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## Book Reviews

Leon E. Williams

William Morse Cole

John L. Harvey

Francis Oakey

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## Book Reviews

A SYSTEM OF ACCOUNTING PROCEDURE FOR LIVESTOCK RANCHES, by FREDERICK W. WOODBRIDGE. *The University of Texas Bulletin*, No. 3040: October 22, 1930. 193 pages.

*A System of Accounting Procedure for Livestock Ranches* is intended to furnish ranchmen and accountants with a detailed outline of a ranch-accounting system and, apparently, to serve as a reference book for students. The monograph is complete and develops in a concise and clear-cut manner not only the accounting procedure for livestock ranches but also the fundamental accounting principles of any trading business. In fact, the monograph might have been called "an outline of accounting principles with special reference to the livestock industry."

Professor Woodbridge discusses in detail many accounting principles and necessarily has been limited in space to his discussion of the particular accounting and tax problems of the livestock business.

The great accounting difficulty which every ranchman meets is to determine correctly the cost of his product or products, and the trouble is usually a question of inventories. One form of inventorying livestock which has been accepted by the bureau of internal revenue, at least in practice, is called the "fixed price method" which has in many cases advantages greater than its disadvantages. This method has been used with not unfavorable results among the sheepmen in Wyoming. It is to be regretted that sufficient space was not available for Professor Woodbridge to discuss in greater detail the various methods of inventorying livestock with particular reference to article 106, regulations 74, of the revenue act of 1928.

Many forms are given in the monograph and are somewhat confusing to follow because of the detail shown in the illustrations of the accounting records. It is possible that the accounting system might have been presented somewhat clearer if the forms had been in one section of the monograph and the principles had been illustrated in the text by means of journal entries. The procedure outlined is too complicated for the average rancher to follow, and the assistance of an accountant or of a fairly competent bookkeeper would be necessary in order for the system outlined to operate satisfactorily. A word of warning might have been given to the rancher who has kept heretofore few and incomplete records. Sometimes a simple accounting system, although lacking in much that is to be desired, is more satisfactory than a better system in theory which is installed poorly and operated improperly.

Accountants who have had experience with the records of ranchers know well the many difficulties which Professor Woodbridge encountered in writing the monograph, and the careful and thorough presentation of the accounting procedure should prove not only advantageous to ranchers but to accountants as well. Certainly, if the system is followed conscientiously and with understanding there will be a great improvement in the accounting records of ranchmen.

LEON E. WILLIAMS.

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BANKING RATIOS, by HORACE SECRIST and KEITH POWLINSON. *Stanford University Press*, Stanford, California. 608 pages.

Here is a work that may well stand as a classic for monumental labor, for comprehensiveness, for attempt to make statistics intelligible to the non-technical mind and for the attempt to give statistics direct application to business problems. One can not help wondering how far it was wise to attempt all these things at once. That, however, is not *per se* a ground of criticism; for since the author and the publishers agreed on the matter, no one else need be concerned.

The blurb begins: "This book is not meant to be read. It is a work to be studied and consulted by the man responsible for day-to-day decisions in the operation of an individual bank." This puts the reader properly "on notice." He is to be given 223 tables and 119 charts (of which, wisely, 145 of the former and 24 of the latter are placed in the appendix). These tables and charts show in almost every conceivable way that the general conclusions indicated by figures of broad scope are confirmed by other sets of figures taken from various narrow fields. In other words, the author, cautious lest his figures may be either too much generalized or too much particularized, has given not only general figures, but group figures in mutual support. Most readers presumably will care chiefly for the general conclusions that the figures bring out, but officers of banks wishing to see figures relative to organizations similar to their own will find here figures for so many types of banks that they can doubtless find many of particular interest.

Not only has Dr. Secrist given a multitude of figures from which norms and standards may be derived but, far more important, he has shown an amazing array of statistics indicating what happens when standards are not attained and when certain trends are at work. His statistics, that is to say, are not merely static but also dynamic.

The figures are based primarily on the operations of four groups of banks, not mutually exclusive: (1) national banks in sixty-four reserve cities; (2) national banks in eight cities in the twelfth reserve district; (3) national banks in three large cities of California; (4) all member banks in California. These have been variously subdivided and regrouped.

The main ratios discussed are seven: (1) loans and discounts to earning assets; (2) total deposits to earning assets; (3) demand deposits and time deposits to earning assets; (4) demand deposits and time deposits to total deposits; (5) gross earnings to earning assets; (6) expense to earning assets and to gross earnings; (7) net earnings to earning assets and to gross earnings. Each of these except the fifth and the last receives approximately forty pages of tables and discussion, and the two others receive seventy pages.

To indicate something of the scope and nature of the discussion, one may summarize very briefly the substance of the discussion of the first-named. The ratio of loans and discounts to total earning assets shows a wide range. These ratios are classified by type and size of bank, by geographical location, by size of city, etc. Next, a study is made of the changes in ratios over a series of years, with the discovery that failure to comply with the norm appears to set at work influences that tend to bring the norm into play. This is shown for various groups and for various periods.

Now for correlations. Dr. Secrist shows by numerous tables, for various groups and for various years, a marked correlation between the ratio of loans and discounts to earning assets, on one hand, and on the other the ratio of gross earnings to earning assets. He finds this not only in general, both in large groups and in series of years, but in individual cities, in individual banks, and in specific years. He describes clearly his statistical method, so that the reader may see what the figures mean. He then shows similarly the correlation between the ratio of total expenses to earning assets, and of net earnings to earning assets, on one hand, and the ratio of loans and discounts to earning assets, on the other. He then passes on to the correlation between the ratio of loans and discounts to earning assets and the ratio of demand deposits to earning assets. Other similar correlations follow—all in the chapter on loans and discounts.

