

11-1908

Book Department

H. R. H.

Henry Rand Hatfield

J. L. A.

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



Part of the [Accounting Commons](#)

Recommended Citation

H., H. R.; Hatfield, Henry Rand; and A., J. L. (1908) "Book Department," *Journal of Accountancy*. Vol. 7: Iss. 1, Article 13.

Available at: <https://egrove.olemiss.edu/jofa/vol7/iss1/13>

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 Department.

THE PHILOSOPHY OF ACCOUNTS. By Charles E. Sprague. New York. The author. 1908. xx, 8°. ix + 161pp. Price, \$3.00.

To outline in these pages the contents of Colonel Sprague's *Philosophy of Accounts* is needless, for the readers of the *JOURNAL OF ACCOUNTANCY* are already familiar with the work; to criticise it is indeed a difficult task, for the author has so combined scholarly erudition, philosophic insight and practical experience as to disarm any reviewer. There remains therefore only the pleasant, though somewhat superfluous task of paying tribute to the masterly little treatise, with which no other American work can properly even be compared, with which even the wide literature of Germany can furnish but few rivals.

Despite its forbidding and somewhat misleading title Colonel Sprague's work is of great practical value, not only in the sense that any sane exposition of theory has practical value but because it contains much more than a theory of accounts, at least half the book being made up of suggestions based on the author's own experience in accounting practice.

American works on accounting and bookkeeping have almost without exception been mere practical manuals, not scientific or theoretical treatises. Yet even in these practical handbooks occasionally gleams a theory of double entry bookkeeping. But most of these follow the same model, and the theory that has been steadfastly presented has not only been fragmentary but misleading and valueless. The present author has broken with the line of theory traditional with American writers, and agrees in general, although not in detail, with that current in Germany and known as the theory of Hügli and Schäer.

The conventional explanation of the theory of accounting is to treat each account as though it represented an actual relationship of debtor and creditor, carrying out the principle by a forced and unnatural personification. Connected with this has been the formulation of a rule of thumb for debiting and crediting, which in its most extreme form appears in the common formula "Debit all that comes in and credit all that goes out." In this treatise the author rejects the principle that there is in all cases a debtor—either assumed or real—and shows that the various accounts, instead of uniformly presenting the single relationship of debtor and creditor, are essentially different in their nature and are to be divided into contrasting groups. With this understanding of the nature of the accounts the uniform formula for debiting and crediting of course fails, and the author clearly shows that "debit" has an altogether different meaning in one set of accounts from what it has in another.

The Journal of Accountancy.

The system of classifying accounts differs too from the traditional one. For some strange reason most American texts have clung to the antique and illogical classification of accounts as "real, personal and fictitious." This is abandoned in favor of two groups: Specific Accounts (that is those indicating assets and liabilities), and Proprietorship Accounts. But unfortunately the author's terminology is not entirely clear, for he introduces occasionally the phrase "basic accounts" as including cash and merchandise, without clearly defining the term, nor showing how these accounts fit into his general scheme of classification. There is also a little vagueness, although no real contradiction in the use of the term "economic accounts," it being at times uncertain whether these are or are not proprietorship accounts. The author also classifies accounts as exterior and interior but this is merely a variation in nomenclature and corresponds in lines of cleavage with the original division into specific and proprietorship accounts.

Even so lucid an exposition of theory as that given by Colonel Sprague must contain points which seem less clearly and felicitously put. But these are points of minor detail, generally mere matters of questionable expression which in no way affect the argument, or the soundness of the author's theses. Such infelicities occur where the author speaks of outlay as in every case implying service received, which may be true where there is an outlay for expense but it is not where a pure loss is concerned. Again the distinction between the two sides of the balance sheet that "the credit side gives the distribution not of actual assets but of the value" is unsatisfactory, for in any case every account, on either side, deals only with its value. The statement that "the right hand side of the balance sheet is entirely composed of claims against or rights over the left hand side" while capable of correct interpretation is apparently too close an approach to the personalistic theory rejected by the author. And, finally, the author's discussion of the so-called materialistic and personalistic schools hardly does justice to the point at issue. The schools are divided not so much on the question as to whether assets are things or rights against persons as they are on the treatment of the proprietorship and economic accounts. The real dispute is as to whether these too are to be treated as representing an assumed debt relationship, or whether the specific and proprietorship accounts are two distinct groups of accounts (Kontenriehen) each with a distinct significance and distinguished by having the positive and negative sides reversed.

