

11-1934

Book Reviews

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Recommended Citation

Lawton, W. H. and Mucklow, Walter (1934) "Book Reviews," *Journal of Accountancy*. Vol. 58 : Iss. 5 , Article 6.

Available at: <https://egrove.olemiss.edu/jofa/vol58/iss5/6>

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ACCOUNTING FOR CORPORATIONS, by RAYMOND L. MANNIX. *Insurance Press, Incorporated*, Boston, Massachusetts. Cloth, 344 pages. 1934.

In *Accounting for Corporations* Professor Mannix offers a text-book presenting the subject as taught at Boston University. There is nothing in it to distinguish it from the large number of similar books already published, save that the provisions of the Massachusetts corporation laws, so far as they affect accounting, are noted and explained. Its field is, therefore, limited, but the book should be helpful to students who intend to take the C. P. A. examinations of that state.

Of the twenty chapters comprising the book, five seem hardly germane to the main subject of corporation accounting, viz.: the first two and the last which deal with more or less elementary definitions and procedure with which students at this stage are presumed or at least ought to be familiar; and the tenth and eleventh on manufacturing accounting which are not peculiar to corporations *per se*.

The other chapters cover the real subject of the book, the accounts peculiar to corporations from their birth to demise, including a timely discussion of reorganizations and their effects upon stockholders and creditors. Proper journal entries and other illustrative statements make clear the concise and very readable text, and the queries and problems at the close of each chapter are ample to test the student. Two appendices contain practice sets for general review.

After "the tumult and the shouting dies," the future reader of this book may reflect with some amazement on the casual remark in the author's description of gold bonds—"the term 'gold bond' at present has lost all of its significance as the United States congress in June, 1933, by a joint resolution abrogated the gold clause in all public and private contracts" (p. 174)—a blunt statement of a fact which undermines the foundation of all business, the sanctity of contracts.

Incidentally, while it does not affect the general purpose of the book, the propriety of the combined closing entries (as illustrated on page 36) may be questioned. The function of the profit-and-loss account in the ledger is to give a bird's-eye view of operations for the period, showing the gross earnings on one side and the costs and expenses, not necessarily in detail but sufficiently classified, on the other. To show only the net profit in that account, as illustrated, makes the account of no value in itself.

As intimated above, Professor Mannix adds nothing new to the subject of corporation accounting, but if his lectures are as concise and lucid as his text-book, the students of Boston University are to be congratulated.

W. H. LAWTON

HIGHER CONTROL, by T. G. ROSE. *Pitman Publishing Corporation*, New York, N. Y. Cloth, 269 pages. 1934.

In *Higher Control* Mr. Rose offers a manual for company directors, secretaries, and accountants of Great Britain, telling what the management ought

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to know, and what the accountants should provide in the way of monthly statistical reports and graphic charts, in order that prompt and timely action may be taken to extend or contract company operations in accordance with the current trend of its business. As the author claims this is "The first book on . . . higher control" (p. xiii), it is perhaps necessary to see what he means by the term.

"Higher control," he says, "can be defined as a monthly survey of the functional activities of a commercial undertaking, carried out from the business, trading, and financial viewpoints, and based upon direct trend comparison between the position of the moment and the position of the last financial year." (p. 67.)

Throughout the book emphasis is stressed upon frequent—monthly for choice—up-to-date reports and upon the current trend. To ascertain the trend the author proposes what he calls the M. A. T. (moving annual total) method, which is to compare the total for the twelve months to the close of the current month with the total for the last financial year. This method, he claims, "is probably one of the greatest advances that has been made in the technique of administration for many years." (p. 17.) Important if true, but one is moved to ask what logical or significant relation there is between the moving annual total and the actual total for the last year. By "trend" one understands a moving toward or away from a certain standard. Granting that last year's total may be that standard, why would not any arbitrary amount, say a quota fixed for the current year, answer as well? However, perhaps the matter is not vitally important. Any base taken as the standard would suffice as long as the resultant ratios and graphic charts put the management on notice. But I would not like to be the accountant who had to make it clear to a "hard-boiled" director why a 23 per cent. fall in accumulated orders means only a 15 per cent. fall M. A. T., or a 19 per cent. fall in current trend! (See p. 176.)

Nevertheless, A. H. Pollen, an industrial leader, in the foreword informs us that "the system has proved of very patent value in the practical conduct of more than one considerable concern." (p. 1.) This seems to throw some light on the reasons for the steady recovery from the depression in Great Britain—a recovery unhampered by governmental "experiments." Whether this is due to Mr. Rose's ingenious M. A. T. rule or to keeping the management on its toes by more frequent and up-to-date reports is a matter of opinion. American cost accountants have emphasized the importance of the latter for many years.

(Parenthetically Mr. Pollen's bland implication that the "Wall St. debacle" caused the world-wide slump in business is a bit naïve. Would he hold a barometer responsible for an approaching storm?)

W. H. LAWTON

SIMPLIFIED MATHEMATICS FOR ACCOUNTANTS AND EXECUTIVES, by HARRIS D. GRANT, *McGraw Hill Book Co.*, New York. 434 pages. 1934.

When I first had occasion to use mathematics in my practice there had not been published any American books on the subject and one had to depend on the English publications issued by the Institute of Actuaries. A little later

Joseph Hardcastle published in this country his series of articles, now out of print, and—owing, I fear, to the shortsightedness of publishers—never reprinted. All these works began at the beginning; they gave no tables, but they showed how formulæ are built up, and how they are used, and gave examples the most illuminating. Today the student thinks he has no time to spare on such beginnings but demands the results expressed in the form of tables, so that he may quickly reach the end.

To some old fogies this may indicate a lack of thoroughness which, they think, is one of the evils threatening the present day. To the young accountant who does not love mathematics it may bring relief untold, especially if he has ever read any of the final examination papers set by Scottish societies. In my early practice I was often called upon to testify as to the present value of certain lives and was called upon to state, from the witness stand, the somewhat complicated formulæ which were used in the calculations. Such proceedings no longer occur and the courts are prepared to accept the word of a witness as to results obtained from printed tables. And the modern man says "Why not?"

Therefore, under present conditions, such a book as that now before me has increased value and usefulness, and to the modern accountant, the business man and the student, the present volume is a blessing, for its twelve chapters deal with interest problems, instalment sales, average time of payment, annuities, bond valuation, fund amortization, valuing leaseholds, building and loan problems, our old friends the methods of calculating depreciation, and many other matters—all dependent upon mathematics and all clearly set forth. There is also an appendix containing some theory and a number of tables of present values, annuities, etc.

In these days, when a client may telephone asking what rate of interest will be obtained on an issue of serial bonds sold at various prices and will be peeved if one can not instantly give him the answer, this volume may be invaluable; and the student, after telephoning, can if he likes, work the problem with all the formulæ his soul longs for and, if he be lucky, will confirm the reply given over the telephone.

WALTER MUCKLOW