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## Book Reviews

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## Book Reviews

PROBLEMS IN COST ACCOUNTING, by HOWARD C. GREER and RUSSELL S. WILLCOX. *McGraw-Hill Book Co., Inc.*, New York. 379 pages.

*Problems in Cost Accounting* consists almost entirely of problems, without solutions, covering a wide variety of industries and presenting most situations likely to arise in cost work. The different types of industry covered inspire respect for the authors' wide experience and for their judgment in selection. That the latter is good is made evident by the inclusion of several problems that have been taken from the examinations of the American Institute of Accountants.

The work is divided into six parts, each dealing with a different phase of cost work. The first is entitled "Perpetual inventories as a basis of cost accounting procedure" and describes and illustrates with appropriate problems the system which must be used if process or departmental accounts are to be kept. The authors assume, and it may be true, that it is fairly well recognized terminology to refer to a "perpetual inventory" of labor and expense. While the method outlined is, of course, in wide use, this application of the description has not previously come to my notice and I am inclined to think the more usual term "redistributable accounts" is clearer and more logical. One does include accumulated labor and expense in an inventory but only so far as they definitely attach to a specific product, so the idea of inventorying labor and expense as such seems unnecessarily abstract and confusing; but the idea of distributing these items to products or processes is comprehensible and describes what is actually done.

In part two job-order costs for simple enterprises are taken up. The representations of original records, particularly for payroll, should be valuable to students in relating the problems to actual situations.

Part three, the more complicated side of job-order cost accounting, is quite fully treated, perhaps more so than its practical importance warrants. However, job-order costing is something akin to a complete detailed audit: we must all know about it in order to understand what it is not.

Part four covers process costs and presents a number of excellent problems, well related to actual facts. The authors' views on disputed points can not be ascertained, as solutions are not given, but the material presented could be used by a skillful and well-informed teacher to bring home to the student the truths and trials of determining by-product costs.

Standard costs are treated in part five. The space allotted to them while not altogether commensurate with their importance is enough to illustrate most of the principles. There seems to be one lack in the problems devoted to the interpretation of standard costs—much is made of the reasons for variances between actual and standard costs and the disposal of these variances, but the relation of standard costs to the selling and administrative policy of a company is not mentioned.

Frequently the variances between actual and standard costs are not nearly so important or significant as the variances between selling prices and standard costs. Assume a situation such as the following:

Product	Selling price	Standard cost
Size 1 .....	\$10.00	\$6.00
Size 2—plain .....	12.00	6.75
Size 2—steel covered .....	14.00	7.25
Size 3 .....	13.00	7.00
Size 4—plain .....	15.00	8.00
Size 4—steel covered .....	18.50	8.75

Is not that picture far more significant than:

Product	Actual cost	Standard cost
Size 1 .....	\$ 8.00	\$6.00
Size 2—plain .....	9.00	6.75
Size 2—steel covered .....	9.60	7.25
Size 3 .....	9.30	7.00
Size 4—plain .....	11.00	8.00
Size 4—steel covered .....	11.90	8.75

The first table will seem much more important to executives and will form the basis of much more convincing arguments for the adoption of standard costs than the second. A few problems illustrating points like these might well have been included.

There are also some interesting problems in distribution costs—adventurous if short voyages on a comparatively uncharted sea.

My sympathy for the student wells up in great waves as I look through the practice problem which composes part six. Most cost accounting students must go through one or more of these and there is nothing more valuable or more tedious. The student will be as tired of “Kiddie Kars” when he is through, as I was a good many years ago of hats, but when one of these problems is worked through the student has something he did not have before. The problem given seems a good example of its type.

These problems should be of great value to instructors in cost accounting, for, as the author says, good cost-accounting problems are rare and are, perhaps, even more difficult to construct than good accounting problems.

For the student studying alone the lack of answers will be a handicap and a companion volume containing them would be useful.

The book as a whole shows a fresh and modern viewpoint, a realization of present-day problems and obviously represents a vast amount of work in both research and compilation.

MAURICE E. PELOUBET.

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INTRODUCTION TO ACCOUNTING, by DALLAS S. BOLON and GEORGE W. ECKELBERRY. *John Wiley & Sons, Inc.*, New York. 572 pages.

When the twentieth century was still in its teens, most of the books on accounting which had been published in this country were written for the pro-

fessional accountant and the business executive. Very few satisfactory text-books for use in the teaching of higher accounting had been written. Consequently, the publication of a book on accounting designed primarily as a text-book was an event of some moment, and teachers of the subject eagerly awaited its appearance in the hope that they would find it adapted to use in their classes.

