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Book Reviews

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PREFERRED STOCKS AS LONG TERM INVESTMENTS, by R. G. RODKEY. *University of Michigan, Ann Arbor. 304 pages.*

Here is a pamphlet which undertakes to prove that while there is apparently a good deal of truth in the statements that have been made from time to time by various authorities on investments that preferred stocks, and particularly industrial preferred stocks, are the least desirable type of securities to hold, this is not true of industrial preferred stocks which are not junior to bond issues.

To prove his point the author has accumulated data showing the results over a 24-year period of an investment of $10,000 made on January 2, 1908, in various groups of 10 preferred stocks listed on the New York stock exchange ($1,000 per company). The various preferred stock issues are grouped as follows:

1. Industrial preferred stocks preceded by bonds throughout the period.
2. Railroad preferred stocks preceded by bonds throughout the period.
3. Industrial preferred stocks preceded by bonds at the beginning of the period, but not sold and the money re-invested when the bonds subsequently were paid off.
4. Industrial preferred stocks not preceded by bonds at the beginning of the period but not sold and the money re-invested when the companies subsequently issued securities senior to the original investment.
5. Industrial preferred stocks not preceded by bonds at any time throughout the period.

The results of the tests are summarized on page 26 of the pamphlet and in the main justify the worst that has been said about preferred stocks by the investment authorities. The stocks selected for the tests were the preferred stocks of companies whose common stock sales were the largest on the New York stock exchange in the year preceding purchase. Comparisons are given of the results of similar investments of $10,000 in the common stocks and bonds of the same companies. The increase or decrease by January 2, 1932, in the value of the $10,000 invested on January 2, 1928, in the various classes of securities described above is as follows:

Type of company	Common stock	Preferred stock	Bonds
1	+ 629	—5404	—1999
2	— 4935	—5124	—1537
3	— 2443	—5086	....
4	+ 9809	—3006	....
5	+26.279	+1035	....

The tables appended to the pamphlet show that preferred stocks of type 5 have been fairly steady throughout the period. However, the fact that the common stocks of the same companies appreciated in value by over 260% during the period raises the question as to whether this steadiness was not more due to the fact that the companies selected turned out to be extremely successful ones than to the fact that they never had bonds outstanding.

The statistics accompanying the pamphlet may be of interest to insurance companies or other concerns having to do with the investment of money but to the layman this type of article appears to be more apt to be misleading than otherwise.

George M. Barr.

SYSTEMS INSTALLATION IN ACCOUNTING, by George J. Geier and Oscar Mautner. *Burrell-Snow, Inc.*, New York. 500 pages.

Most books on system work deal with the requirements of particular enterprises. One that promises a more general treatment always awakens the interest of student and practitioner, and after reading the commendatory send-off and the narration of purpose in the introduction and the preface of the book now before me I expected to review a noteworthy contribution to the literature on the subject. I looked for a description and illustration of up-to-date general accounting methods and also hoped for a presentation in good form such as reader and student may rightfully expect. Alas, I am sadly disappointed.

As to substance, there is very little in the book that is new and much that was antiquated practice long ago. The chapters on mechanical accounting may be classed as dealing with what is new. They show very good pictures of the many types of modern accounting equipment, give descriptions of certain general and specific advantages and of particular use and method of operation. These descriptions are too voluminous for the general mention of principal features and characteristics such as a book of this kind should offer. On the other hand, they are entirely inadequate for a full understanding of detailed workings and applications.

Among the antiquated practices may be mentioned the use of the purchase order-, invoice- and sales-order registers. Records of this sort are not generally kept any more and are among the first that would be eliminated in the revision of a system. I failed to see a voucher-payable form either illustrated or described. The voucher record, while serviceable in most instances, does not show any device for the control of inward freight and delivery charges or for a more flexible treatment of the creditors' accounts, and no mention is made in the text of either. Nor do the sales records or their description give evidence of any provision for the control of outward delivery charges. All this, and much more, may yet be forthcoming in the supplement to the present volume announced in the preface. There is, of course, a good deal of material that is of some use to the beginner, but most of it is trite and repetitious and obvious to anyone who has advanced far enough in the study or practice of accountancy to take up system work.

The book is equally unsatisfactory as to form and style. There is an overabundance of needless charts and diagrams. Fig. 1 illustrates the point. It shows the "objective of constructive accounting" in one sentence that would have been innocent enough in the text. For the purposes of the chart it is chopped up into words, single or in groups. Words and groups are put into triangles, squares and quadrangles, together making a more or less symmetrical picture. The arrangement adds nothing to the significance of the words or the thought behind them; it even detracts from both. There are many charts of this type that would have been much better left out.