In the other chapters similarly full discussion is given, not only of norms, but of correlations and of the statistically indicated consequences of certain lines of operating policy.

Like most of us who write technical expositions, Dr. Secrist fails often to realize that the reader can not always foresee what is coming next, and often has not clearly in mind just what is the limited scope of what he has read. Often a statement or table appears to introduce a new subject, when in fact it is the application of the old principle in another field. Often again, a new subject is started when the reader is expecting a further treatment of the old—not because the old is inadequately treated, but because he has become accustomed to numerous illustrations and is always expecting more. In other words, the reader would find reading vastly easier if Dr. Secrist would practise more carefully the rhetorical art of easy transition. Nothing so much helps a reader as arrangement of paragraphs, sentences, and even words in a sentence, so that he knows through the first words in a paragraph just what subject is in hand. Few things can so much irritate as carelessness in this respect. Statistics, dealing in subtle distinctions, especially calls for lucidity. This is not to say that Dr. Secrist is a serious offender in this particular. He is not worse than most of us; but we all ought to mend our ways, and the need of reform is doubly great in discussions of abstract subjects like economics, accounting and statistics.

WILLIAM MORSE COLE.

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**LAW-OFFICE MANAGEMENT.** Report of special committee on law-office management of the Association of the Bar of the City of New York. *Baker Voorhis & Co.*, New York. 100 pages.

*Law-Office Management* is a book which embodies the results of a survey of methods of law-office management, compiled from information received in answer to questionnaires sent by the committee to a number of representative law offices in New York and elsewhere.

The purpose of the book is to provide the average law office with a scheme of systematic office management and routine which, one gathers from the foreword, is noticeably lacking in many offices.

The text covers such matters as the division of work among partners and staff, the duties of the managing clerk, the stenographic department, corre-

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spondence, filing, telephone, recording and valuation of the time of lawyers, billing clients, bookkeeping and other subjects. The subject matter is clear and understandable and will no doubt prove of value to the smaller offices.

Compilations of this sort, while they disclose current practice, do not always present the ideal practice. It seems to me a matter of regret that the problem was not approached by the committee from the standpoint of the larger offices and the whole field covered and that more attention was not given to accounting matters.

The description of the bookkeeping system to which sixteen of the one hundred pages are devoted is elemental and of no interest to professional accountants and of little value to the larger offices, in which changes in personnel occur frequently and new partnerships are formed as often as once a year, with the resulting accounting problems which arise in succession of partnerships. These problems include the allocation of work in process on unfinished cases as between partnerships, accounting for assets carried along from partnership to partnership, provision for working fund, etc. No suggestions are offered as to the method of distinguishing in the accounts between deferred income as represented by fees billed and not collected and cash income represented by actual collections, although most professional men report for income-tax purposes on a cash basis. The matter of financial and statistical reports becomes of large importance where many partners are involved, and this subject is only mentioned.

The book contains many valuable suggestions, not the least of which is the recommendation that "if the volume of transactions justifies it, periodic audits by a certified public accountant should be procured." It should prove a valuable stimulus to the introduction of more orderly methods in law offices.

JOHN L. HARVEY.

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THE TEXAS TAX PROBLEM, by GEORGE ARMISTEAD. *Gulf Publishing Company*, Houston, Texas. 209 pages.

The enormous increase in state, county and municipal taxes has become a subject of general concern. We hear on all sides that taxes must be reduced, but no proposal for substantial relief is suggested. The fact is that only one way now remains to effect a material reduction and that is to reduce the extent, diversity or quality of those services and facilities which must be paid for by taxes. Are we prepared to do this? Are we ready to give up to any appreciable extent the benefits we now enjoy through the schools, colleges, highways and hospitals provided by the state? It is on these facilities that the state expends by far the greater portion of its revenues—in some cases over eighty per cent. of the total. When looked at from this point of view the probability of reduction of taxes seems remote, because we consider these facilities essential and therefore demand that they be provided.

It appears, therefore, that the problem of state taxation reduces itself to one of equitable distribution of the burden by sound legislation and effective administration. The first step is obviously a thorough examination of existing conditions to determine the defects and to adopt improvements. A recent presentation of the results of such an examination is a book by George Armistead on *The Texas Tax Problem*. This work deserves careful consideration. It is

clearly the result of painstaking study and analysis. It presents a detailed description of the sources of taxation by the state of Texas, the constitutional limitations placed thereon, the methods of funding the receipts from taxes and the purposes and objects for which the funds are expended. Comparative tables and charts are presented showing the classifications of the amounts of receipts and expenditures.

Mr. Armistead describes in detail the defects of the present system, the inequality in assessments and rates, the utter lack of control by the state over local assessment and collection, the complete failure of the state tax boards as equalizing and controlling bodies, and the absence of a budget system. He does not profess to offer a solution; he confines himself to an appraisal of conditions. Although certain important facts are lacking—not being available—the author has accomplished effectively his evident purpose of presenting a reliable basis for constructive conclusions. Confined by the limitations which he sets for himself the author does not attempt an exposition of the fiscal organization and of legislative and executive control or lack of control over finances. Nevertheless his book clearly shows that the state of Texas is laboring under a most inefficient fiscal system. The chief defects in this system appear to be segregation of most of its revenues into special funds, assessment and collection of taxes by locally elected officers, the confinement of legislative and executive control to a small portion of the expenditures, the lack of a budget system and the existence of an antiquated accounting system. It is to be hoped that Mr. Armistead's book will aid in convincing the people of the state of Texas that their government requires reorganization.

FRANCIS OAKEY.