, there has gradually developed the more complicated system of modern accounting, most satisfactorily showing the relation of one book to another, and how each improvement in accounting has been the response to some practical need.

Admirable, too, is the author's emphasis on the relativity of bookkeeping forms and rules, a matter which has been much neglected in many treatises. Thus he says:

It must not be imagined that two establishments putting out identical products can use identical books and systems. Every feature of organization, the character of the principal employees, relations with customers, and many other things have a bearing upon the matter. . . .

There is such an infinite variety of conditions to be taken into account that no set rules of procedure can be laid down, and no stereotyped forms can with safety be employed. From the peculiarities of doing business which affect the form of the original entry, through to the hobby of the owner as to the character of information desired from the balance sheet, or the cost records, there are many things unique to each system, and to provide for which the form must be especially adapted.

Of interest to the profession, as well as of value to the business man is the author's discussion of the important role played by the professional accountant, and his insistence that he should more frequently be consulted. Most helpfully this book, while instructing the business man in what he ought to know, clearly shows that there is much that he cannot know, and that he must rely on the services of the professional accountant.

The latter part of the book perhaps diverges somewhat from the particular field which it so well covers and becomes at times a little more technical than is appropriate in such a treatise. In these chapters are included interesting descriptions of improved devices for keeping an inventory and determining costs, and a discussion of the statement of results. The book closes with some practical and timely suggestions on the relation of accounts to the manager and the directors.

The lack of an index is a defect which it is hoped will be supplied in some later edition. It is also to be regretted that the author has seen fit to cling to the time honored, but otherwise discredited, formula for debit and credit. Has Sprague written in vain, that this antiquated and inappropriate formula still survives?

HENRY RAND HATFIELD.