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## Book Reviews

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MANAGEMENT CONTROL THROUGH BUSINESS FORMS, by LADSON BUTLER and O. R. JOHNSON. *Harper & Brothers*, New York. 213 pages.

*Management Control Through Business Forms* is the result of an exhaustive study, conducted by representatives of the Business Training Corporation of New York, of the forms used by hundreds of concerns, large and small in every part of the United States.

The first chapter, entitled "Safeguarding managerial time," discusses methods of conserving managerial time and energy in order that they may be more profitably employed for the good of the business. The three chief causes of waste of executive time and energy, as disclosed by time studies of executive work, are: (1) lack of complete information; (2) excessive interruption; and (3) unnecessary personal handling of routine operation. A short concise discussion of each of these three causes of waste of time is given, together with suggestions for improvement and examples of forms to be used. The second chapter, entitled "Getting things done" deals with methods to overcome unaccountable delays in holding to schedules, excessive errors or poor service, and difficulty in tracing causes of delays and errors. There are six other chapters, in which are discussed the cutting down of office overhead, prevention of waste through budget, sales management, quicker collections, and planning and installing the forms.

This book is a concise and clear-cut presentation of the various forms and methods used in business concerns to conserve managerial time and energy, and it should appeal to all those who may be interested in management control.

GEORGE S. OLIVE.

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STOCK GROWTH AND DISCOUNT TABLES, by SAMUEL ELIOT GUILD. *Financial Publishing Co.*, Boston. 300 pages.

When the "new era" in finance was inaugurated two or three years ago and enthusiastic theorists announced that common stocks were to be the rivals, if not the supplanters, of bonds as safe investments, it was to be expected that sooner or later we should have tables of yields from dividends to compare with those of interest on bonds. Such tables would naturally be of most value to the managers of the various types of investment trusts that have sprung up almost over-night. In *Stock Growth and Discount Tables*, Mr. Guild has furnished a complete set of tables for the use of experts in the field of studying past and present, and estimating future values and trends in common stocks.

It is well to emphasize the designation "experts." This is *not* intended as a guide to the average investor who seeks for common stocks paying the largest dividends compatible with safety of principal. There are too many factors for him to take into consideration which would involve more time and labor than most business men could spare, even admitting that they had the necessary skill and could assemble the requisite data. To quote from Mr. Guild's warnings—

"It may not be amiss to point out emphatically that these tables are an exceedingly delicate tool and not one to be used by inexperienced amateurs.

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They are prepared wholly and exclusively for professional security experts who are used to thinking of securities in the terms to which these tables refer. In the hands of less experienced investors the tables may tend to be dangerously misleading." (P. 32.)

Again—

"The more accurate the economic insight into the particular industry, the more thorough the user's grasp of the financial position of the company, and the keener his understanding of the problems of organization and management involved in maintaining a corporation's success in a competitive field, the better, of course, will be the numerical answers obtainable from the present tables. Their principal value is due to the fact that they give answers to problems involving five variables." (P. 33.)

In short, what the author gives is a time and labor saving tool for the use of experts, and, as the above quotation indicates, the skill and vision demanded must be of the highest order.

Perhaps the simplest statement of the book's scope is that it shows readily to what extent the present price of a stock is discounting the future on whatever basis of yield may be desired—a simple proposition with bonds or preferred stocks, but one involving complicated calculations in the case of common stocks.

W. H. LAWTON.

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POLICY AND ETHICS IN BUSINESS, by CARL F. TAEUSCH. *McGraw-Hill Book Co.*, New York. 624 pages.

*Policy and Ethics in Business* is substantially a detailed history of notable instances of violations of business ethics, with legal decisions and comments, preceded by a short division in which an attempt is made to trace the racial, religious, climatic and geographical conditions that have produced both the prevailing system of American business ethics and the more common kinds of violations of the rules of the system. Calvinist influence is credited (or is it debited?) with the urge for legal control of business while the "Jew in business" is said to have contributed by his "sharp dealings" to the rule of *caveat emptor*. Both propositions are debatable.

