

4-1932

Book Reviews

F. W. Thornton

Maurice E. Peloubet

Walter Mucklow

W. H. Lawton

Follow this and additional works at: <https://egrove.olemiss.edu/jofa>



Part of the [Accounting Commons](#)

Recommended Citation

Thornton, F. W.; Peloubet, Maurice E.; Mucklow, Walter; and Lawton, W. H. (1932) "Book Reviews," *Journal of Accountancy*. Vol. 53 : Iss. 4 , Article 7.

Available at: <https://egrove.olemiss.edu/jofa/vol53/iss4/7>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Journal of Accountancy by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

Book Reviews

BUSINESS STATISTICS, by J. R. RUGGLEMEN and IRA N. FRISBEE. *McGraw-Hill Book Co., Inc.* 707 pages.

Business Statistics is a textbook for advanced students of statistics, business and other. The authors apparently consider statistics and graphic representations of them as inseparable. At the ends of chapters are review questions; those requiring statistical statements as part of the answers specify that the statements shall be graphic.

There is taught the compilation of charts, bar charts, component bar, belt and pie charts, moving average, arithmetic, logarithmic, pictorial, quartile, decile, percentile, link relative, chain relative, and other charts, some according to the "Pearsonian coefficient of correlation," some showing plain facts, some showing interpreted facts and trends. This teaching is thorough, clear, modernistic. As a textbook for use in teaching technical methods it is to be recommended.

Space is given to methods of data collection; the impertinent questionnaire is described and a reproduction is given of a dreadful specimen, pages 593-4-5-6, bearing pictures of trumpery gifts offered as a sweetener to those who reply to questions that otherwise they might ignore.

The graph, of its nature, is a concession by the industrious mind to the lazy or sluggish one; so long as it shows unadjusted lines in correct arithmetical proportion it is a quick way of indicating roughly the larger facts of a situation, leaving the reader to draw conclusions. When graphs are prepared on logarithmic paper, the data "idealized" (page 309), the curves smoothed (page 110), selective sampling used (page 19), items rejected as being, in the opinion of the statistician, abnormal, trends and the coefficients of correlation applied the result is no longer a graphic statement of fact but is the expression of the statistician's opinion. The authors recognize this, saying that what the business statistician does is to interpret the meanings of figures.

Statisticians of business trends have made a poor job of interpreting; they are not necessarily equipped with business sense because they are expert in the technical work of making graphs. For example, the authors of this book in discussing "Compilation of monthly trend ordinates" (sales) say "the monthly increment of sales is $1/144$ the size of the annual increment of total annual sales." This seems to mean that the total annual increment of sales is 144 times as great as the average increment from one month to the next. If so it is for the business man an idle computation; also it is incorrect. If a base figure of \$1 of sales a month be taken and sales each month exceed the sales of the preceding month by 5 per cent. the total sales for the year will be \$16.71, the year's increment \$4.71, and the average increment in each month over the preceding month will be 6.7 cents, or about one seventieth of the annual increment. Perhaps something else is meant; anyway, the result obtained is useless to business.

Another instance of lack of business sense occurs where the authors (page 534) attach significance to change of ratio of inventory to total assets but not so much to change in actual amount. Ratio of inventory to sales—not assets—

is really significant, but why should inventory decrease if debts are collected and a bank loan paid off or increase if a building be bought and bonds issued? The authors say "usually it is not the amount of increase in an asset or liability that is important; it is the change in relationship to the total that is significant."

Apart from the question of doubtful judgment, statisticians have been guilty of preparing argumentative one-sided statements; these authors say that the "enthusiastic use of statistics to prove one side of a case is not open to criticism providing the work is done honestly and accurately" (page 313). Honestly? Are statisticians judicial fact-finders or advocates? On this depends any value their work may have.

In fairness to the authors it should be said that they impress upon students under "practical use of statistics" the superior value of simple and easily understood graphic charts and speak strongly of the need for conscientious work in compiling charts.

They carry far their affection for graphic representation. Besides the wealth of charts there are pictures of drawing instruments, adding machines, tabulating machines. On page 616 is a picture of some pens and an inkpot.

F. W. THORNTON.

DEPARTMENT STORE ACCOUNTING, by DEWITT CARL EGGLESTON.
Greenberg, New York. 422 pages.

A manual for an industry, such as the great department stores, the author of which has had an intimate experience with the problems he treats, is not a book which should be reviewed in quite the same spirit as a work of more general character. The reader looks for detailed descriptions of the problems arising in the industry and for specific methods for their solution and that is just what he finds here.

He is carried through the entire organization of a great store and shown where and how the accounting and auditing function interlocks with the rest of the administration of the enterprise. Most of us are acquainted with the customer side of department-store accounting, but the other, where the C. O. D.'s, bills, answers to complaints and special mark-down sales originate, is not at all familiar and it is most interesting to see these transactions from within.

