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Book Reviews

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Book Reviews

BANK LOANS ON STATEMENT AND CHARACTER, by MAHLON D. MILLER. *The Ronald Press Co.*, New York. 492 pages.

Although *Bank Loans on Statement and Character* is written primarily for the instruction of borrowers and bankers it is full also of matter that will help public accountants to understand what they can and should do if and when their conclusions are to be made the basis on which credit is to be extended.

From the point of view of the borrower and banker little seems to have been overlooked. For instance, additional free service is noted as one of the advantages derived from distributed borrowing. As is justly pointed out, time wasted in discussing borrowers' private affairs, gratuitous advice, safekeeping securities and sometimes other valuables—all constitute a burden on bankers, and the services are frequently demanded by and given to customers whose other business is of little value.

The author realizes also that chronic borrowers grow into a feeling that the bank is a partner with them, bound to lend what they ask; by implication it is made clear that those who seldom borrow are likely to have much more trouble than perennial borrowers, just as in private life those who always owe the grocer can get anything on credit without difficulty while those in the habit of paying cash are looked at with suspicion if, having left their pocketbooks at home, they say they will call and pay their bills tomorrow. The moral is, of course, to borrow a little and establish a "line of credit."

There is some matter not fully applicable to conditions in New York. On pages 16 and 17 the requirements of a banker in a statement of affairs of an applicant (to be certified by the auditor) include, *inter alia*, information as to officers—whether or not married, health, clubs, habits, education—all foreign to the province of the auditor as we understand it. In small towns conditions may be a little different.

The author, like some others, thinks that the public accountant should be responsible for the physical verification of quantities of inventory; he says, "This is the ideal situation." Is it? And for whom is it ideal? We may recognize the implied compliment to the diversified capabilities of the public accountant, and to his integrity, in the thought that his verification of any commercial product is ideal, and we should not refuse any help that we properly can give; but that we should physically verify inventories of, say, coal or raw hides or antique furniture or pearls implies a willingness on our part to do some of the hardest and dirtiest of manual labor and at the same time implies a knowledge of the merchandise sufficient to prevent our being deceived as to qualities.

Lack of uniformity in borrowers' statements is stressed, perhaps entirely with reason. Probably bankers will never be troubled with too much uniformity in these statements so long as they are prepared by the borrowers themselves and not by outside accountants; nevertheless, if unvaried forms were used under all conditions by all borrowers they would be quite unsuited and misleading in a large percentage of instances.

If a little more weight had been attached to the profit-and-loss account as compared with that given to balance-sheets the book would not have suffered.

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In the case of the chronic borrower with a fixed credit limit the trend of the profit-and-loss account is vital. Unless the banker is unusually vigilant his security may disappear unnoticed. Out of 390 pages of the book only 28 are given to the chapter on the profit-and-loss account. There are, of course, other references to that account throughout the book.

To those who have to plan finances, those who are borrowers without collateral, to those who are lenders, and to public accountants generally this book is recommended.

F. W. THORNTON.

MANUAL OF MUNICIPAL ACCOUNTING, by LLOYD MOREY. *John Wiley & Sons, Inc.*, New York. 187 pages.

The *Manual of Municipal Accounting*, by Lloyd Morey, is a valuable contribution to the literature on accounting. The book is well adapted as a guide to the student of municipal accounting on the one hand and to the comptroller of a municipality on the other.

The treatment of the balance-sheet general fund on page 17 is unique. So far as the reviewer is aware no similar method of preparing a municipal balance-sheet has been set forth. It should be noted that the author does not employ a separate fund balance-sheet, but includes all fund balances with the general accounts.

The description of the routine followed in controlling the cash receipts and disbursements is particularly good. In chapter IV ten specific steps are enumerated for the control over expenditures. A description is given of the method of procedure to be followed in keeping the appropriation ledger of a municipality. The form given on page 118 is particularly good and is worthy of close examination by students of municipal accounting and procedure. Attention is directed to the method recommended for recording encumbrances on funds in order to prevent overdrafts of funds. It is the plan to enter the estimated cost of all encumbrances in the appropriation-fund accounts. This procedure is in line with the most up-to-date methods.

A good explanation is given of the method of handling all special assessment funds covering public improvements. A financial officer who follows Morey should not go wrong. The distinction between revenue and non-revenue funds is observed. This practice is of the utmost importance in keeping the books of a municipality. Property accounts and the method of keeping them are clearly explained. Labor and material records are covered in clear and concise manner. A complete appropriation ordinance is given in the appendix for reference by anyone who is not familiar with one.

I take pleasure in recommending Morey's book to anyone interested in municipal accounting.

D. C. EGGLESTON.

ERRATUM

Among the book reviews in the January, 1928, issue of THE JOURNAL OF ACCOUNTANCY, the publishers of *The Building and Loan Association*, by Riegel and Doubman, were erroneously given as The Macmillan Co. The book is published by John Wiley & Sons, Inc., New York.