Between these two influences this author seems to see a product of legal rules not properly to be evaded, but to be avoided. Business, he thinks, is already far on the way to self regulation, an arrangement that he considers preferable to control by politicians or lawyers. The influences of religion, of climate, of education and of geographic isolation are said to have helped to mold the American idea of business ethics so that "we have become highly sensitive to the right and wrong of business dealings independently of foreign standards." It is to be hoped that we have. Are we so sensitive?

The academic discussion of American business ethics occupies a small part of the volume. Ninety pages are given to an intelligent discussion of the Sherman act, the remainder of the space being occupied by a series of discussions of those business activities most subject to improper practices, each discussion being illustrated by actual instances, usually, but not always, giving the true names of the parties to the transactions, with full quotations of American and foreign legal opinions and decisions, both on trials and appeals.

In presenting these cases the author has been able to use matter accumulated by the Harvard graduate school of business administration, with the result that a really impressive and wholly adequate collection of cases is discussed.

Nowhere is there laid down any specific rule of business equity applicable always and everywhere. The author seems to think that business ethics are affected by relativity, varying with usages and conditions. Probably he is right.

As might be expected from the managing editor of *Harvard Business Review*, the work is distinguished by clear English, free, except in the introductory portion, from those non-dictionary compound words and strange idioms too often found in the writings of economists. Upon the whole, one might arrive at the same opinion as the author as to an equitable ruling on the cited cases, if, instead of legal decisions and special pleadings, he should use as a guide the rule of common honesty. That is high praise.

In one case the author is not so fair; speaking of professional ethics he says that engineers advertise more than doctors or lawyers, that lawyers employ men whose function it is to make contacts with clients, and that banks and accounting firms engage in both forms of soliciting business. Perhaps there are accountants who do so—if they do they violate well-established professional rules. There are also doctors and lawyers who offend. The clear implication of the text is that advertising and soliciting business are actions recognized and approved by the accounting profession, or at least generally practised. A writer on business ethics who extends his work to professional ethics is chargeable with more knowledge than that. The rules of the American Institute of Accountants and of the state societies of certified public accountants are recommended for the summer reading of Professor Taesch.

F. W. THORNTON.

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ACCOUNTING TERMINOLOGY, a tentative report of a special committee of the American Institute of Accountants, *The Century Company*, New York. 165 pages.

The question of accounting terminology is one that has been the subject of an immense amount of discussion, but, like the weather, very little has been done about it, or rather had been done about it until a committee appointed ten years ago began its series of investigations, the collection of existing definitions and the formulation of new definitions where the old were unsatisfactory. The committee's report is really a summary of many reports which have been presented from time to time either at meetings of the Institute or in the pages of *THE JOURNAL OF ACCOUNTANCY*. Whenever tentative definitions have been made the committee has asked for suggestions for improvement and there has been a good deal of interest in what the committee has done. Having completed the alphabet, the committee went over all the work of the past decade and prepared a summary of revised definitions and presented it to the council of the Institute. The council received the report but did not formally approve it. There is such a wide difference of opinion as to certain definitions and so much delay would have occurred if the committee had attempted to submit each definition to the detailed scrutiny of every member of the Institute, that the council decided to receive the report and permit its publication with a clear expression of its tentative character. The report is really a glossary of ac-

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counting terms with explanatory definitions which express the sentiments of the various committees which have been engaged in the work. The council has stated that it places high value upon the services which have been rendered by the committee especially those of the man who has been chairman of the committee throughout the entire length of its life. This chairman, Walter Mucklow, has been the moving spirit who has made possible the publication of the present volume.

The book will, no doubt, have a large sale. There is nothing of the kind extant, although a few accounting texts from time to time have mentioned the question of terminology and have attempted the definition of a limited number of terms. Certain English authors have discussed terminology and offered a few definitions, but there has not been any attempt to present a complete list of terms used in accountancy and accounting.

There will be an utter lack of unanimity with reference to many of the definitions in this book. Some accountants will feel that words which have been the subject of definition do not belong in an accounting work and that some which should have been included have been omitted. Some accountants will feel that the definitions of such words as surplus and income in their various subdivisions are neither adequate nor accurate. This sort of criticism may be expected of every reference book. The perfect book is yet to be published. The dictionary which makes no mistakes is unknown. Certainly *Accounting Terminology* is far from perfect; nevertheless, it seems to be the best book upon the subject and it does represent the carefully considered opinion of a good many representative members of the profession. The hope is expressed in the preface that there will be criticisms and suggestions for improvement so that subsequent editions may be brought nearer to the ideal perfection. There will be a great deal of usefulness in the book as a text for schools, but probably the chief use will be in the office of practising accountants where many hours of argument and dispute are wasted in an effort to find the proper use of the accounting vocabulary and the clear expression of the accountant's intent.

