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BOOK REVIEWS

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Frederic William Cronhelm, *Double Entry by Single* (London: Longman, Hurst, Rees, Orme, and Brown, 1818. Reprint edition, New York: Arno Press, 1978, p. xv, 377, $25.00).

Reviewed by
Raymond T. Holmes, Jr.
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Although today's accountant may feel somewhat overwhelmed by the volume of new pronouncements and regulations from the FASB, the AICPA, the SEC and other policy setting bodies, in fact business practices and accounting for business activities change very slowly. There have been few radical advances in procedures, and the double-entry system continues to govern accounting concepts. Recognition of the slowly evolving nature of accounting is confirmed by Frederic William Cronhelm's *Double Entry by Single;* however, somewhat in contradiction to the above statement, the accumulation of small changes over an extended period of time results in the 1985 product being barely recognizable as embodying the same basic concepts that controlled 1818 record-keeping.

It may be appropriate to compare the evolution of accounting methods to a 3 per cent inflation rate, with similar effect. The rate of change may seem modest or slow, but just as compounding $1 at 3 per cent for 166 years will produce a total of $135.20, the accumulation of changes in accounting methods produces a vastly different product in 1985 than existed in the early industrial era.

Cronhelm's book was published to promote a bookkeeping system devised by the author to shorten the "Italian method," in common use at that time. In justifying his own method the author describes very briefly then prevailing procedures. The book was obviously written for the accountant of 1818, and the author assumes the reader is familiar with the system in wide-spread use at that time. His explanations, therefore, are not sufficient to make clear to a modern reader just how a set of records of that date was constructed. Sample sets of records for retailers, wholesalers, manufacturers, merchants and bankers help rectify this problem. It is possible to decipher record-keeping procedures and the interrelationships among various account books by tracing the processing of transactions in these records.

The book attracted notice at the time it was published, but seems to have had little influence on later accounting theoreticians and writers. The failure to make a lasting impact may be traced to the novelty of its approach, or it may have been due to a misfortune that befell the publication. The publisher's building was destroyed by fire and nearly the entire edition of Cronhelm's work was lost. It was not reprinted.

Cronhelm was an accounting practitioner and a man of strong opinions. He believed that good records were essential to the survival of a business and expressed this view in an intriguing manner, as follows:

> "In the commercial world, few things are more readily admitted, or more generally experienced than the importance of bookkeeping. The ruin that rarely fails to punish its neglect renders it indispensable to the individual . . . ." (Preface v)

He was convinced that the system of record-keeping must be efficient and produce the desired results with the greatest degree of conciseness. It was in this area that he directed his efforts as a practicing accountant, and as a writer he described the method he had found useful in his daily work.

Unlike some of his contemporaries, who were exploring new approaches, Cronhelm was totally wedded to the double entry system. He maintained that there were no substitutes for the proofs afforded by this concept. He was further convinced that his "New Method" constituted a major advance in efficiency. In fact, his enthusiasm for his system resembles the sales pitch of the proverbial "snake-oil salesman," with the claim that:

> "The New Method excludes what is defective, and combines what is advantageous, in each of the others. It obtains by two entries the same results as the Italian System by four: it possesses the brevity of Single Entry without its imperfections, and the proof of Double Entry without its repetitions." (Preface vi)

Cronhelm's New Method did not achieve the quantum leap forward he envisioned but his basic premises were sound and he may be judged to have contributed to evolving accounting knowledge and methods.

Lawrence Robert Dicksee, *Fraudulent Accounting* and *Fraud in Accounts,* Edited by Editor of the Accountant's Library *The Accounts Journal,* 1924-1925, and London: Gee, 1904. Reprint edition, New York: Arno Press, 1980, Irregular pagination, $15.00).

Reviewed by
William G. Mister
University of North Carolina — Chapel Hill

The first part of this book is a reprint of a series of 12 articles by Dicksee on "Fraudulent Accounting" appearing in *The Accountants' Journal* from May, 1924 to April, 1925. The second part was actually published 20 years earlier as volume 30 of the *Accountants' Library.* The reprint edition is dated 1980, but the quality of production is poor, and at times even distracting.

