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## Book Reviews

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FINANCIAL EXAMINATIONS. By F. W. THORNTON. *American Institute Publishing Co., Inc.*, New York. 274 pages. 1933.

In 1917 the American Institute of Accountants undertook the preparation of a pamphlet outlining what was then regarded as an acceptable audit procedure in making "balance-sheet audits." This pamphlet appeared and was called *Approved Methods for the Preparation of Balance-sheet Statements*. This was of great service to accountants particularly, as well as to bankers.

Late in 1929, a committee of the American Institute of Accountants revised this pamphlet of 1917 and it was published by the federal reserve board with the title *Verification of Financial Statements*.

This pamphlet is the foundation of Mr. Thornton's new book *Financial Examinations*. He is already well known to the profession in the United States by his book *Duties of the Senior Accountant*.

The difficulty in reviewing *Financial Statements* is a very real one. The book is a clear and concise outline of the procedure to be followed in examining and confirming assets and liabilities and it also deals with the profit-and-loss account. To select any chapter for special mention is not necessary. The book should be carefully read by every practising accountant, and it should be carried in the brief case of every staff accountant and be used by him as a reference.

Senior and assistant accountants would do well if, before beginning any section of an examination, they read what Mr. Thornton has to say about that particular problem. Take chapter III "Cash and control of securities" as an illustration. Read this before commencing on that work. Then read it just before completion and a more thorough and satisfactory job will result.

Mr. Thornton is to be congratulated upon his latest work. It is one of outstanding merit and will be of great value to all members of the profession.

JAMES HALL

ACCOUNTING THEORY AND PRACTICE—ADVANCED ACCOUNTING. Third revised edition. By ROY B. KESTER. *The Ronald Press Co.*, New York. Cloth, 846 pages. 1933.

*Advanced Accounting* is the second volume of Dr. Kester's three-volume series, *Accounting Theory and Practice*, intended for second-year students in the school of business, Columbia university. This, the third edition, has been revised throughout and considerably amplified. A standard text so well known to the accounting profession needs no description beyond remarking that in general there is a fuller and franker discussion of complicated and debatable questions than is usually found in text-books of this kind, the author's experience indicates "that only by presenting all sides of a problem can the student really comprehend and analyze constructively given situations."

The general reader will find the book highly interesting for its excellent discussions of the philosophy, as well as of the theory and practice, of higher accounting. The outstanding chapters are those dealing with capital stock and its problems, especially no-par stock—ever a perplexing subject; the proper use and classification of surplus and reserves; depreciation in its many forms and ramifications; and the discussion of the pressing problem of the hour, the changing value of the dollar as applied to reappraisals of fixed assets.

Regarding the last, Dr. Kester's analysis and discussion foreshadows a radical departure from traditional and standard practice. His general conclusion is that periodical reappraisals of fixed assets based on the fluctuations of the dollar are to be expected in future balance-sheets. Since such fluctuations can be measured only by the current replacement value of the asset concerned, this means current market value. It is not entirely new, of course; many corporations all too eagerly took advantage of the high prices in the 'twenties to inflate fixed assets. It will be interesting to observe how they will welcome the logical counter-proposition to write down these same assets to current market values of 1933.

W. H. LAWTON

INTERMEDIATE ACCOUNTING, Vol. I. By JACOB B. TAYLOR and HERMANN C. MILLER. *McGraw-Hill Book Company, Inc.*, New York. Cloth, 409 pages. 1933.

*Intermediate Accounting* is a sound and concise text dealing with the general principles of higher accounting intended for students in the first half of the second year at Ohio state university. In keeping with the trend of the times particular stress is laid upon the problems of asset valuation and of the preparation of truthful and informative statements whether for the management, the creditor or the investor. Many illustrations, charts, tables, etc., together with test-questions and 150 pages of problems, give the student ample material for working out in the concrete what he learns of theory from the text—and also saves superfluous descriptive verbiage. After all, the student in his second year is learning how to keep books and prepare statements of the more complicated kind, and practice is the only effective method.

W. H. LAWTON

BUSINESS UNDER THE RECOVERY ACT, by LAWRENCE VALENSTEIN and E. B. WEISS. *McGraw-Hill Book Company, Inc.* 314 pages. 1933.