A. P. R.

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PRACTICAL STOCK MARKET FORECASTING, by WILLIAM DUNNIGAN.

*Financial Publishing Co.*, New York. 92 pages.

LOOKING AHEAD WITH COMMON STOCKS, by PIERRE R. BRETEY.

*Wessel Market Bureau*, New York. 182 pages.

Unholy office boys in brokers' offices will call these books "Suckers' Bibles." Both attempt to teach the Wall Street lamb to beat the Wall Street wolf.

Dunnigan hangs the law, the other financial prophets and the profits, if any, on eight barometers, each barometer showing the present status of some market factor and indicating either "buy" or "sell." Assemble the indications of all the barometers and, following the majority, buy or sell—what? Stocks—just stocks—any stocks.

This author deprecates "that method which views each individual business situation as a problem of its own, and which attempts to forecast stock price by a theoretical analysis" of existent factors relating to it.

Bretey, on the other hand, lays stress on time cycles, business "patterns," and history as aids to guide one in making those very analyses of conditions in

specific industries that are deprecated by Dunnigan. Accordingly, he gives copious reviews of specific industries ending with flat recommendations to buy or sell specified issues.

How shall an accountant judge between them? It is not a question of accounting that is involved. Your reviewer, on the rare occasions on which he has been able to buy stock, has looked first at one, then at another, timid, irresolute, vacillating, finally taking something because it had a nice name or a pretty, bright-colored certificate. One might say that Dunnigan insists on a correct stance, Bretey on swings and timing, while your reviewer knows only the waggle and the fizzle, and so can not form an opinion as to the probable drives of Dunnigan and Bretey.

Most small investors time their purchases with but one consideration in mind: Where is the money? As soon as they have the money it burns a hole in their pockets. If these books of advice persuade small investors to give any consideration to market conditions and time their purchases accordingly, a good end will be served.

No doubt one of these two books is partly right, for they are divergent in theory. I don't know which is better; the authors do not know; nobody knows.

When one considers what happened to investment trusts managed by the cleverest men in Wall Street, assisted by theorists and statisticians, and the ocean full of money awaiting the speculator who has a plan of forecasting stock prices with "almost uncanny accuracy," as Dunnigan claims to have and to have published, wonder is aroused as to why these books are published, giving away the precious secrets for such small dividends. Is it charity?

F. W. THORNTON.

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ESTATE ACCOUNTING AND TAXATION, by EMMANUEL SAXE, and  
WALTER A. LEVY. *Snow-Burrell, Inc.* 267 pages.

In their introduction the authors of *Estate Accounting and Taxation*, say that the volume is intended to supply a threefold need: (1) to serve as a textbook for collegiate courses on the subject; (2) to furnish a textbook for practising accountants; (3) to supply a handy manual and reference book for attorneys and trust-officers. It is divided into two parts, namely: explanatory material and illustrative material. The former consists of eight chapters covering 112 pages, while the latter fills the remaining 142 pages. Thirteen pages are devoted to the index.

Few branches of accounting present greater varieties than does accounting for estates, and one must respect the courage of any author who attempts to deal with the subject in one volume. There are many classes of undertakings which are nation-wide, of which banking and railroading form leading examples, but in most cases there is some national organization which forms a nucleus around which is gathered a fairly definite set of rules applicable from New York to California. In estate accounting, not only is such uniformity lacking, but the law itself renders it impossible, for statutes and practice differ widely even in adjoining states. While such terms as surrogate's court, county court, orphans' court, probate court, etc. may be synonymous in so far as they all indicate the place in which estate accounts are to be finally interred,

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the powers exercised by these courts vary greatly, and in each locality there exists a feeling in favor of particular forms of accounts which, if not required by law, have become hallowed by practice.