The book is actually a treatise on internal control rather than fraud. Students of the subject will find the series of articles by Dicksee interesting reading, especially in the post Foreign Corrupt Practices Act era. While the advent of the computer and other technological changes have necessitated some change, it was striking to find that the internal controls advocated by Dicksee are, for the most part, applicable today.

Dicksee treats fraud in two broad categories: fraud connected with the receipt or distribution of monies and fraud aimed at "presenting accounts showing an unduly favorable position." He notes that the double entry bookkeeping system is a natural deterrent to fraud. The necessary "two-fold nature of the falsification at least doubles the chances of early detection."

The second article in the series contains Dicksee's views on the causes of fraud. One of the benefits of reading an older book is that it sharpens an awareness of the changing environment of accounting. For instance, Dicksee felt that the "motives that may deflect the two sexes from the path of honesty are not necessarily identical." The most common causes of dishonesty among men are listed as: (a) gambling; (b) extravagance; (c) drink; (d) actual poverty; (e) want of loyalty; and (f) want of moral stamina. For "women and girls . . . gambling and drink are much less likely causes of dishonesty than in the case of men and boys. Extravagance, upon the other hand, is probably in general a more real temptation, while actual poverty is more likely to be an existent cause. As regards loyalty: If it be the fact that loyalty is, in essence, a genuine understanding between employer and employed, it follows that a failure to understand the psychology of the opposite sex may have its real dangers. At present there is perhaps not sufficient data upon which to base a generalization. Time alone can show." Such views could be seen as sexist today and I doubt they would be published.

To control cash, several internal controls were recommended. Imprest accounts should be used where possible. When receipts come by mail, have at least two persons open the mail. The handling of cash and accounting for cash should never be assigned to the same individual. Payments should be made by check rather than cash and, of course, all payments should be properly vouched. In connection with payroll, it should be verified physically that persons receiving paychecks are actually employed. These among other recommended internal controls for cash might be found in a modern textbook dealing with internal control. For control of non-cash assets, a perpetual inventory system and gross margin percentage are discussed as primary controls. Again, while written in 1924, these discussions have applicability today.

Professor Dicksee overestimated the power of data processing. In accumulating mass transactions he noted that "if the business is of sufficient magnitude to justify the installation of a Hollerith machine or a Powers machine for the record of transactions, no trouble will arise over the accurate counting of these conventional quantities, whatever they may be." He apparently did not anticipate the advent of computer fraud growing from the use of successors to these early hand wired forerunners of the modern computer. The IBM and UNIVAC computer can trace their history back to Hollerith and Powers, respectively.

Professor Dicksee recognized the limitations of internal controls. "It is not to be expected that any system of internal check — or, for that matter, any system of audits — will provide an infallible means of detecting fraud skillfully concealed; it is submitted that the suggestions embodied in the series of articles will, if carried out with unwearying fidelity, go a long way to ensuring that detection takes place at the earliest possible moment."

Articles 9 through 12 in the series deal with the role of the auditor in relation to fraud. Long before court decisions such as Continental Vending and Yale Express, Professor Dicksee recognized that the role of the auditor in detecting and disclosing fraud may be much greater than defined by law, at that time the Companies Acts. The auditor's appointment, he observed, is based on a contract, and the express or implied provisions of that contract have to be determined before any opinion can be formed as to the limit of the auditor's responsibility. He discusses the necessity of an audit including subsequent events, a now commonly accepted audit practice. There is also a discussion of the need for auditor independence and how much reliance the auditor can place on the work of others. Both topics are relevant accounting issues today.

Professor Dicksee wrote the series of articles in a personalized and direct style. He did not mince words and his meaning is seldom unclear. At one point, for instance, in discussing the audit of companies holding stock in other companies, he states that when the auditor does not have access to the books of subsidiary companies "The whole purpose of the audit is accordingly defeated, and the audit itself is reduced to a mere formality, if not to an absolute farce." Professor Dicksee displayed a tendency to over use the phrase "in the nature of things"; while this might not have been apparent in a series of separate articles, it stands out when they are reproduced together in a single volume. This might have been edited out.