Any one contemplating doing any audit or accounting work for a retail business of any magnitude should have this book for study and reference, and it has many points of interest for the general practitioner as well.

The inventory methods, allocation of overhead, planning of departmentalization and use of mechanical accounting devices described in various chapters are full of suggestion for the practitioner faced with similar problems in other businesses.

The large number of charts and the comprehensive index add to the book's ready usefulness.

MAURICE E. PELOUBET.

HOLDING COMPANIES AND THEIR PUBLISHED ACCOUNTS, by
SIR GILBERT GARNSEY. *Gee & Co.*, London. 315 pages.

Probably most of us who have reached the age of maturity—if there be such an age and if anyone ever reaches it—can look back on our boyhood and remember our early longings to know what was inside things and how things were made. Possibly one can remember a clock, a watch, or, some of us, even a roasting jack, which we took apart and which remains apart to this day. Later, came the desire to learn from others skilled in such matters, not only how things were made, but how we could make them. To satisfy a similar desire with regard to that comparatively modern creation “the holding company,” this book has been written, and well does it fulfill its purpose.

The volume is remarkable for a number of reasons: being published in England, written by an Englishman for other Englishmen upon a subject controlled by English laws, long quotations from those laws are given, but the remarks which accompany them are so lucid that one is almost inclined to believe that there may be some truth in the saying that the laws of Utopia were based on common sense. At the same time, these remarks are so securely founded on good practice and on common sense that they are useful to all who are interested in holding companies.

Quite probably, it is true that no accountant has had a longer or closer experience with this class of corporation than has the author and his firm. Throughout the book he is generous in giving freely of his own knowledge and experience and in yielding full recognition to the numerous other accountants whose reports appear in the appendix.

Holding companies, as we now understand them, were born so recently that they have, as yet, no history; but the author describes them clearly, discusses the advantages and the disadvantages, the dangers and the safeguards, which attend them and how such corporations have been and may be formed. He describes the methods of representing their condition both in the “legal balance-sheet”—as it is called in England—and in the consolidated and amalgamated statements of the parent company and its subsidiaries.

It is impossible to give here a list of the varied conditions and contingencies which may arise and which are so clearly explained. The numerous points are illustrated with a set of hypothetical statements beginning with a preliminary draft balance-sheet and closing with a detailed consolidated balance-sheet of the holding company and its subsidiary undertakings. The reasons for making the changes which appear in this series are fully explained in the text, and the hypothetical statements above mentioned are followed by examples of the published balance-sheets of eleven great English companies, six large American corporations and two Swedish companies.

Although written primarily for Englishmen, the principles enunciated, the methods described are so well founded and are of such general application that they form a safe guide for all to follow, regardless of the language in which the statements may be written.

The language is so clear that the book is easily read and the printing and appearance are worthy of the contents. I think there is no doubt that the volume will be recognized as a final authority and will become a classic. No accountant, or executive officer, having to do with holding companies, can afford to be without it.

WALTER MUCKLOW.

BOOKKEEPING AND BUSINESS KNOWLEDGE, by J. HUGH JACKSON, THOMAS HENRY SANDERS and A. HUGH SPROUL. *Ginn & Co.*, Boston. 398 pages.

An excellent manual for a high school first-year course is *Bookkeeping and Business Knowledge*, scientifically arranged as to subjects beginning with the balance-sheet and profit-and-loss statement, and continuing thence with the books and accounts which furnish the data for them. The philosophy of accounts is stated first in simple terms that the student can easily understand, so when he comes to the art of bookkeeping he will have a clear idea of what he is aiming to do. It makes what has generally been a drudgery an interesting study.

The practical end of it—for after all practice is what makes a good bookkeeper—is amply covered by frequent illustrations and problems to be taken up at the close of each lesson while the principles stated are fresh in mind. These are supplemented by questions to be discussed in class, a procedure well calculated to arouse lively interest in the student, to say nothing of keeping the instructor himself on the qui vive! In addition there are practice sets covering the whole course, and a series of problems appropriate to each chapter.

To know how to keep books intelligently the student must of course be familiar with the standard papers and instruments of business transactions. These are given in tinted illustrations that will serve to fix them in his memory. Also a great help in memorizing are the illustrations of entries and accounts in facsimile, and the diagrams tracing entries from one account to another to visualize the effect of entries.

The stated aim of the authors is to furnish instruction not only to those who will become bookkeepers, but also to others who may never do bookkeeping work for a living. It would undoubtedly be a blessing to the whole country if every boy and girl were obliged to take at least this first-year course, and so gain a working knowledge of business affairs that might be of infinite value in later life.

W. H. LAWTON.