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Book Reviews

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FRAUD, ITS CONTROL THROUGH ACCOUNTS, by GEORGE E. BENNETT, *The Century Company*, New York.

Fraud, Its Control Through Accounts is a valuable addition to what has already been written on the subject of fraud. Professor Bennett has covered a great deal of ground in one hundred and twenty pages. The subject matter is logically presented beginning with a chapter on the legal distinction between larceny, embezzlement and forgery followed by an outline of certain general principles relating to accounts and ending with a complete summary of the kinds of fraud perpetrated through purchases, sales, cash and payrolls. The whole matter is presented in a terse yet thorough style.

This book, which is published under the auspices of the American Institute of Accountants, should prove a valuable guide to all practising accountants. In the detection of fraud and in the installation of accounting systems it is important to know where irregularities are likely to develop. This book indicates the weak points and shows the way to strengthen control. In this respect it should also be of value to executives, controllers and auditors in planning their accounting and other departmental organization, as well as the method by which transactions shall flow through the books.

F. H. HURDMAN.

STOCK BROKERAGE AND INVESTMENT HOUSE ACCOUNTING,
by F. W. THORNTON, *Harper and Brothers*, New York. 188 pages.

Stock Brokerage and Investment House Accounting is a clear and concise exposition of stock-brokerage accounting. Mr. Thornton has avoided, if not dispelled, that air of profound mystery which, in some quarters, surrounds the subject. He has set forth, in their proper perspectives, the distinctive features that one encounters in this field of accounting.

In the first section of the book, Mr. Thornton deals with the different types of transactions of a stock broker and the principal books of account and shows, by appropriate examples, how the transactions are recorded. Lucid explanations are given of the use of the blotter and position record, the meaning of failures to receive and deliver, stocks borrowed and lent, transfers, etc., and their place in the accounting.

The book appears to be written largely for the benefit of the public accountant whose clientele includes brokerage firms and for members of his staff. For this reason a glossary might be useful.

The chapter on auditing procedure is excellent. With an economy of words that is refreshing, Mr. Thornton emphasizes the essential differences between the audit of a stock-broker's accounts and that of a commercial concern. Accountants of experience in brokerage audits will find much of interest in this chapter; a perusal of it will probably suggest points on which they can improve their own procedure and thus increase the protection for themselves and their clients. Mr. Thornton, however, does not mention that a broker's insurance policy sometimes requires that second requests for confirmation must go by registered mail. He makes the somewhat naïve suggestion that the audit

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should be commenced on a Friday night, so that the counting of securities, etc. can be completed by Monday, the next day for deliveries. Unfortunately, public accountants have to take things as they come. Clients generally ask for the audit to be as of the close of business on the last day of the month, and that day sometimes will fall on, say, a Tuesday or Wednesday. However, some prevision on the part of the public accountant and the adoption of a well laid out programme will reduce undue late work for his staff, without interfering with the smooth working of the client's office.

There are, of necessity, many references throughout the book to the New York stock exchange and its regulations. Probably the most important development of recent years in the field of stock-brokerage accounting, at any rate as affecting public accountants, has been the requirement of the exchange that members shall report their financial condition to it when required, the statement being generally referred to as the "questionnaire." True, part of the questionnaire is reproduced in Mr. Thornton's book, but the introductory references to it seem rather casual and there does not appear to be enough emphasis as to how important it is that public accountants should acquaint themselves with the requirements of, and procedure relating to, the questionnaire. This reviewer suggests that, in a book on stock-brokerage accounting and auditing procedure, it is advisable to set forth clearly and definitely the requirements of the stock exchange as to the questionnaire and the procedure as affecting the public accountant.

The author states that under the income-tax law securities owned by brokers or dealers may be valued either at cost or at market prices. This reviewer believes that there is a choice of three methods: (a) cost; (b) cost or market, whichever is lower; or (c) market.

The second section of the book deals with the accounts of investment security dealers, i. e., those who sell securities to their customers, as principals and not as brokers. It contains a well rounded treatment of the matter.

Mr. Thornton has made an illuminating and readable contribution to the literature of accounting procedure for brokers and dealers in securities.

J. S. WILLIAMS.

TAX AVOIDANCE, by DENNIS HARTMAN. *The Legal Publishing Society, Inc.*, Washington, D. C. 224 pages.