I found the book interesting and it provides a useful historical perspective on the issue of internal control. The second part of the book *Fraud in Accounts* is redundant, as it was an earlier treatise on the same topic.

Gadis J. Dillon, *The Role of Accounting In The Stock Market Crash of 1929,* Research Monograph No. 96. (Atlanta: Business Publishing Division, Georgia State University, 1984, pp. 270).

Reviewed by
A. L. Roberts
Georgia State University

"There is a generally held opinion that accounting practices of the 1920s contributed to the stock market crash of 1929." This statement seems to support the regulations that emerged almost immediately after the crash. Some have concluded that accounting practices were part of the cause of the crash and that public accountants, as a group, were to some degree culpable. The essays of Professor William Z. Ripley published in the popular press during the early 1920s, and in 1926 combined in a book entitled *Main Street and Wall Street,* were aimed at publicizing the inadequacy of financial disclosure by listed companies. Thus, a few years later he was able to claim cause and effect. This relationship may still exist in the minds of many people.

The crash of 1929 is part of American business "folklore" and considered as the proximate cause of the "great depression." Dillon examines the economic, political and social environments in the United States from the end of World War I through the early 1930s. It becomes obvious that the decade of the 1920s was one of rapid transition from an agrarian, small town society to an industralized and urbanized one. According to Dillon, in many ways it was a decade of "future shock." In addition, negative characterizations of the "robber barons" by the press and anti-business novels such as *Babbit* added to the confusion of the changing times. Yet, it was a period of optimism, some of which was transferred to the stock market.

Part of the reason for the crash may be attributable to "the inability of stock market institutions to adapt quickly to the changes which occurred." An analysis of activity on the NYSE between 1926 and 1929 showed that monthly average volume increased by more than 400 percent. There was a mystique surrounding the stock market. However, later congressional investigations laid bare the various ways by which the stock market had been manipulated. Pecora stated that ". . . the Exchange was . . . a glorified gambling casino where the odds were heavily weighted against the eager outsider." Dillon examines pools and other forms of manipulation that mitigated against the Exchange being an impartial forum for the free play of supply and demand. He also presents some interesting insights about the speculation phenomenon and the catalyst of the bull market that preceded the crash.

The accounting environment, as reflected in the accounting literature of the era, is examined by the author. Four topical areas are discussed:

1. Financial statement preparation and content; disclosure
2. Net income determination and users
3. Asset recognition and revaluation; depreciation
4. Intercorporate investment; business combinations.

Also considered in this environment are professional organizations, common accounting practices and the role of the independent accountant, It was during the 1920s that the conflict between uniformity and flexibility began to emerge. Eric Kohler was an early advocate of more detailed and uniform disclosure in public financial reporting. In addition, the NYSE was a major force in requiring improved disclosure from listed companies. This was to counter the defense mechanism embedded the rhetorical question of the time, "Does Macy tell Gimbel?"

Dillon summarizes very well the major attempts to establish some theory in the area of income determination during the first quarter of the century. The primary problems seemed to be how to handle the components of income beyond ordinary operating income, and the appropriate treatment of asset valuation. The section on the disclosure and consolidation practices for investment trusts and holding companies is most informative.

After setting the stage and examining the elements, Dillon summarizes the reporting and accounting practices used during the 1920s by a sample of 160 listed corporations whose stocks were actively traded on the NYSE. From the data used, his conclusion is that the "conventional wisdom" that the accounting practices during the 1920s were inadequate is not supportable. That is, accounting practices employed were not a major factor in the stock market crash of 1929. Statistical tests on the selected data tended to refute the hypothesis that relationships existed between attributes of accounting practices and stock price changes.

This is an interesting, well organized and primarily descriptive study of the factors which were potentially important to the 1929 stock market crash. Accounting was one of those factors, in the context of the time, and the chapter dealing with accounting theory is very well done. While the author makes a reasonable argument that ". . . there is not substantial evidence to support the contention that accounting was culpable in the stock market crash of 1929," his careful wording indicates that he is still not convinced that accounting practices were blameless.

