

Accounting Historians Journal

Volume 7
Issue 2 Fall 1980

Article 6

1980

Book reviews [1980, Vol. 7, no. 2]

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Recommended Citation

Buckmaster, Dale A. (1980) "Book reviews [1980, Vol. 7, no. 2]," *Accounting Historians Journal*: Vol. 7 : Iss. 2 , Article 6.

Available at: https://egrove.olemiss.edu/aah_journal/vol7/iss2/6

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BOOK REVIEWS

Dale A. Buckmaster, Editor
UNIVERSITY OF DELAWARE

Edward M. Carney, et. al., *The American Business Manual* (New York: P. F. Collier & Son, 1914, 3 vols. of 384 pages each. Reprint edition: New York: Arno Press, 1979, \$90.00).

Reviewed by Dale L. Flesher and Tonya K. Flesher
University of Mississippi

The original aim of this three volume set was "to present the fascinating subject of business—the true romance of modern life—in a manner to add to the enthusiasm and zeal of executives and employees alike." The editor's stated purpose was "to present in compact, readable form all the essential principles of business organization and management, as well as the concrete application to the work of the various departments." Consequently, the volumes contain much more about business in 1914 than most people care to know. Thus, a complete reading of the books would be of interest only to someone desirous of a thorough background on American business during the early Wilsonian period. However, there are several accounting related chapters that might be of interest to accounting historians including the following: Taxation, Accounting, Producing Costs, Depreciation, The Balance Sheet, and Auditing. These chapters are dispersed throughout the three volumes as there is seemingly little organization of the contents.

Some chapters were of less interest than others. For instance, there were only two pages on the federal income tax, but at least a dozen pages on tariffs. This is understandable since the tax rate at that time began at one percent and went as high as six percent on income above \$500,000.

The numerous photographs and illustrations of accounting records were quite interesting. According to the caption of one photo, the use of a listing adding machine eliminated all chance for error. Another machine that was mentioned (in the chapter on Labor Saving Devices) was the check-signing machine. This device consisted of ten fountain pens fastened together. Thus, whenever

the executive signed his name, ten identical signatures were produced.

Much of the chapter on depreciation was devoted to arguments as to why depreciation should be recorded. This was quite appropriate since the recording of depreciation was still not a universal practice in 1914. Five methods of depreciation calculation were discussed: straight line, declining balance, annuity, sinking fund, and annual revaluation. It was concluded that the sinking fund method was the most scientifically correct, and that the revaluation method was not advisable. Also interesting was the notion that the depreciation reserve accounts should be invested in outside securities: apparently the misunderstanding of depreciation allowances is not a new phenomenon. There were also other instances of errors or misleading statements in technical accounting areas.

In conclusion, *The American Business Manual* is now of interest only as a curiosity or for some general aspects of historical reference. Much of the content was very elementary. In essence, the volumes can not be considered as strong accounting history references, but can be useful to someone concerned with the overall business environment.

A Hamilton Church, *The Proper Distribution of Expense Burden*, (original printing by *The Engineering Magazine*, 1908. Reprinted by Arno Press, 1979, pp. 116, \$10.00).

Reviewed by Jackson F. Gillespie
University of Delaware

The author's main discussion is on the allocation of "shop charges," i.e., overhead, to individual jobs. He relates the importance of this allocation, and presents in detail a "better" method of allocation.

Church divides the shop into "production centres," defined as "a machine or a bench at which a hand craftsman works." As much as possible, overhead is traced to these individual production centres, and then is allocated to jobs via a burden rate for each specific centre. The burden rate is based on full-time usage. If the machine is used at any point less than full-time, there are unallocated overhead costs. These unallocated costs are put into an account with the rest of the shop charges which could not be traced to specific production centres. At the end of each month, a supplementary rate is derived from this total and allocated to jobs.

An increase in the supplemental rate implies either slack time or inefficiency in the shop.

Church discusses how specific costs would fit into the allocation scheme. He also tells how the method could be used in mass production situations. Finally, allocation of "office and selling" expenses is examined briefly.

