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Book Reviews

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Book Reviews

ACCOUNTING EVOLUTION TO 1900, by A. C. LITTLETON, *American Institute Publishing Co.*, New York. 368 pages.

The title of Professor Littleton's book, *Accounting Evolution to 1900*, is alluring. Accounting had surely passed the adolescent stage in 1900; it had, indeed, in many respects attained a sober maturity by that time. Since then, unfortunately, it has given indications of not having finished sowing its wild oats. Yet much has transpired of which serious account must be taken.

In America the early years of the twentieth century have brought the income tax with its severe repercussions on accounting; no-par-value stock and the flexibility of stated capital; the vertical integration of industrial organizations with the resultant problems of inventory valuation; the practice of gauging market value on the per-share-earnings basis, with little regard to asset value; the general adoption of the budget system; and many other developments, some of which may in course of time be viewed as steps in the evolution of the art.

It is a lesson in perspective to find how important and valuable a work on accounting can be which stops short of touching upon these many things, amid the turmoil of which the practice of accounting has been conducted within the experience of most living accountants. Professor Littleton is writing from the larger viewpoint—that not merely of the historian, but of the interpreter of history. It is fair to speak of evolution as applied to accounting, even though the type of evolution has been Bergsonian rather than Darwinian, and a student of the art on that plane must of necessity look behind rather than around him.

Professor Littleton's book is in no sense a duplication of the earlier works of Richard Brown (*History of Accounting and Accountants*, Edinburgh, 1905) and John B. Geijsbeek (*Ancient Double Entry Bookkeeping*, Denver, 1914). In those volumes will be found facsimiles of and references to much of the source material upon which Professor Littleton's deductions and interpretations are based, but his treatment of the subject is entirely novel. Those who are fortunate enough to possess copies of those works will be sent back to them with renewed interest and increased understanding after reading *Accounting Evolution*, but the latter stands independent of the others as an analysis; it reconstructs the frame where they present merely some fragments of the skeleton. Furthermore, Professor Littleton presents, as no other writer has done, a study of the development of accounting thought and practice in the nineteenth century.

Professor Littleton divides his book into two parts: the evolution of double-entry bookkeeping, which is dealt with in ten chapters, and the expansion of bookkeeping into accountancy, to which twelve chapters are devoted. The titles are sufficient to indicate in a broad way the difference in treatment which the subject is accorded in the respective sections. Both parts, however, traverse the entire history of the art, though the second section naturally deals to a greater degree than the first with modern developments.

The bibliographical references are copious and grouped conveniently at the end of each chapter. Here is an index to the important members in the fabric of accounting literature!

In the later chapters of the second section one may feel that a somewhat heavy emphasis is laid upon the influence of bankruptcies and the bankruptcy acts in England in the development of experts in accounting. Is there sufficient evidence in the available literature on the subject as to the use during this same period of expert accountants by enterprises which managed to remain solvent? And may it not be that the accountants employed in private service with prosperous concerns possessed a higher degree of skill and contributed more to the development of accounting theory than many of those who thrived on the more circumscribed practice of the bankruptcy courts?

One's mental processes are necessarily stimulated by a book of this character. It may not be unduly presumptuous to venture some inquiries prompted by Professor Littleton's development of his subject.

It appears that some of the writers who have dealt most clearly with the principles of double-entry bookkeeping, beginning with the revered Paciolo, have been mathematicians. One can not escape the feeling that double-entry developed in its present form after the pattern of the algebraic equation and that all its difficulties are removed when that pattern is kept in mind. Even Sprague seems to fail signally when he departs from the mathematical form and adopts the formalism of dogmatic rule.

Neither the factorship or agency theory on the one hand nor the proprietor theory on the other accounts in any satisfactory manner for the offsetting of debits and credits in personal accounts by credits and debits, respectively, in nominal accounts. All the principles of double-entry and its proof of arithmetical accuracy would have been served equally well had the proprietorship group of accounts, including profit-and-loss and its subdivisions, been treated as a controlling group for the personal and real accounts. Double-entry in the true sense would then have consisted in the posting of two debits or two credits for each transaction involving a nominal account. The result would have been logical and the two groups of accounts would have continued to show the same net balance as long as clerical accuracy was maintained. The pattern, however, would have been Euclidian rather than algebraic and the algebraic form evidently responds to a more elemental idea in human psychology.