Turning to the more practical portion of the book it would be invidious to select particular section as being especially meritorious, for each chapter, whether dealing with the history and use of the journal, the description of posting mediums, the prevention and detection of errors, or other topics of practical importance, is lucidly written and both scholarly and suggestive. The monographs on the cash account and the merchandise account are also so valuable that one can not but regret that the author altered his original plan of treating in detail all the principal forms of accounts.

Book Department.

A most valuable feature of the book is the emphasis placed on the relativity of accounting forms. In many texts on accounting the student is told that some transaction must be recorded in a certain way, that particular books are to be used, that certain forms are to be observed. If for nothing else the present work has done a service in showing that accounting forms are not fixed and absolute; that "they may be deviated from when anything is to be gained." A most refreshing contrast to the rigid prescriptions which so frequently mar accounting treatises is the author's statement that the propriety of using a particular account "depends on personal and administrative considerations, theoretically either procedure is correct," or again: "It is not necessary that a trial balance or a balance sheet should always be two-sided."

H. R. H.

ACCOUNTING AND BANKING. By Alfred Nixon, F. C. A., F. S. A. A. assisted by J. H. Stagg. London. New York. Longmans, Green & Company. 1907. 8°. xi + 472 pp. Price, \$3.00.

This work by the principal of the Manchester Municipal School of Commerce covers widely divergent topics. These include: practical directions as to method of procedure in auditing accounts; instruction as to the technical entries to be made in complicated transactions such as those relating to partnership organization and dissolution, joint stock companies, sinking funds, etc.; outlines of systems of accounts adapted to particular institutions, such as banks, societies, insurance companies, and building associations; a resumé of the legal provisions regarding the income tax, bankruptcy, executorship, etc.; and description of operations in banking and foreign exchange.

The work is of less interest to American accountants because so much of the space is given up to details of English law. This applies not merely to the chapters specifically treating of legal matters, as that on the income tax, but also to those describing particular systems of accounts. These too contain more reference to the specific forms obligatory under British law than discussion of the accounting principles involved.

This indicates at once the merit and the defect of the book. The merit in that it doubtless serves well its purpose as a text for detailed instruction; the defect in that it is of a local rather than general interest, and an interest in details and forms rather than in principles.

The treatment of partnership accounts though fragmentary is well done. In particular may be mentioned the exposition of the methods of accounting demanded by the decision in *GARNER vs. MURRAY*, a point on which there has been much confusion, and one in which even Dicksee failed rightly to interpret into accounting terms the decision of the Court. It may be noted that the solution of the problem (relating to the treatment of a claim against an insolvent partner) which the author, in opposition to the opinion in *GARNER vs. MURRAY*, upholds as theoretically correct, is supported by decisions in our state courts, as for example in *RAYMOND vs. PUTNAM* (44 N. H., 160) and in *WHITCOMB vs. CONVERSE* (119 Mass., 301.)

The Journal of Accountancy.

Interesting is the author's contribution to the vexed question of nomenclature regarding "reserves". He suggests that a credit account designed to cover recognized depreciation or other similar allowances should be called "Provision for depreciation, etc.," rather than "Reserve". The latter term he limits to a reservation of actual profits, and "reserve fund" to a reserve for which the assets side of the balance sheet shows a special investment.