Dillon provides a setting and tries to analyze data within that setting. While hindsight is unavoidable in making judgments, he tries to minimize the comparison of 1920s practices with 1980s standards. However, he is not always successful. The major lapse is the statement, "The accounting theory of the 1920s as expressed in the literature, was surprisingly sophisticated." Why should this be a surprise? These were intelligent practitioners, facing difficult problems and trying to arrive at logical solutions. They were indeed sophisticated. The monograph is easy to read and the subject has been well researched. I highly recommend it as a source of information and enlightment about accounting and business practices during the 1920s.

Hans Peter Hain, *Uniformity and Diversity.* (New York, Arno Press, New York, A New York Times Company, 1980, pp. x, 589, $50.00)

Reviewed by
James W. Jones
Certified Public Accountant

These two volumes on the development of accounting techniques contain a preface and an introduction, and dissertations on Accounting as a Process of Classification and Classification Concepts in Accounting Practice and in Treatises published prior to 1840 in Volume I. Volume II consists of a section on Classification Theories proposed between 1840 and 1936 and a section on National and other Uniform Systems of Classification since 1937 and their Antecedents, with a Conclusion. This volume also contains an Appendix consisting of fifteen Schedules showing various financial statements.

The Bibliography embraces 280 books and pamphlets plus thirty periodical articles. Although Bentley in his Bibliography (1934) listed forty authors whose works had been copyrighted between 1796 and 1840 and an additional sixteen whose books had been deposited, but could not be physically located at that time, Hain has not referred to these in his book.

In view of the method of reproduction, which appears to be offset printing from typewritten sheets, the text should have been more carefully edited. Words were incomplete, misspelled, typed over, pen or pencil corrected. These shortcomings as well as faulty reproduction of some pages make for difficult reading.

The book contains many quotations from Augsburg to Zerbi, embracing the years (of publication) 1435 (p. 149) to 1970 (p. 269), many in foreign languages. A reader would need to be multi-lingual to understand it and Hain's translators may have erred; witness the difference between Crivelli's "Treatise" and that of Geijsbeck (to which Hain does not refer). A specific example appears on page 93, where Hain quoted Crivelli in F. N. 1 — "even to a bootlace tip" which Geijsbeek did not translate.

In spite of numerous footnotes, the text introduced on page 107 (par. 2, line 10) Volume I the unfamiliar words "logismography" and "statmography" which had not at that point been identified. These words are not included in the Third Edition of Kohler's Dictionary nor in the Oxford Universal Dictionary. By persistent search, the reviewer found these theories discussed on page 300, Vol. II under Cerboni, 1872, and on page 336, Vol. II under Pisari, 1880.

Hain listed Pacioli as the author of "Treatise on Double-Entry Book-keeping" (.62, F. N. 3) but not in the Bibliography. He does not state that he extracted specific portions of Pacioli's "Summa" for reference purposes.

It appears that he relied on the translation by Crivelli. Geijsbeek's translation shows that Pacioli used Arabic numerals for the chapters (capitolo). It is to be hoped that this inconsistency is not common throughout. This applies also to F. N. 5, p. 62, Ch. XX (ch. 20).

Quotations are not always accurate, and at p. 106, F. N. 3, there are numerous differences between Crivelli and Geijsbeek. Moreover, on at least three occasions, Hain used the English (British) symbol £ (livre) for Italian lira (lire). p. 145, F. N. 3; p. 151, 1. 6; p. 152, 1. 4. The sum of £ 25,000 at the 1896* rate of U. S. $4.8667 would amount to $121,667.5 which converted to lire at $.174 (17.4 cents) on the same date would have amounted to nearly seven hundred thousand, an extremely large sum for those times, due allowance for five and a half centuries.[1]

Hain displayed a deficiency in his knowledge of book-keeping and accounting. On page 95 at line 21 he referred to "Pacioli's Treatise on double-entry *accounting* in 1494", which is incongruous, and on line 3 of page 96 can be seen a statement of Pacioli's treatise on European *accounting.* Page 207, line 3, referred to a "general theory of accoun*tancy*", but there was no such *profession* before 1854, when the Scottish accountants formed a professional society.

