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Book Reviews

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Book Reviews

C. P. A. PROBLEMS, by JACOB B. TAYLOR and HERMANN C. MILLER.
McGraw-Hill Book Co., Inc., New York. Cloth, 602 pp.

In *C. P. A. Problems and Questions in Theory and Auditing* we have a compilation of questions and problems taken from C. P. A. examinations during late years, from 1924 to 1929, a period well calculated to show the present standards and trend of such examinations. There is no attempt to follow any particular textbook arrangement of standard procedure in auditing except in part V, theory and part VI, auditing. The other parts merely assemble questions from different examinations under arbitrary general heads, such as types of organization mergers and consolidations and the like. Answers are not supplied but an ample bibliography of authorities gives the student the proper sort of key to facilitate his work if his previous grounding in principles is not sufficient. An appendix displays two complete sets of examination papers valuable for practice and in visualizing an examination as a whole. A good index classified by technical subjects gives quick access to all the problems. From this brief description it may be gathered that Professors Taylor and Miller have adopted for the students of the Ohio state university what might be called the "case" method of laboratory work. It differs from other texts of this kind which have been published lately in being more in the nature of a review than of systematic training during the course, which from the preface appears to be the aim of the compilers. From a few tests it seems to me that the questions have been fairly and judiciously selected, and cover a wide range of examinations from all the states both coöperating and not coöperating with the American Institute. The student who has mastered these problems may feel assured that he has pretty fairly covered the field of accountancy. Moreover he will have familiarized himself with the form and content of examination papers, which should go a long way to help prevent "examination fright."

It is gratifying to note that adequate attention has been given to problems in partnership accounting. Over seventy questions and problems in this important subject are included in this book, and no doubt many more were actually propounded in examinations—which is respectfully called to the attention of recent authors who have so oddly omitted any reference to it.

While this book is intended primarily for the university student during college years, he will do well to add it to his permanent working library. Under many present C. P. A. laws several years must elapse before he can go up for examination, and constant practice on these and similar problems will be most helpful to him. Practitioners who are more or less concerned about the standards set for our future certified public accountants by the different states and the Institute will find it interesting to compare the questions.

W. H. LAWTON.

FUNDAMENTALS OF BOOKKEEPING AND ACCOUNTING, by S.
BERNARD KOOPMAN and ROY B. KESTER. *The Ronald Press Company*,
New York. Cloth, 404 pages.

After considering the long list of high-school educators consulted by the authors, it is safe to conclude that in Koopman and Kester's *Fundamentals*

of *Bookkeeping and Accounting* we have a comprehensive textbook on elementary bookkeeping. It was first published in 1921, and has now been revised to conform with the latest methods of teaching this subject, the more important improvements being, to quote from the preface (p. iv): “. . . (1) a more rapid development of the basic principles, resulting in an earlier introduction of the student into the actual work of record making; (2) a simpler treatment of some of the more difficult phases of the subject, such as, for example, deferred items and accruals; (3) a wider latitude in the selection of practice material, many optional problems being given.” In short, a more thorough application of the laboratory idea that the way to learn to do a thing is to do it. One can not learn to drive a car by merely watching the other fellow. He must take the wheel himself and profit not only by his teacher's instructions but also by his own mistakes—if he survives.

Instead of beginning with the inferior books and working up to the ledger (as he would in an office) the student is first introduced to the broad theory of accounts, and then learns how it is attained in practice. Each step in the development of the accounts is clearly explained, and their interrelations are emphasized. The problems given are practical, ample and clearly stated. Facsimile accounts in script and colors help to familiarize the pupil with the appearance of real account books—no small feature when we consider how differently printed illustrations appear to the untrained eye. The high-school graduate who has mastered this book will find himself well qualified, whether he immediately enters a business office as bookkeeper or takes a further course of higher accounting in college. A thorough training in the art of bookkeeping is a *sine qua non* in either case.

W. H. LAWTON.

MODERN ACCOUNTING THEORY AND PRACTICE, by DEWITT C. EGGLESTON. *John Wiley & Sons*, New York. 2 volumes. 1010 pages.

The author of *Modern Accounting Theory and Practice*, a lecturer at the College of the City of New York, and a public accountant of diversified practice, has expanded the matter contained in lectures to his students and made of it an accounting textbook.

Accounting theory does not change basically, but without doubt recent developments of accounting practice (not theory), due to the efforts of public accountants toward better accounting and to the improvements of accounting machines, have gone ahead of the available textbooks. The attempt of this author to codify and bring up to date teaching material suited to advanced students is timely.

The ground covered is broad. A student who has mastered the matter in these two large volumes has wider general information as to modern practice than many successful professional accountants.

No effort to put forward peculiar or extreme views appears anywhere in the work. Of course, there are minor details that may not meet the views of everybody. It could not be otherwise, since accountants are not yet unanimous on all matters. It is hardly possible, however, to imagine a work of such length, covering such a wide range, and containing less contentious matter.

The origin of the text is clearly indicated by the profusion of questions for review, problems from Institute and C. P. A. examinations with their solutions,

and original problems. Indeed, these are so prominent as to give the book the appearance of a schoolbook. Nevertheless the contents will be of value to experienced professional accountants, especially if they are called upon to do work on accounts dealing with unfamiliar lines of business.

