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Book Reviews

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Book Reviews

PUBLISHERS' ACCOUNTS, by SYDNEY BEEVERS. *Gee & Co., Ltd.*, London.
55 pages.

Twenty-five pages of this brief treatise, *Publishers' Accounts*, are devoted to accounting forms and pro-forma ledger accounts.

The title is decidedly broader in scope than the contents, the latter being restricted to problems of publishers of what are commonly known in this country as "trade" books, i.e., fiction, biographies, etc., sold primarily through booksellers, as distinguished from textbooks which are sold through "adoptions" by state, county or local school boards.

The first seven pages contain an excellent and concise description of the business of a book publisher, the character of arrangements made with authors, and the processes through which the manuscripts pass from the time they leave the authors' hands until they reach the public as finished books.

The most important problem in the accounts of book publishers is the treatment of what in this country are usually called "plates," really representing all the preliminary expense of a book prior to its actual printing. This includes editorial and art work, composition and the cost of electrotypes.

The author calls this item "copyrights" and suggests two alternative plans. Under the first of these the plate cost is ordinarily to be written off over the first edition in proportion to the copies sold. He further stipulates, however, that, if the sales decline so rapidly that it is evident the first edition will never be sold out, then depreciation must be written off more rapidly. On the other hand, he suggests that "where it appears probable that a second edition of a book may be made with success, or reproduction in other countries or in serial form or a cheap edition is contemplated, then the original value of the copyright must first be apportioned as between the first edition and all later issues." It is perhaps possible roughly to estimate this latter figure when the publisher's books are closed only once a year and the necessary time is available to analyze the past record and future probabilities of each individual title, but most American publishers are demanding more frequent closings. Again, the analysis of perhaps two or three thousand titles would be far more of a task than the results would be worth.

Most American publishers of this class of books either write off the plate expenditures arbitrarily over a very limited period or actually charge them off entirely on the date of publication.

The author's other suggested plan is a revaluation as of the date of each balance-sheet. He suggests that the copyright value of each title be determined as "three years' purchase of gross profits derived from the book during the period covered by the accounts" and that the total of such valuations of all titles be used on the balance-sheet provided such total is not in excess of the original cost of copyrights (plates) for all of the books. He goes on to say that so long as the total calculated value is not in excess of total actual cost "any depreciation in value of one copyright may quite fairly be offset by appreciation in value of another copyright. This opinion seems so reasonable that criticism of it is apt to be thought harsh and churlish."

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In spite of these hard names for critics of the plan, the author himself isn't so very certain of his ground, for he immediately goes on to say:

"This method is not without danger, and great care and discretion should be exercised in its application, as it does undoubtedly tend to over-valuation of copyrights, with cumulative effect over a period of years, and, consequently, is frequently a decisive factor in bringing about a publisher's insolvency. It should, accordingly, always be borne in mind that copyright is, at its best, a very intangible asset, and almost of negligible value from the point of view of working capital. Where this second method of determining the value of copyrights is in use, it is recommended that the principles set forth as being applicable to the first method should be kept in mind. By so doing, it may be found advisable at times to modify the strict interpretation of the valuation rules and allow for actual depreciation, in spite of an apparent increase in market value."

It seems to this reviewer that the inclusion of such copyright valuations in the accounts with the inferred consequent effect upon profits is thoroughly vicious. Sales of publishing businesses have not infrequently been made in which plates and copyrights together have been valued on the basis of gross profits, although this reviewer never heard of one in which the valuation (for a trade publisher, at least) was anything like three times the current gross profits. Aside from that, however, the application of this principle would almost invariably amount to continuously capitalizing a large proportion of the normal plate depreciation charges as an intangible asset (analogous to goodwill) with an equivalent inflation of profits.

The accounting forms and the explanations of their use are of only academic interest to an American publisher or accountant.

H. S. MORSE.