Of interest, too, is the chapter on statistical returns in which is emphasized the value to accountants of diagrammatic representations. But the descriptive chapters on banking and foreign exchange, at best somewhat out of place in a work on accounting, are of less value and unhappily not free from errors in detail.

An appendix contains the revised form of Table A of the Companies' Acts as promulgated by the Board of Trade in 1906, and each chapter is followed by a series of questions and problems suitable for the use of students.

HENRY RAND HATFIELD.

ELECTRICAL CONTRACTING. By Louis J. Auerbach. New York McGraw Publishing Company. 6+155 pages. 8vo. Price, \$2.00.

The subtitle of this volume reads, "Shop system, estimating, wiring construction methods, and hints on getting business." On the technical side, the book is a popular treatise for the use of wiremen and contractors, and as such does not differ materially from other books of its kind. It notices some new devices, for instance those adapted for use in the recent type of concrete buildings.

The chief claim of the book, however, to the attention of its readers is its very good suggestions as to business methods and legitimate means of increasing profits and getting trade. In this direction it is of benefit not only to the contractor but to his customer as well. It is a pity that the little work of some 150 pages does not contain more of such excellent material and less of the stock rules of the wireman's trade. J. L. A.

THE ECONOMIC POLICY OF ROBERT WALPOLE. By Morris A. Brisco, Ph.D. Columbia University Press. Macmillan Co., Agents. New York. 1907.

The period during which Walpole controlled the policies of England has been often and fully covered from the point of view of the political historian, but the economic policies of his time have been, heretofore, neglected. Dr. Brisco has given us a clear understanding of the latter, by arranging in a chronological form the economic facts of the period, and presenting the theories which were an outgrowth of the discussions over the excise. To the historian belonging to the recent past, the age of Walpole presents little to chronicle, but it is during these times of least political excitement that economic growth and industrial change are most active. The author has grasped the significance of this, and has shown how the economic affairs of a nation constantly react upon its political growth.

Book Department.

The following chapter headings will indicate the scope of the work, although a list of the sub-topics treated would be necessary to give any real idea as to the application which the author makes of his material. The chapters are as follows: "Robert Walpole," "The Man," "Fiscal Policy," "Reform in Taxation," "Reforms in the Tariff," "Bounties and Colonial Policy," "Industrial Policy," "Foreign Trade," "England's Debt to Walpole."

The student of business methods as applied to the government of a great nation will find much that will throw light upon modern administrative policies and methods by a study of English economic policies when that nation was just entering upon the plane of modern political organization.

THE STATE AND THE FARMER. By L. H. Bailey. The Macmillan Company. New York. 1908. 176 Pages. Price \$1.25, net.

Government interference may be divided into two kinds—general and specific. In the first division are the questions of taxation, fundamental laws, etc. In the second division are questions pertaining to any particular class, such as agricultural education, regulation of diseases of live stock, etc. The author confines himself in this volume to a discussion of the second class of governmental interference. He bases the nature of and the necessity for such interference upon the status of the rural industries at any particular time. This status has been conditioned by what he calls "three great shifts,"—the shift in geography, in methods of practice, and in institutions.

In part two of the book, the author gives special attention to the methods which ought to be pursued in aid of the agricultural interests. Many of these are suggestive. "Every farming community," he says "should have a board of trade, holding regular meetings in a regular place." Mr. Bailey sees the largest opportunity for State help in the field of organizing and assisting a system of co-operation among agricultural groups. In looking at the necessity for working together in order to avoid waste of effort the author seems to lose sight of the dangers which this method would lead to if followed to its logical conclusion. "To assemble, direct, strengthen, to make effective the native co-operating expressions of the people, is an office the results of which are beyond all imagination." No doubt! But the result might not be in harmony with the author's image.

One can not commend too highly the spirit of this book. The author writes with a sympathy which is rare. combined with a thorough knowledge of his subject. All these qualities have the effect, not only of impressing upon the reader's memory much useful information, but of changing his point of view.