Without expecting literary excellence it seems only fair that the book should come up to ordinary standards in professional writing. However, its pages abound with terms that have become the jargon of the illiterates in the trade. An accounting system "embraces" certain books; transactions are "embraced" by activities; a view "embraces" accounting activities—all this on one single page. Books, accounts, statements, columns, etc. "reflect" amounts, numbers, answers. Occasionally I encounter gems like "bisection of operation"; "fool-proof against fraud"; "multiple" (meaning "many") purchases; "data" used as a singular; and many other faults of speech and style—in fact too many to waste time in denouncing them. Quite ordinary expedients are presented as "fundamental principles" and I also note the use of the term "system builder" —a rhetorical overstatement of the same charm and merit as "shirt builder," "beautician," "mortician," "realtor" and others that now enjoy popularity.

The book could have been dismissed with fewer words. I thought it better, however, to show some of the specific reasons why it should be classed among the inadequate treatments of a subject whereon thus far only too few competent works have been written.

A. van Oss.

BANKING, by Prof. Frederick A. Bradford, *Longmans, Green & Co.* 500 pages.

Banking, by Professor Bradford, is a book calling for review by a banker rather than by an accountant. It is devoted partly to a history of the development of American banking from its beginning to 1932. This is followed by an elaborate exposition of banking mechanics as now practised. So far as it deals with accounting matters it is not open to fault finding.

Assuming that all the matter contained in this work be correct—and I do not question the correctness of any of it—it does give a picture of the development of American banking that might almost be considered, even by a layman, as interesting reading. However, the bibliographical notes indicate that its study should be supplemented by the study of a quantity of other banking literature so vast that much courage would be needed to undertake its reading. There are 14½ solid pages of these bibliographical notes; I decided not to read all those books. *Banking* is probably a very excellent text book. Certainly it is well written; but let a banker pass judgment on the banking matters, especially on the discussion of the federal reserve system, which is now under fire.

F. W. Thornton.

ECONOMICS OF PUBLIC UTILITIES, Second Edition, by L. R. Nash. *McGraw-Hill Book Co., Inc.*, New York. 508 pages.

In 1925 Mr. Nash took the courageous and ambitious step of publishing the first comprehensive text in the field of public utility economics. In the last two decades prior to that year, public utilities had taken enormous forward strides in every direction. Much had been written, piecemeal, about the various problems of the industry. Specific questions had been dealt with at length in the decisions of regulatory commissions and courts. Books and monographs had likewise been published on different phases of the problem. None, however, had undertaken the task of consolidating this knowledge and opinion into a unified text covering the entire field. In devoting himself to this enormous task, Mr. Nash wisely limited his survey to electric light and power, electric railway and gas utilities.

He brought to his task many years of practical operating knowledge of such utilities, combined with thorough study and research, and produced a valuable and interesting survey of the problems of the industry and their possible solutions. The book had the natural faults of a first achievement, and much has been written on the subject since. The industries involved have likewise developed phenomenally in the past six years and the second edition of the book is a very thorough revision in the light of these developments.

This book has the natural advantages and disadvantages which come from the closeness with which its author has been identified with the field of endeavor which he discusses. For the practical man, the investor, the accountant, the lawyer, the banker who wishes to obtain without too much study a useful working understanding of the field, it is invaluable. The chapters on capitalization, accounting, rate of return to investors, tests of utility securities as investments are outstandingly valuable from this point of view. For those who want a more complete understanding of the problems involved, the chapters on regulation, valuation, rate structures and taxation are excellent. From lack of space they are necessarily sketchy but contain as much meat as the busy man not primarily engaged in the field can digest. The chapter on depreciation is probably the most thorough in the entire book and a most valuable contribution to the literature of the subject.

For the specialist, the student or the expert, the book has the disadvantages which, like its advantages, arise from the author's close practical relation to the work. He is too near to his subject to obtain an entirely balanced view of it, and predilection and prejudice necessarily affect some of his conclusions. The breadth and scope of the subject also limit the author to a rather elementary treatment of a number of important subjects. It is, all in all, an excellent book which will bring the theorist into contact with realities, stimulate the expert to careful, critical thought and adequately inform the practically interested amateur in the subject.

Alexander Grant.