Another thought which it would seem could be stressed is that textbooks, legislation and even judicial decisions in all probability have rather codified and given sanction to the best practice and thought of their time than established new principles or blazed new trails. One feels a conviction that accounting theory and principles have led the way and the record has been built up a trifle later. Accounting is not a pure science that has enlisted the interest of workers in its field for its cultural value alone. Its growth has come through its application to practical needs. Equally, too, the importance of the influence upon accounting of corporate development and of the concept of limited liability may easily be over-stressed. It is hardly conceivable that investors would embark upon any enterprise as silent partners until satisfied that human ingenuity had already solved the problems involved in rendering a proper accounting for the results, and the law would similarly look to the adequacy of accounting safeguards to creditors before permitting any radical extension in the principle of limited liability.

In the chapter on depreciation there is extended reference to the practices followed in railroad accounting. It is a little surprising, therefore, that no

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reference is made to the double-account system under which the English railroad accounts were kept. This undoubtedly influenced very strongly the attitude of railroad accountants toward depreciation.

While the subject of cost accounting lacks the fascination which surrounds the story of the growth of accountancy in its more primitive forms, the chapter in which Professor Littleton deals with it is very useful and highly interesting.

One may be pardoned a certain degree of curiosity on two points perhaps too insignificant to be dealt with in such a work. When were controlling accounts first used? Who invented the imprest system of handling cash funds?

And now let it not be thought that any of these random comments is made by way of criticism. Professor Littleton's book is too distinguished, too definitely in a class by itself, for that.

HERBERT C. FREEMAN.

ADVANCED ACCOUNTING, 1, by CHARLES H. LANGER, *Walton Publishing Company*, Chicago. 1933. 316 pages.

Certain newly issued texts on general accounting theory and practice, although increasing the number of books available, well may be considered as rather a deplorable lot. But now and then some volume appears which merits comments that label it a good book; such is the text under review. Some may feel that other authors have covered the field of the present book as well, even better, yet the opinion is ventured that Mr. Langer has done his task in a most thorough and commendatory fashion.

The book is divided into thirty lectures, not chapters. Each lecture is paged as a separate unit; but inasmuch as the table of contents and the index have been carefully prepared, the lack of the usual paging need not be considered seriously. Further, although there are only 316 pages in the book, the size is $8\frac{1}{2}$ x 11 inches. This fact, narrow margins and a compact type size cause each page to approximate $2\frac{1}{2}$ times the usual one; hence, it seems that the book is equal in size to one of about 700 pages.

Certain reviewers may consider this volume as badly arranged, looking at it from a teaching viewpoint. They would insist that no justification exists for approaching the subject of advanced accounting by discussing single-entry, especially when the discussion is in considerable detail. Pure theorists undoubtedly cry "taboo" on single-entry, whereas the practical writer with ideas mellowed by an excellent knowledge of usable theory realizes the importance of single-entry even in this day and the difficulties met in practice when single-entry is not thoroughly understood.

Lectures 3, 4, and 5 are concerned with financial statements: working papers closing the books, departmental distribution of expenses, expense statements, statement form and content and reversing entries. The material is meticulously discussed and illustrated, great care being evident in the handling of the detail. Only a pitifully small handful of books contain anything on reversing entries.

Lectures 6 through 11 cover thoroughly and in a comprehensive manner the subject of partnerships. If anything, the creditable attempt herein to build up a sound background and accounting procedure is a bit overdone, inasmuch as it is doubtful whether or not the average accounting student can "follow the

gleam" through the discussions offered. Further, in contrast to certain matters purely advanced in character, there are others which it seems well could be of the knowledge one assumes the student should bring to his work in advanced accounting.

The next seven lectures relate to the general subject of corporations, the detail being voluminous, to say the least. Lectures 16, 17 and 18 offer an interesting and valuable contribution on the subject of treasury stock—its purchase, sale and cancellation. I believe that this discussion goes further, and is more complete, than anything previously available.

Lectures 19, 20 and 27, on the subjects of profits, surplus and reserves, contain a most carefully prepared theoretical discussion which should be of value in clarifying the present confused situation in regard to terminology related to these matters.

Lectures 22 and 23 cover the statement of new assets and their application. Something new is offered on the set-up of this valuable statement. Lectures 24 and 25 discuss the statement of affairs and statement of deficiency and the realization and liquidation statement. Lecture 26 is on depreciation.

Lectures 28, 29, and 30 are concerned with funds and related reserves, goodwill, secret reserves and statement analysis. Nothing particularly new seems to be offered in these chapters.

Mr. Langer has brought to this work the essence of his years of experience in and knowledge of accounting, coupled with the carefulness and truth-seeking qualities of the true student. The production of this book should give him a sense of satisfaction and the knowledge of a task well done.

GEORGE E. BENNETT