The last decade and a half, however, has brought about a marked change. The steady growth in number and size of schools of commerce of collegiate grade has brought about a proportionate increase in the number of teachers of accounting and allied subjects. As the interest of such teachers in their work grows, they naturally develop their own points of view about how the subject of accounting should best be presented. Not finding a text available which seems to serve their purpose, many of them do the next best thing and write one. No difficulties are encountered in finding a publisher. The result has been that in recent years, a new text-book on accounting, regardless of its merit, excites comparatively little comment, and no doubt it frequently happens that a book which represents untiring and conscientious work on the part of its author, thoroughly sound in its presentation of accounting theory, blessed with an abundance of practice material, and well conceived from a pedagogical standpoint, is confined in its use as a text largely to the institution with which its author is associated.

It is to be hoped that the book under review will not suffer such a fate. It represents the joint work of Professor Dallas S. Bolon, a member of the faculty of Ohio State University, and Professor George W. Eckelberry, who was formerly chairman of the department of accounting in the same institution and is now assistant to its president. Both men are certified public accountants. Professor Eckelberry is also an attorney-at-law. With the broad educational and practical background which these men possess, one would naturally expect a text of real merit, and anyone who is primarily interested in teaching accounting and who will take the time to give it a careful examination will readily appreciate the high standard which these men have set for themselves and will be impressed with the thorough and scholarly manner in which they have performed their task.

It is important, however, to observe that the book is essentially a text-book and would be of little service to the practising accountant or the business man. It seems to me that this is one of its most commendable features. The authors have wisely not attempted to write a book on accounting theory which would appeal to all classes and serve all purposes. They rested their case on a text which would give beginning students a thorough understanding of accounting principles and procedure. It is designed to cover only the first year of an accounting course of collegiate grade, and the authors state in their preface that it follows work given in accounting in the first year at Ohio State University.

The teacher who stresses the importance of laboratory work will find that the book contains an abundance of such material. This wealth of practice material should make a strong appeal to the teachers, of whom there are still a goodly number, who are old-fashioned enough to believe that the only way by which the average student can obtain a sound, practical knowledge of the subject is by repeated and continuous drills in the application of theoretical

principles as demonstrated by problems and exercises. I am a firm believer in this method.

The book is conveniently divided into two sections, each presumably planned to meet the requirements of a half year's work. To quote from the preface, "The first half deals with the affairs of a simple type of business conducted by a single individual, developing from the smallest of beginnings into a typical merchandising concern of minor size. In the second half, the business develops into an enterprise conducted by a partnership and later by a corporation, a manufacturing department being added with the adoption of the corporate form of organization."

In general, the authors have accomplished well the task which they undertook. The book presents the theory of accounting in clear, simple and concise language reinforced with an abundance of interesting problems and exercises.

CHARLES F. RITTENHOUSE.

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HANDBOOK OF BUSINESS ADMINISTRATION, by W. J. DONALD, American Management Association. McGraw-Hill Book Co., Inc., New York, 1931. 1753 pages.

*Handbook of Business Administration* is an encyclopædia, not a vehicle for the views of any one author. The list of contributors contains 129 names, including men and women nationally known as specialists in law, commercial business, insurance, public utilities and research departments of corporations, together with a few professional economists. Besides these there is a long list of cooperating committees and other helpers. Other publishers, too, have given aid.

The contents form an elaborate exposition of the best modern practice in the whole field of business administration. The main divisions deal with marketing, financial management, production management, office management, personnel management and general management. Each of these divisions contains articles dealing not with theories but with the practical application of the modern methods, illustrated with tables, graphs and statistics.

Not the least interesting of the sections are those in the division "personnel management," dealing with age limits in employing men and with the employment of college women. There is not much comedy to be looked for in a book of this kind; the article on college women, by a former director of Bell Telephone Laboratories, contains the only specimen I have found. It says that the danger of college women marrying is ever present in the employer's mind; that college women may have a shorter business life because they enter at a later date; and that "the threat becomes less menacing after five years."

It is as difficult to summarize the contents as it would be to summarize those of *Encyclopædia Britannica*, but it may be said that the executives of large enterprises can find in it sufficient detail of the most modern practice, data on results obtained and the advice of a specialist.

Although well printed and beautifully bound the book is difficult for continuous study because of the small type and the extreme reduction in size of the exhibits, some of which can hardly be read without a hand lens. There is a fair index.

A reference book for big business, not a text-book for students. The modern note is emphasized.

F. W. THORNTON.