The author gives the reasoning behind each step taken in the development of the allocation technique. There is also a thought-provoking discussion of the pros and cons of overhead allocation based on labor hours, labor cost, or machine hours. However, there is no discussion of predetermined overhead rates. It is left to the reader to compare Church's allocation with present-day allocation used in cost accounting texts. Such a comparison should give insight into the allocation of overhead.

Robert W. Gibson, Editor, *Accounting Education in the Universities of Australia and New Zealand* (Victoria, Australia: Deakin University, 1980, pp. 74, Free on request from editor).

Reviewed by Charles W. Zwicker
Quinnipiac College

This is a collection of historical commentaries originally published in the News Bulletin of the Accounting Association of Australia and New Zealand. Unfortunately, it only covers the years through 1968, although a source material list is provided to 1976. Presumably, based on indicated trends, major advances have taken place since then, so that the monograph has a limited basis for comparison with current American accounting education.

It is interesting to note, nevertheless, that while the accounting profession is attuned to its progenitors in England, the course of accounting education follows somewhat the pattern in the United States: its original subjugation by the Economics Department and then by the Commerce (Business) School, its attempts to obtain recognition, the creation of separate Accounting Departments, and finally attempts to become autonomous schools. As in England, the Pass and Honours curricula are used, but emphasis appears to be more on managerial accounting than on public accounting, although the accounting societies have been very supportive both financially and politically.

Presented in the collection are the histories, trials and tribulations, and the curricula at eight "down under" universities. The

accounting historian will grit his teeth but enjoy reading about the efforts to create accounting programs, expand them, and to seek some degree of freedom from the tyranny of the departments of economics and commerce. It is a valiant battle, but to this observer it appears that the profession in the States is achieving greater recognition and autonomy for its educational programs.

The monograph will have interest for those who view accounting on the international level and who are striving for more uniform accounting practices and standards. Since the educational process is fundamental to achieving this goal, a study of the different approaches in different countries may serve to illuminate the variances, and we may very well learn from each other.

Gary John Previts and Richard F. Taylor, *Monograph #2: John Raymond Wildman, 1878-1938* (University, Ala.: The Academy of Accounting Historians, 1978, pp. viii, 84, \$4.50).

Reviewed by Delmer P. Hylton
Wake Forest University

Monograph #2 published by the Academy of Accounting Historians, *John Raymond Wildman 1878-1938*, is an exposition of the considerable influence of one man on the development of the accounting profession in the United States. Mr. Wildman's career included service in the academic as well as in the practicing areas of the accounting profession. The monograph details his professional bearing and demeanor and his contributions to the accounting profession.

Wildman was a prolific writer and the monograph includes a bibliography of his known writings. In addition, some 46 pages contain summaries of some of his published material. The coverage of topics is wide, ranging from "how to do it" articles to elaborations of various aspects of accounting theory.

No par stock was of particular interest to Wildman and in 1928 he and Weldon Powell published *Capital Stock Without Par Value*, a book which is still considered a classic discussion of accounting for enterprise capital. Wildman also published textbooks on accounting principles, cost accounting and auditing. An interesting note is that Wildman advocated inventory observation and confirmation of accounts receivable as required audit procedures long before their adoption by the profession.

Mr. Wildman's teaching career was at NYU, the school from which he received his degrees. His practicing experience was with Haskins and Sells (now Deloitte Haskins and Sells). During his thirty-year career he taught and/or worked with a number of persons who became leading members of the accounting profession. Among these were John W. Queenan, Maurice Peloubet, Arthur Faye, Weldon Powell, Ralph S. Johns and William H. Bell. Apparently he made a lasting impression on each of these able men.

When what is now the American Accounting Association was organized, Wildman was elected its first president. He had a keen interest in accounting and auditing research and promoted such activity both in the AAA and in Haskins and Sells where he established and headed the Technical Procedures Department. This department was responsible for staff training and for research on a firm-wide basis.

In summary, Monograph #2 honors the memory of a man who was a thorough-going professional. His influence was and is important. This monograph should be of interest to anyone who wishes to understand the development of the accounting profession. One may hope that some of our "wheeler-dealers" presently apparent in the profession can learn something about professional conduct and obligations from a treatise such as this.

Henry Francis Stabler, *George O. May: A Study of Selected Contributions to Accounting Thought* (Atlanta: College of Business Administration, Georgia State University, 1976).