*Business Under the Recovery Act* must have been completed within a few weeks after passage of the act (the only industrial code referred to is that of the cotton textile industry as approved by the president with certain conditions on July 9, 1933) and therefore properly confines itself to the longer range view of changes in the conduct of business which are likely to result from the legislation. It devotes itself primarily to the probable effects of the act on merchandising and states that its "goal is to paint for the manufacturing executive whose prime interest is in the sales end of his business a picture of merchandising, selling and advertising under the new order of things." The problems of labor's wages and hours, which have loomed so important in the administration of the act thus far, and the relationship of cost finding and other accounting problems to the conduct of business under industrial codes are not comprised in the goal of the writers.

There is therefore little of immediate technical information for the accountant in this book. As general reading for anyone dealing with business problems, it should stimulate a broad consideration of what effects the industrial recovery legislation may have on the distribution functions of business.

Being directed primarily toward merchandising problems, the book is largely given over to consideration of good and bad factors in the field of practices in

## Book Reviews

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competitive selling. The writers are hopeful that industrial codes of practice properly enforced will tend to eradicate unethical advertising and many unfair methods of competition which are enumerated and discussed throughout the book. They also feel that the act may foster coöperative advertising, sounder determination of profitable selling prices, greater opportunities for independent retailers and other factors favorable to industrial development. In perusal of these many possibilities of change in merchandising methods, the accountant in industry may derive valuable suggestions for statistical studies which will assist management when the questions of changing methods and adoption of specific clauses in the codes of competitive practices are being considered.

The book also includes interesting historical and background material, such as the chapters on the experience business has had in the trade-practice conferences under the federal trade commission and on the German cartel system.

DONALD P. PERRY

MODERN ACCOUNTING SYSTEMS, by WILLIAM D. GORDON and JEREMIAH LOCKWOOD. *John Wiley & Sons*, New York. Cloth, 480 pages. 1933.

A second edition, rewritten and somewhat enlarged, of *Modern Accounting Systems* indicates that it has earned a place in accounting literature. The peculiar advantages of the plan upon which it is written were set forth in the review of the first edition in *THE JOURNAL OF ACCOUNTANCY*, April, 1925, and there is little or nothing to add to it.

The paragraphs on the organization of national banks and on the qualifications of directors must be read with caution, as the banking act of 1933 has made some drastic changes in the law. For instance, after July 1, 1934, every newly organized national bank must join in the guarantee of the deposits of all banks members of the federal reserve; also the minimum limit of capital is \$50,000. After June 16, 1934, each director must be a bona-fide owner of shares in the bank to the extent of \$1,000 to \$2,500, according to the size of the bank's capital; and after January 1, 1934, no director of a national bank shall be at the same time a director or an officer of a concern dealing in securities, nor of any concern which makes loans on collateral to others than its own subsidiaries. To be sure, these are matters for the lawyer rather than for the accountant, but since the authors have included this somewhat irrelevant matter (it would perhaps have been better to omit it entirely in a work of this class) it is only fair to put the reader on guard.

W. H. LAWTON

LUCA PACIOLI ABHANDLUNG ÜBER DIE BUCHHALTUNG, 1494, Nach dem italienischen Original von 1494 ins Deutsche übersetzt und mit einer Einleitung über die Italienische Buchhaltung im 14. und 15. Jahrhundert und Pacioli's Leben und Werk versehen von BALDUIN PENNDORF. (Quellen und Studien zur Geschichte der Betriebswirtschaftslehre. Band II.) *C. E. Poeschel Verlag*, Stuttgart, 1933.

The first translation of Pacioli's treatise on bookkeeping was made by Jäger into German. Since then it has been rendered into six other languages. Now after more than half a century this second German version appears.

In addition to the translation of the text, Penndorf gives an interesting

*The Journal of Accountancy*

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description of bookkeeping practice in Italy during the fourteenth and fifteenth centuries and a sketch of Pacioli's life and his influence on subsequent writers.

It is a pleasure to welcome this new translation of a very difficult text. To those reading German it is greatly to be preferred to either of the English versions.

An interesting feature is the discussion as to the actual authorship of the treatise. Penndorf does not positively reject Besta's theory that Pacioli was not its author but that he merely incorporated in his *Summa* the work of some unknown writer. But he does show that some of the arguments which Besta advances in support of his thesis, are altogether unsound. And this he does because of having studied the *Summa* as a whole, and not merely the section on bookkeeping.

HENRY RAND HATFIELD