One of Hain's most significant comments is found on page 132: "Unfortunately, it has not always been possible to assess the relative significance of extant account-books, a fact, which must be recognized as a potential source of error because the material available from the earliest period of accounting is so meager that opinions have to be formed on the strength of only a few historical documents."

The work also contains numerous errors in syntax and tense. There are abundant instances where the author used the present tense when quoting authors long since deceased, and reverted to the past tense in the same paragraph. Such practices may be

[1]Quoted in *Monetary Systems of the World.* Around 1839 a lira was worth 15.92 cents, U. S. Currency. (Shea, *Book-keeping by Single and Double Entry).*

"literary license" but they make for difficult reading and interpretation.

William Holmes, Linda H. Kistler, and Louis S. Corsini, *Three Centuries of Accounting in Massachusetts* (New York: Arno Press, 1978, pp. [vi], 256, [12]; available from Ayer Co., Publishers, Salem, N. H., $27.50).

Reviewed by
Terry K. Sheldahl
Savannah, Georgia

This book was largely developed in connection with the seventy-fifth anniversary, in 1975, of the organization known since 1922 as the Massachusetts Society of Certified Public Accountants. The fifteen chapters were written independently by the late William Holmes (six), the two other listed authors (three each), Williard Stone, Anthony Krzystofik, and prominent Massachusetts accountant Ernest Berg. Much of the material had appeared in article form in the society's journal.

The table of contents divides the book into two parts, covering a variety of Massachusetts accounting developments from the founding of the Plymouth Colony in 1620 to modern times, including selected twentieth-century firms and personalities; and the history through 1970 of the state society. Holmes was the principal author of part 1 (oversimply titled "Early Massachusetts Accounting"), while his coauthors Kistler and Corsini wrote part 2. Given the disproportion in time periods covered by the two parts, and to a lesser extent in length of coverage, formal division of part 1 between seventeenth-century accounting (chapters 1-5) and subsequent development of the field (chapters 6-10) would have been appropriate.

The earliest material is divided about equally between the Pilgrims of Plymouth and the Puritans of Massachusetts Bay, closing with events occurring at the latter group's original settlement site shortly after the 1691 merger. Seriously hindered in the early days by poor record-keeping, the Pilgrims are shown to have later developed an impressive system of municipal accounting, including an audit process. Development of public budgetary and taxation systems amidst a predominantly barter economy is interestingly described.

In keeping with advance provisions made by the original English sponsors for regular audits of treasury transactions, the Puritans were account-conscious from the founding of their colony in 1630. Colonial merchants and officials were soon themselves engaged in broad public audit functions, commencing a process that would in Boston by the early 1700s embody surprisingly modern features. Covered also, largely through very extensive illustration, are the accounts of Massachusetts Bay merchants engaged in West Indian trade. Within such a colonial environment, it seems only fitting that the famous *witch trials* opened in 1692 in Salem, Mass., were 'well and truly "accounted for" ', and that "a large part of the [pertinent] accounts were duly audited" (p. 83).

Due to prevailing inaccessibility of archival material, treatment of the eighteenth century is by acknowledgement (p. 251) the weakest link in the book. Aside from extensions of prior topics into the early 1700s, it is largely limited to citation from an authoritative secondary source of numerous advertisements by Massachusetts teachers of double-entry bookkeeping and/or "merchants accompts'.' Holmes notes that three persons were listed as "accomptants" in the first Boston directory, dated 1789, but not that they were identified with different occupations in the second one.

Coverage of the 1800s is based mainly on careful study of Boston city directories over a period of population growth from 18,000 (1800) to 140,000 (1850) to 450,000 (1890), and remarkable commercial, industrial, and transportational development at both city and state levels. The three "compting room" references of 1810 are taken to signify some form of public accounting. By 1820 there were substantially more entries, and the terms "accountant" and "counting room" appeared, soon to be joined by the title "bookkeeper." Accountants by midcentury commonly used specialized books and columnar analysis sheets, according to Holmes, and recognized the role and importance of financial statements. Accounting for corporate business and capital assets basically still lay in the future, however, except within the emerging railroad industry, credited with a major role in the development of modern accounting.

