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## Book Reviews

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LIFE EXPECTANCY OF PHYSICAL PROPERTY BASED ON MORTALITY LAWS, by EDWIN B. KURTZ. *The Ronald Press Company*, New York. 202 pages.

Professor Kurtz in *Life Expectancy of Physical Property* proposes to apply human mortality principles to physical property to supplant the present "assumptions of the engineering and accounting professions."

The lifetime of any person is uncertain but the average duration of life in a large community is subject to little fluctuation. It is clear that any practice based on mortality principles must deal with all or practically all individual members of particular groups and that the results however trustworthy on an average basis are neither useful nor accurate for individual persons or small groups. Furthermore, human life tables are not, and property life tables are, subject to the complications of obsolescence, financial considerations and accounting requirements.

To be of use for depreciation purposes the proposed property mortality tables must apply to individual cases. The courts recognize that human mortality tables are not susceptible of such individual application, taking the position in *Campbell v. City of York* (172 Pa. 205) that in permitting the use of life tables in court cases the trial judge should instruct the jury that their value depends very much upon the plaintiff's state of health, habits of life, liability to contract disease, social condition, etc. and in *People v. Burns* (138 Cal. 159) that they cannot be taken as a basis from which to determine the length of a sentence to be imposed in a criminal case.

Professor Kurtz presents tables relating to the life of:

65	waterworks pumping engines	
32	waterworks boilers	
250,388	wooden poles	
939	car wheels	
22	pumping stations	
810,753	railroad ties	
	incandescent lamps	
	aerial, underground and submarine cable	} Number under observation not stated
	locomotives and railroad cars	
	water stations	
	grain binders	
	automobiles	

and states that the further following tables, although not given in the book, have been used:

railway stations  
water-supply sources  
telephone equipment  
railroad cars

This indicates the scanty data from which Professor Kurtz draws his conclusions. A large part of the book is devoted to general statistical figures, which are possibly correct enough for the average of large groups but have little bearing on the proper provision for depreciation by individual owners of units of property where the number of units owned is insufficient for the application of the laws of probability.

The financial and accounting features of depreciation are completely overlooked, so while Professor Kurtz' study may have value for the statistician

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and perhaps the public-utility engineer it is useless to the accountant, not alone because the principles and assumptions on which the argument is based are not conducive to the working out of a sound and well balanced depreciation policy for an individual company, but also because the futility of such tables is apparent if we recognize that the purpose, certainly the practical purpose, of the depreciation reserve is to retain replacement money in the business and is neither to adjust values nor to repay investment.

MAURICE E. PELOUBET.

ANALYSIS OF INDUSTRIAL SECURITIES, by CARL KRAFT and LOUIS P. STARKWEATHER. *The Ronald Press Company*, New York. 307 pages.

*Analysis of Industrial Securities* is intended to furnish a technique of analytical procedure for those actually engaged in the investment field, and, as such, it is complete, setting forth in detail the various methods now in use to make the required analysis. It apparently is not intended to serve as a text-book for teaching or as a reference book for the student. The chief burden of the book is to present the method to adopt in statement analysis.

The segregation of the component parts of the balance-sheet and profit-and-loss statements is taken up in detail, showing the different kinds of analyses made in the investment banking business—preliminary, complete, limited and comparative, ratio and “where got and where gone” methods are fully described and discussed. Many statements of industrial companies have been used in the compilation of this book and a complete analysis is made of each, showing the final set-up of the expert analyst.

The book, on the whole, is rather more an exposition of the method of procedure in making analyses of industrial companies for various purposes required by the investment banker or the individual investor. It contains about 300 pages including 78 pages devoted to the index and “figures.” Most of the figures are copies of financial statements taken from annual reports of industrial companies, which are supplied to illustrate the authors’ ideas of the points in the statement under discussion at the time. The illustrations are well chosen and set forth clearly the ideas the authors wish to convey to the reader.

The general plan of the book is logical, starting with a preliminary discussion of the need and requirement of careful industrial analysis, taking up the accumulation of the data, description of data and separation into classes, balance-sheet and profit-and-loss make-up and form, method of analysis and the value and use of the analysis when finally prepared.

The reasons for setting up or following the authors’ recommended forms are more fully covered in the last five chapters of the book. In this section the authors go into the value and proper use to be made of the analysis of the unit, viz., how to determine the present position of the company as an investment by the treatment of the information compiled and set up in the analysis of the company’s reports, etc. This portion of the book becomes of great interest not only to the practical financial man handling the investment funds of many investors but also to the small investor who wishes to know how best to place the limited amount of his savings.

While there may be some who will disagree with the authors on many points, still, their opinions and conclusions are always clearly stated and interestingly given.

RAYMOND C. BROWN.