Reviewed by Eugene C. Hassler
West Chester State College

The purpose of the monograph, a revision of the author's 1968 doctoral dissertation, is to catalogue and examine the philosophy contained in selected accounting thoughts of George O. May that has had a lasting impact on the accounting profession, generally accepted accounting principles (GAAP) and areas of controversy for which there are no GAAP.

The selected contributions are organized into three broad topics and chapters; Income, Changes In The Price Level, and The Balance Sheet and Significant Related Bulletins. These chapters comprise 58 percent of the monograph and are technical discussions of the accounting positions of May and the influence of his thoughts in

the struggle to establish GAAP. The author appropriately emphasizes the pragmatic approach championed by May and his role in permitting varying accounting procedures and his opposition to uniform accounting methods and procedures.

The balance of the monograph is devoted to the philosophy of accounting and a very befitting final chapter entitled, "A Guiding Light" in which the author salutes the ideas and concepts of May which are important in current GAAP. The author concludes that May's contributions continue to permeate accounting thought through the ARB's and the AICPA whose philosophy still shows evidence of his influence.

This monograph would be primarily useful as supplemental reading for an accounting history course. It might also be used as supplemental reading in intermediate accounting to provide a conceptual discussion of income and the balance sheet as well as fulfillment of the author's hope "that this work will generate an interest on the part of the profession in its history."

Issues in Accountability No. 3: The Great Canal that Linked Edinburgh, Glasgow & London (Glasgow: Strathclyde Convergencies, 1978, pp. i, 31, 12, \$3.00).

Reviewed by William G. Mister
Rider College

The monograph is an interesting historical account of a sea-to-sea canal from its start in 1768. The canal was built and administered by a private stock company—the Forth and Clyde Navigation. The canal was faced with political and financial problems not unlike those faced by modern multi-jurisdictional transportation authorities. The accounting controls and reporting systems developed by the company took on aspects of both governmental and profit oriented organizations. The Forth and Clyde Navigation, however, was not a government agency, and in fact required very little government assistance to complete the massive undertaking.

The monograph develops a picture of the adaptive financing and accounting controls employed by the Forth and Clyde Navigation during the different stages of the canal. Period and cash accounting played a novel role for this enterprise. Statistical presentations in the published accounts were adopted by the Forth and Clyde Navigation, perhaps for the first time ever. Perhaps the most significant

of the accounting developments was a "Charge and Discharge" statement which represents an antecedent of our present day sources and applications statements. The development of the statement can be traced both to the traders' double entry accounting and the stewardship accounting prevalent during the period. Thus, the origins of the sources and applications statement is traced back sixty-five years earlier than previously believed.

One incident documented in the monograph should be of particular interest to modern accountants. The first accountant hired by the Forth and Clyde Navigation was Alexander Stephen. For an annual salary of 70 pounds he was to pay wages, keep accounts and report to the Law Agent in Edinburgh weekly. After 18 years of service his accounts were found to be out of balance by a little more than 1,200 pounds. This sum was recovered from the sale of his house and from his sister and one other of his guarantors. He was not accused of dishonesty but had been able to completely control the finances of the massive canal project which was controlled from three distant centers—Glasgow, Edinburgh and London. This indicates certainly that professional responsibility is not a new concept and indeed seemed to be more severely applied in the days of the Forth and Clyde Navigation than modern standards.

The monograph suffered from two admitted defects. The quality of reproduction was poor due to limited budget of the publisher. Also admittedly, the treatment of company finance was at times pedantic. Two other defects detracted from the monograph. The material was organized by function—incorporation, organization, financing, etc.—rather than chronologically. This organization did not allow for an even flow. The reader was jumping back and forth from the early stages of construction to operating problems. The monograph should prove to be a valuable addition to the accounting history of the period when put together with other accounts of the period. However, the monograph does not stand by itself. Better explanations of how the "innovative" accounting practices documented differed from those normally employed during the period, and what effect they had on future accounting practices were needed for the reader not intimately familiar with the accounting practices of the period.

In spite of the defects, I found the monograph to be enjoyable and informative reading. The monograph should be particularly valuable to accounting historians of the period.