The book is based entirely upon the law of New York, with short divagations into the field of federal taxes. All the citations are from the federal or New York revenue and tax laws. While many of the provisions in these laws apply throughout the land, there are important exceptions. It is obvious that a student, any layman or even some lawyers may experience difficulty in ascertaining whether or not principles laid down in this volume are of state-wide or of nation-wide application, and this may place a reader in a condition of doubt as to whether or not his conclusions are correct—a serious fault in any text book, and one which tends to limit the usefulness of the work to those who practise in New York.

Apparently the object of the authors is to expand examples rather than to expound principles; and they achieve so much success that there is nothing left for the student to do—but find the other examples. It is always pleasant to read a book written by an instructor, because the subject is viewed from a standpoint differing from that occupied by a mere practitioner. The greater the difference in the two views the greater the need for discussion with the object of finding the midway in which truth walks.

When one comes to the illustrative material in part II, which occupies more than half the book, he is almost appalled at the amount of detail. There is no doubt that the “typical estate has been carried through all the stages of the subject, from the preparation of the will to the rendition of the account of proceedings.” But the question arises: Is so much detail desired or desirable? Too many trees sometimes hide the extent and nature of the wood.

To one studying estate accounting in “a sixty-hour course” under Messrs. Saxe and Levy at the College of the City of New York the volume should be of great service and as the authors say “the results obtainable from the use of this book as a text in connection with a sixty (60) hour course on estate accounting and taxation will be highly satisfactory and entirely adequate.” Unfortunately, the great majority of practising accountants and trust officers, who may have devoted years to the study, are outside this class and it is feared that to them the limitations imposed by the authors have robbed the work of a large measure of usefulness.

WALTER MUCKLOW.

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COMMERCIAL GOODWILL, by P. D. LAKE. *Isaac Pitman & Sons.*  
271 pages.

In the American's ear the expression *Commercial Goodwill*, the title of a book by P. D. Lake, may suggest some international exchange, or some expression of feeling beyond his immediate sphere; something connected with commissions or conferences or round tables, whereas the term is used merely to describe that intangible something which appears in our balance-sheets as goodwill.

Probably the subject of goodwill has a greater practical importance abroad than it has in the United States—at first thought, certain striking examples flash into one's mind such as “Johnnie Walker,” “Haig & Haig,” or “Black and White” which illustrate in several ways the character of our subject.

While governmental restrictions, hitherto declared to be legal, may have severed us for a time from some of the best known illustrative articles, there exists a more important and more general condition to be discussed. In Great Britain there is a greater dislike of change than exists in this country: the fact that one man in London has made one's clothes for the last thirty years is the best of all reasons that he, or his celestial representative, should make them for the next thirty years. My American friends do not appear to be equally steadfast in their sartorial affections: therefore, the value of the English tailor's goodwill is probably considerably greater than that of the American.

Innumerable definitions of goodwill have been given and the Institute's committee on terminology has, after much discussion, lately added to the number, but whatever definition may be accepted, the value of that which is defined depends upon the power which an enterprise has of earning super-profits, and these super-profits are the amount by which the revenue or gain "exceeds any and all economic expenditure incidental to its production." Originally this power doubtless arose entirely from successes of the past, upon results actually achieved; which is as sound a foundation as can be found for something which is intangible.

In the practice of the present day, there are sometimes added to past performances—or, worse still, substituted for them—predictions as to future results, so that, as a consequence, we sometimes find accounts called "goodwill" which are, at their worst, little better than mere dumping grounds upon which are unloaded expenditures of money, or securities, which would not look well if placed elsewhere.

The work now before me is written by one living in Great Britain, for his fellow inhabitants: therefore it is written in their language, which includes some terms unfamiliar to us; it is based on law, adapted to the practice, and quotes the precedents of that country. However, these facts do not affect the principles which are involved and discussed, nor do they destroy the interest to American leaders. There is so much good material that it is difficult to deal with it, for, to be of service, extracts would call for an amount of detail too great for a review, yet anything less than quotation must fail to do justice to the author.

The book strikes me as a well written, scholarly and thorough exposition of the subject, an excellent textbook. It should have value to an accountant, especially when dealing with an over-optimistic client who believes that goodwill is the mainstay of his business although, like nitrogen, much of it is captured from the air; while to the student it sets forth clearly and fully both the underlying theory and the best practice.

WALTER MUCKLOW.