During the period 1850-65, listed Boston "accountants" were few in number, perhaps because "bookkeeper" services had been upgraded by proprietary commercial colleges. Public accountants would reappear with the early growth after the Civil War of modern corporate business, particularly within the manufacturing area. Soon the first faint signs of professional accountancy would be observed in Massachusetts and elsewhere. Coverage of general accounting history in the state is concluded by two highly overlapping chapters (by different authors) profiling the three major accounting firms that developed in western Massachusetts, and the leading personalities associated with two of them. One of the individuals prominently cited, Edwin C. Doubleday, whose father (Edwin S.) had founded one of the firms and later earned the state's first CPA certificate, is reported to have been still in rather active practice in 1975, at age eighty-seven.

The final five chapters are devoted to the founding in 1900 of the "Incorporated Public Accountants of Massachusetts," and the evolution of that organization and its successors into the modern-day state CPA society. Development of the local CPA program, originating in 1910, is carefully reviewed in terms of entry requirements, the qualifying examination, ethics, restrictive legislation, professional development, and selected legal issues. Special attention is given to the pervasive influence exerted by the society.

Interaction of the state society with national organizations, particularly the AI(CP)A, is nicely covered, and useful references are made to some of its leading figures and to its involvement in civic and social activities. Building on references made by Holmes and Berg to early accounting instruction, Corsini in the final chapter briefly summarizes collegiate coverage of the field in Massachusetts since 1900.

By and large, the book is interesting, and fulfills the stated intention of combining "quality research with a readable format" (p. 1). The authors' judgment that "the chapters on 17th century accounting are particularly valuable" (p. 3) seems reasonable. Several shortcomings should be mentioned, however. There is some lack of unity and coordination within this collection of individual chapters contributed by six different persons, and, depending upon the author, footnoting is minimal or nonexistent. These defects are offset in part, however, by largely chronological organization and citation, usually, of major sources.

The identification made of "The first four [American] writers" of bookkeeping texts (p. 113) is seriously in error. For example, the Rev. Richard Turner, an Englishman whose book had appeared in a posthumous American edition of 1794, is cited as the second American author (1801). It is especially surprising that Holmes' undocumented author list is highly inconsistent with Boston bibliographer H. C. Bentley's standard listing. Erroneous reference is made also to a "9th edition" of John Mair's text *Book-keeping*

"Methodiz'd" published in 1817 (p. 107). The 9th edition of Mair's *Book-keeping "Moderniz'd"* did appear in 1807, but in substance it was at least the 166th numbered edition of the textbook series originating, under the other title, in 1736.

Certain stylistic or wording patterns are somewhat distractive. In most cases quotation marks are used unnecessarily within indented citations. The three chapters by Professor Corsini are marked by use of pompous or jargonized expressions, including "concomitant," "perforce," "halcyon," "neophytes," "venial," "disseminating," "ramifications," and (in capitalized form) "academia." In light of the authors' resolve "to guard against allowing their personal interpretations and biases to creep into the writing" (p. 255), Corsini also identifies himself unduly with the objectives of the Massachusetts Society. He uses the word "fortunately," without any qualification, in separately discussing several events that supported those purposes.

Following page 242, finally, the pages (at least in the review copy) are generally out of order. They are correctly numbered through page 256, however, and the appendices and book list that follow are properly labelled.

These blemishes are not serious. The book, whose title understates by fifty years the time span covered, is recommended both to accounting historians and a broader audience. At a personal level, it represents a fitting memorial to an outstanding nonacademic historian, Bill Holmes.

Gerard van de Linde, *Reminiscences* (London: Gee & Co. Ltd., 1917. Reprint edition, New York: Arno Press, 1978, pp. 434, $25.00).

Reviewed by
O. Ronald Gray
The University of West Florida

This book is another in "The Development of Contemporary Accounting Thought" series published by the Arno Press. The book is a reprint of Gerard van de Linde's autobiography which was first published in 1917. Van de Linde was one of the original members of the Institute of Chartered Accountants in England and Wales, and was a prominent member of the English accounting profession during the latter part of the 19th century and the early years of this century.

