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Book Reviews

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Book Reviews

THE NEW BANKRUPTCY ACT, ANNOTATED, *Prentice-Hall Inc.*,
New York.

With praiseworthy promptness the Prentice-Hall Company has already issued, in loose-leaf binder, the text of the bankruptcy act of March 3, 1933, with introduction, notes, references to previously existing laws and extracts from senate speeches that clarify the intention of those who wrote the law.

For the clarification of the law as it will be interpreted there will be issued additional sheets for this binder as soon as cases are tried and decisions rendered.

It is generally known, of course, that the new law tends to compel minorities of creditors to accept compositions, either extensions of time, changes of interest rate or part forgiveness of debt if the arrangements are approved by a sufficient number of creditors and also approved by the court or referee.

The section providing for reorganization of railways that are in trouble is, perhaps, the most important to investors. It is provided that when railways wish to make an arrangement with creditors under this act a trustee shall be appointed from a panel named by the interstate commerce commission. That gives some hope that these trustees will not be selected from the class of vultures that have so often picked the bones of unfortunate enterprises, encouraging even the idea that men may be selected for their suitability alone.

With this exception the law does not do much toward reform of the system by which the whole of the assets of enterprises in receivership is so often dissipated without benefit to creditors or to the debtor.

To a large extent the spirit of the law is similar to that of the law of England; the subordination of a minority of creditors to a sufficient majority is somewhat socialistic, but minorities so often have made objection with the hope that they will be bought off on better terms than others that their case will get little sympathy. Railways, farmers, certain corporations guaranteeing mortgages—but not general corporations—and individuals are most benefited by this law.

The act is entitled "An act to establish a uniform system of bankruptcy in the United States." That was superfluous; what was needed was an act to establish a uniform system of bankruptcy procedure—we have the bankrupts.

There is also included in the law a provision that the attorney general shall prepare and submit an annual report showing the amount of debt and of recovery covered by bankruptcy proceedings during the years; it would startle American business men if there were given with this report statistics showing the percentage recovered in Great Britain.

After all, this was to be a review of the book, not of the law; it is a matter for congratulation that such a convenient and well judged summary of the law has been so quickly put within our reach.

F. W. THORNTON.

FEDERAL INCOME TAXATION—1933 CUMULATIVE SUPPLEMENT,
by JOSEPH J. KLEIN. *John Wiley and Sons, Inc.*, New York. 1135 pages.

Though perhaps a little late for use in preparing income-tax returns for the calendar year 1932, Dr. Klein's *1933 Cumulative Supplement* will be welcomed

by public accountants who have relied upon his excellent work of 1929 with its annual supplements. By delaying publication the author was enabled to include pertinent points of the new regulations No. 77 which, much to the exasperation of many taxpayers, were not available till February 18. It follows that we have the last word in government procedure in addition to the latest court and tax-unit decisions on debatable questions.

The author has made this supplement cumulative, which will permit the user to discard the supplements for 1930 and 1931, lessening by that much the drudgery of hunting up developments and changes since the publication of the original basic text of 1929. The arrangement of topics follows that of the original text with clear references to changes in the latter demanded by later decisions and rulings. With these two books before him the reader can readily find his way through the tax maze.

People who have relied upon Mr. Klein's clear expositions in the past four years will be sorry to read his announcement that this will be the last supplement he will undertake. While, as he says, active practitioners have at their disposal the modern tax services which keep their subscribers posted as to legislation, court decisions and treasury rulings affecting tax matters, nevertheless an interpreter who can translate legal verbiage into plain, understandable English as Mr. Klein does will be sadly missed. However, we are permitted to hope that later he may give a new and revised edition of his original book.

The format, binding and print, pleasing to the eye and convenient for consulting, are the same as for the original basic book, which is sufficient assurance to subscribers that the *Supplement* is a worthy companion of the original volume.

W. H. LAWTON

THE ETHICAL PROBLEMS OF MODERN ACCOUNTANCY, Lectures delivered in 1932 on the William A. Vawter Foundation on Business Ethics, Northwestern University School of Commerce. *The Ronald Press Company*, New York. 152 pages.

A collection of lectures by George O. May, J. M. B. Hoxsey, Arthur Andersen, Eugene M. Stevens, and J. Hugh Jackson, with an introduction by Vanderveer Custis, is the fourth group of a series of discussions purporting at least to deal with ethical problems. Some of the lecturers appear to have gone rather far afield or to have considered that accounting technique, being perhaps the outstanding problem of the art, is its principal ethical problem. Thus we have discussions of accounting treatment of depreciation, reacquired securities, foreign exchange and stock dividends, as well as of distinctions between capital and earned surplus; we are reassured as to the increased importance of the accountant in the business world and demand for his services, and instructed as to the method of conducting fact-finding investigations and business surveys for the purpose of aiding management to control operations through the medium of accounts; and we are reminded of the great increase in the breadth of the distribution of corporate securities and that financial statements of publicly owned organizations are of great importance.

Let him who is interested in the ethical problems of accountancy, however, not despair. There are pages in the book which, if they can not be had without

the absorption of copious quantities of technical instruction perhaps intended for university students, still are not over-priced. Professional ethics receives practical treatment at the hands of some of the lecturers and perhaps the encouraging and uplifting tone is the clearer because it is not too completely sustained. While it may be contrary to reviewers' ethics to quote, the point is best illustrated by citing a paragraph:

"Professional ethics is a type of self-discipline; it is enlightened selfishness imposed for the good of the profession as a whole. It is *not* altruism; it generally does *not* involve self-sacrifice; it merely means that in some instances the individual is expected to yield his own immediate personal advantage, but that even in doing this he will profit in the long run because of better conditions surrounding his profession. To state the matter differently, it means that the individual 'foregoes some immediate advantage for the sake of greater advantages farther on.'"

There is in the book a goodly amount of criticism of accountants, which is the more valuable because it is stated in the first person—the profession recognizing its present shortcomings in order to find the way for its future development—but there are also enough illustrations of the attainment of the greater advantages farther on by the foregoing of some immediate advantage to indicate that this type of vision is not wanting and that the future may be relied on to show satisfying ethical development. One lays down the book with a sufficient sense of gratification at instances of high ideals maintained, and the feeling that the day may in fact come when all accountants will be so imbued with the dignity of their profession as to be willing to measure their gain only partly in the currency of the realm and partly in the satisfaction which comes from work well done.

It is well that the literature of accountancy should tend to include discussions of its ethics, and the work under consideration includes worth-while contributions to this field.

F. B. ANDREWS