It has been said that the difference between a patriot and a rebel lies in the degree of success. Perhaps in tax practice something of the same kind may be said—if a procedure to reduce taxes is successful, it is avoidance and legal, but if it fails, it is evasion and illegal.

The book has outlined in a general way a number of suggestions whereby taxes may be reduced. One of the best chapters in the book is the author's discussion of the use of trusts. In this he gives a quite thorough and well documented discussion of this interesting topic. While trusts are not so generally used as other types of organization, still the subject is an intricate one, requiring careful study in its application, and the author has brought together a large amount of data relative to it. The chapters on the use of corporations, both from the standpoint of reorganizations and the use of the individual corporation, are also quite complete. However, it would have added considerably to the

enlightenment of the average practitioner as to the use of Canadian corporations if he could have had the benefit of Mr. Hartman's more extended views and comments. This phase of the discussion was confined almost entirely to what appears to be the author's quotation from a pamphlet.

The good features of the book are somewhat obscured by a rather poor arrangement in the matter of separating quotations from the author's comment and by poor proof-reading. It is quite apparent that Mr. Hartman hurried the completion of the book in order that it might be in the hands of purchasers in time to be available for the current tax season and future editions of the book will undoubtedly be corrected.

E. T. WEILER.

THE KEYS OF BETA ALPHA PSI. Official publication of the grand council of Beta Alpha Psi.

The first issue of the national publication of Beta Alpha Psi, national accounting fraternity, made its appearance on September 1, 1930, the result of months of basic planning on the part of the members of the grand council. A national news organ, properly constructed, should occupy a major portion of each year's programme, if for no other reason than that it knits together more firmly members scattered over the land both in and out of local chapter activities. Plans are under way to make every issue of vital interest to every member of the fraternity.

This publication is to contain articles in harmony with suggestions which have been sought from local officers and members. These articles will concern ethics of practice, professional training, coöperation with local practitioners, and so on.

Beta Alpha Psi is a Greek letter fraternity for accounting majors in schools and colleges of business administration. The first chapter was founded at the University of Illinois in 1919, and in 1923 the fraternity was incorporated under the laws of Illinois as a corporation not for profit. The idea which lies behind the activities of this fraternity is to elevate the standing of the profession of accountancy through improving the quality of its members who are recruited from the universities.

Before candidates are admitted to membership, even if acceptable on general grounds, written entrance examinations must be passed, searching in nature and designed to test the thoroughness of preparation of each candidate in accounting theory, in problems, in auditing, in business law and in economics.

An organization imbued with this idea, and numbering among its members accountants standing high in the profession as practitioners or teachers or both should put forth a publication which will take its place alongside the best in accounting literature.

GEORGE E. BENNETT.

COMMERCIAL ARITHMETIC, by WARREN L. STARKEY, *Globe Book Company*. 179 pages.

The purpose of this comparatively brief, little book is not only to cover the essentials of commercial arithmetic thoroughly and concisely, but also to explain them in what the author, after many years of successful teaching experi-

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ence, has found the clearest and most satisfactory manner. The book is primarily written for secondary school and technical business school students.

Throughout the volume praiseworthy emphasis is laid upon developing a general, systematic, rational method of solving all practical problems. As an aid to the student, the author constantly analyzes, reasons and solves illustrative problems in a model manner. One instrument whose applicability to many outwardly dissimilar but inwardly related problems is continually explained, with excellent effect, is the percentage formula. Hence, upon careful completion of this book, a reader can forget many details and still have received in his training a means to mastery over the usual problems in commercial arithmetic.

Regarding its detailed subject matter, this little volume, in addition to the topics customarily found in a work of similar scope, introduces several new subjects worthy of inclusion and treats many old ones in a simpler and more stimulating way. And concerning its style of presentation, the book, because of the many illustrative problems solved, the definitions, diagrams, rules and formulæ, is unusually simple and clear.

In view of the merits above, and the additional one of very low price, this book should not only prove valuable in secondary school instruction, but also quite useful to all practising accountants who desire a rapid survey of commercial arithmetic essentials, and especially to any who, in satisfying the educational requirements for a New York C. P. A. certificate, expect to be examined, by the state board of regents, in commercial arithmetic.

HENRY W. SWEENEY.