Van de Linde recounts his life story in thirty chapters. Several of the later chapters consist of three pages or less. The events are presented in chronological order from the year of Van de Linde's birth in 1840 to 1916. However, the presentation is encumbered by numerous allusions to events and occurrences which happened either before or after the period being discussed. The book has a remarkable amount of minutiae about Van de Linde's travels and at times reads more like a travelogue than an autobiography. Van de Linde included in his book such superflous details as the fare schedule for taxis in Palermo, Italy in 1901, the complete verse to "Auld Lang Syne", verses from Act V, Scene 1 of Shakespeare's *The Tempest,* a chronological list of master-builders at the government shipyard at Bombay, India (1735-1867), as well as complete itineraries for all his travels through England, Scotland, Ireland, Western Europe, Egypt, America, Cuba, and India. Invariably, Van de Linde described the manner of his transportation, including the taxi driver's name in some instances, the cost of transportation and whether he considered it worthy transport. In addition, Van de Linde commented on the quality of his lodgings and provided his dinner menu with a judgment as to its cost and quality.

There is remarkably little discussion of Van de Linde's accounting practice. In contrast to the gratuitous detail provided about his travels, there is precious little substance when Van de Linde's business affairs are mentioned. Nothing in this book would support an assertion that Van de Linde made any contribution to the development of contemporary accounting thought, and from an accounting historian's perspective, he is of little or no interest. It is unfortunate that this autobiography was not allowed to fade into oblivion.

Christopher Columbus Marsh, *The Theory and Practice of Bank Bookkeeping,* Fourth Edition, New York: D. Appleton and Company, 1864. Reprint edition, New York: Arno Press, 1978, pp. viii, 292, $20.00.

Reviewed by
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University of Maine at Orono

The first edition of this book was published in 1856; the eighth and last edition appeared in 1884, the year Marsh died. Some years prior to the publication of *The Theory and Practice of Bank Book-*

keeping, Marsh had authored two other works dealing with single and double entry bookkeeping respectively. Each of the volumes also appeared in a number of editions.

This text on bank accounting was a departure from Marsh's earlier works in that it dealt with a specialized set of records applicable to a single type of business activity. Early 19th century accounting texts frequently stressed the fact that the systems they described could be applied to any business enterprise. However, in the latter part of the 1800s books began to appear which dealt with accounting systems designed for particular industries such as railroads, steamboats and banks. This work is an example of such a book.

The entire book takes the form of a long case study of the organization and operation of a fictional firm, The State Bank. The first twenty or so pages are entitled "Introduction" and form a review of basic accounting procedures. The first major text section consists of what Marsh calls, "The Routine of Business." This is a narrative account, on a day-to-day basis, of the activities of the bank from its founding, May 10, 1855, until the end of its first fiscal period, October 31, 1855.

The next section introduces a series of documents: The Articles of Association, Stock Subscription Record, By-Laws, and the Minutes of the Board of Directors including resolutions, votes and other business.

The longest section of the work presents the various accounting records, complete with entries and full details, to record the events described in the earlier narration. These include the Stockholder Records; Cash Disbursements Journal (maintained by the First Teller), and Cash Receipts Journal (maintained by the Second Teller); the Offering Book, a record of notes offered for discount; the Deposit Ledger; the City Collection Register, which shows the notes the bank has received for collection in its home city; a General Journal and a General Ledger.

Two additional sets of records are of particular interest. Marsh includes what he calls a Tickler. This is a listing, by due date, of the future payment of all the discounted paper held by the bank. This record is not part of the double-entry system, but would have been a useful additional record for bank officials.

The second record, which was a part of the formal system, dealt with the bank's activities as an issuer of bank notes. This book was organized by denomination of note, including not only $2 bills, but also $3 bills. The receipts of new, "unfilled," notes were recorded as debits. (Unfilled notes were those which had not yet been signed by the bank officers.)