The text does not deal much with that phase of modern accounting that depends upon tabulating machines and the more elaborate bookkeeping machines. Perhaps that is because such machines are not available for the use of students and practical demonstrations are not to be had. We may hope that at some future time this author may deal with these important aids to modern accounting.

Without any reflection upon the author, who has followed a general custom, it may be said that he illustrates and by reason of his ability and experience emphasizes the looseness common among accountants in the use of the technical term "fund." A balance-sheet (vol. 1, page 41) shows under "assets" the item "building fund \$5,000,000"—presumably a fund of money. The same balance-sheet shows on the other side under the heading "liabilities and net worth" the item "building fund \$5,000,000"—exactly the same title for a fund of money and for the accountability in respect of it. Surely accountants are not so perverse that they can not agree upon terms to differentiate between an asset and a corresponding accountability, yet this looseness of terminology persists.

The book as a whole, however, is a highly practical, timely and valuable text, good for the student looking forward to public or private accounting, good also for the professional library.

————— F. W. THORNTON.

AN OUTLINE OF BROKERAGE ACCOUNTING, by ANSON HERRICK.

Stock Exchange Institute, San Francisco. 94 pp.

An Outline of Brokerage Accounting is in general conformity with lectures constituting the course in brokerage accounting, given by Anson Herrick for the San Francisco Stock Exchange Institute. The subject is regarded largely from the standpoint of brokerage business as it is carried on outside New York. Although the title of the book is inclusive, the content is limited to the functions of the stock broker and his records.

The book deals with the functions of the broker and the exchange, the various kinds of transactions, the nature of the broker's responsibility, and the description and use of his records and accounts, and it includes typical transactions and illustrative forms. The illustrations and descriptions of the records are on the basis of a small house, and while this serves to illustrate principles, it may prove confusing to one attempting to apply them to the business of a house of large size.

The nomenclature is in some instances different from that used in Wall Street. Arbitrage is described as the discrepancy in price of a given stock at a given time in New York and San Francisco. Perhaps the most general use of this term in New York is concerned with the difference in price of stocks, or rights, from their relative exchange or subscription value. The system of "units" as posting mediums is referred to as the "tag" system.

Sound in principle, the book should be of value to the student and profitable for study by juniors or others unfamiliar with the actual records of stock-

brokerage transactions. It is a worthy addition to the none too exhaustive literature on the subject.

MARSHALL M. THOMAS.

PROBLEMS IN AUDITING, by ARTHUR WARREN HANSON. *McGraw-Hill Book Company, Inc.*, New York. Cloth, 754 pp.

In *Problems in Auditing* we have another textbook in the laboratory branch of accountancy education, two examples of which (Jackson's *Auditing Problems*, and Walker's *Problems in Accounting Principles*), have been reviewed in previous issues of the JOURNAL. This volume may be considered as a companion to Professor Walker's in the Harvard curriculum, and is devoted entirely to the problems arising in making an audit. That is to say, while Professor Walker's book considers problems of the inside accountant who is responsible for the bookkeeping, Professor Hanson's is for the outside auditor who reviews the accounts. The book follows the same general plan of its predecessors in presenting problems which have been taken from actual experience, and it is intended to take the place of the field-work formerly required from Harvard students. A logical arrangement carries the student from the purposes of auditing and responsibilities of auditors through practice and procedure to the final presentation of findings, closing with the complex situations to be encountered in consolidated balance-sheets and in that indoor sport of "giving effect to" which was so popular during the merger craze of last year! Ample details of facts and figures are given in the text and schedules from which a careful student should have no difficulty in working out correct solutions. But woe to the man who fails to take note of all the facts submitted!

Two problems merit especial attention. Under auditing practice and procedure, which takes up each step of an audit in proper and standardized order, the case of the Hopkins Department Store is split up under the various sub-headings, verifying cash, accounts receivable, etc., so that in the end the student while he is applying the principles involved in each step finds he has made a complete detailed audit of this concern—an excellent method of training in orderly procedure. Later, after he has assimilated this and other more specialized problems in procedure he will be prepared to take the mass of data in the complete audit of the Calapooya Lumber and Pulp Co., and determine for himself the sufficiency or otherwise of its working-papers, etc.

The queries at the close of each problem are more in the nature of hints to provoke discussion than of examination quizzes, and are in the main quite pertinent, although the query at the close of the fifty-page report of the U. S. Steel Corporation—"Do you consider this a satisfactory report?" sounds a bit naïve. Perhaps the student might agree with the average stockholder in thinking there is too much of it!

The same remark might be made of Professor Hanson's book as a whole. At a rough estimate 300 to 350 pages of this bulky volume are given to reprints of annual reports of nationally known corporations with a mass of more or less irrelevant texts and schedules. When the author himself admits in his preface that "even without this material the book contains more problems than it has been possible to treat adequately in a whole-year course" (p. v), it seems rather an unwarranted addition to the cost of the book.

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There is a good index for reference by technical subjects. It is to be regretted that the problems are not indexed alphabetically—it is rather a nuisance to have to run down whole pages of contents to find a problem in cross-reference. And while it is true that the student is supposed to be thoroughly grounded in principles before he tackles this work, it would be helpful and time-saving if there were a bibliography (book and chapter) at the close of each section.

But these are minor defects. As a whole Professor Hanson's book is a noteworthy contribution to the growing substitution of laboratory for field-work and the practical experience now required by C. P. A. laws. We should have more of these texts—and probably will.

W. H. LAWTON.