On the credit side were amounts representing the distribution of the filled, signed notes to the first or Paying Teller. The balance of the account represented an inventory of available notes.

The accounting records conclude with a full income statement and balance sheet, prepared in account form. Of interest here is a closing adjustment made for depreciation. Marsh shows 5% of the original cost of furniture as a debit to income. This rate is used for the six month period of the case as based on an annual rate for wear on these assets of 10%. The rate was established by the Board of Directors. The entry is made in the General Journal as part of the closing entry for expenses. The offsetting credit is made directly to the asset account which is then shown net on the balance sheet.

The book is an impressive description of bank accounting practices, which no doubt accounts for its long press run. Unlike many accounting texts of the time, it provides no exercises for students. However, a careful reading would have given the student a good understanding of bank accounting. It is sufficiently comprehensive to have served as a valuable reference work for bank officials and accountants.

Accounting historians, especially those with an interest in the accounting for financial institutions, will find this book a valuable source of information on 19th century banking and bank accounting. Arno Press and its editorial board have made another excellent choice.

Francis W. Pixley, *The Profession of A Chartered Accountant* (London: Henry Good & Son, 1897. Reprint edition, New York: Arno Press, 1978, p. i, 272, $18.00).

Reviewed by
Hans V. Johnson
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The Profession of a Chartered Accountant is a collection of nine papers written by England's Francis Pixley during the period of 1883 to 1897. The papers extensively cover what constituted due audit care in England in the late nineteenth century. The practice of law had a significant influence on auditing practice during this period and three papers cover bankruptcy, partnerships, and arbitration.

The first paper, which is the title of the book, was read before the Chartered Accountants Students' Society of London on September 29, 1885. The paper discussed the nature of work and responsibilities of the Chartered Accountant, and the preliminary, intermediate and final examinations of the Institute of Chartered Accountants. Although, in Pixley's words, many people considered an audit to be a "useless expense," experience had proven that "no doubt many frauds are prevented through a knowledge that the books of an employer are subjected to a periodic scrutiny by experts, the probability of detection being considered too great to be risked." (p. 7) (A similar conclusion was included in the Cohen Commission's *Report of the Commission on Auditors' Responsibilities* published in 1978.)

Pixley believed that the work of a Chartered Accountant was "not suitable to all intellects." Those who selected "mathematics for their principal study (at school or college) in preference to classics" were more most likely to "take an interest in the work of a professional Accountant." (p. 3) Pixley concluded his presentation before the students stating, "the initial work may be monotonous, but no duties fall to the lot of members of any profession which can be more varied or interesting than those of a Chartered Accountant." (p. 21)

Francis Pixley was a truly remarkable nineteenth century accountant and auditor. A careful reading of his book leaves one with the impression that were he alive today, he would understand and appreciate the problems faced by modern auditors. In writing their classic *The Philosophy of Auditing,* had Professors Mautz and Sharaf examined Pixley's papers, they would have found each of the basic concepts of auditing. Internal control is not discussed, however there are comments to indicate that ideas such as segregation of duties were recognized. (p. 76)

Writing in 1892 on financial statement audits of public companies registered under the Companies Act of 1862, he stated: "In the event of any inaccuracy being discovered later on, the directors and the officials of the company are first responsible to the shareholders, the only responsibility attached to the Auditors being their omission to detect any inaccuracy." And, the auditors ". . . are the agents of the shareholders and are accountable to them alone." (p. 25) One has to look hard to find a better explanation of an auditor's responsibilities for financial statements than that written on page 61. Pixley's explanations of accrual based accounting sound strangely similar to those of Paton and Littleton.

The three classes of accounting errors (p. 71), the example of *lapping* (p. 75), the sales cut-off (p. 79), documentary evidence from "independent sources" (p. 53), the auditor's certificate (p. 87), and explanations of various audit procedures all make for very interesting reading. Had the accountants in the *1136 Tenant's Corp.* court case followed Pixley's advice (p. 75), the fraud would have been uncovered early on.

I have cited just a few of the examples to which auditing instructors and their students can relate Francis Pixley's auditing papers to current practice.

Taken in the context of the time in which they were written, they are very insightful.