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Book review

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Recommended Citation

Haskins & Sells Bulletin, Vol. 10, no. 02 (1927 February), p. 15-16

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death, especially if he is making a venture of a speculative nature which he feels sure of carrying through should he live.

In the case of co-partnerships or close corporations insurance is one of the best ways to create a fund to purchase the decedent's interest upon the death of any member. In this way stock of a corporation may be purchased which would otherwise become inactive in the hands of those who are interested only in dividends. It may be desirable to prevent the decedent's heirs from interfering with the management of the business.

It is not uncommon to hear a banker remark that the best security for a loan is the character of the borrower. Because of this fact business insurance may function as a promoter and stabilizer of credit. When large sums are lent to persons whose principal assets are character and ability, it is to the interest of both borrower and lender to avert a financial catastrophe by means of business insurance should death occur before the completion of the project. Considering the large proportion of business which is carried on a credit basis, it is natural that bankers should insist that insurance be provided whenever success is contingent upon the life of any individual.

It is unfortunate that there is no definite basis to determine the value to be placed on the services of an executive. Although personal life insurance has been obtainable for many years, in the absence of reliable data such policies have been purchased in arbitrary amounts. Only during the past year have statisticians determined the economic value of human life. The present value of a man's future personal expenses is deducted from the present value of his future earnings to give the present value of his future net earnings, or the amount for which he should be insured to protect fully his dependents in case of his death. For example, the economic value of a man at age thirty whose maximum

salary will be \$5,000 a year is estimated to be \$48,562. It is to be hoped that further statistical research will result in the determination of a satisfactory basis for estimating the value of executives to a corporation.

Different kinds of policies available for personal life insurance also are available as business insurance. In nearly all cases there is a form of policy to meet the specific needs. The ordinary life policy is the most popular where insurance is to be retained for any length of time. The investment features of endowment policies serve no particular purpose as business insurance to a corporation. The additional funds may be more profitably invested elsewhere. Where insurance is desired for a limited time while a specific project is being completed, term insurance is appropriate. This form of insurance provides the largest protection for the least outlay. It may be had from year to year or for a term of years. However, it becomes expensive if carried to advanced ages. Funds may be borrowed on any type of policy, except term insurance, to the extent that there exists a cash surrender value.

Business insurance, therefore, fulfills an economic need. Insuring the lives of important executives so that sudden casualties will cause as little disturbance in industry as possible is one of the many progressive steps which American business enterprise has taken.

Book Review

Foster, William T., and Catchings, Waddill, *Profits*. (Boston and New York, Houghton Mifflin Company, 1925. 465 p.)

On the theory that the problems of our industrial order as it is today are involved in the money economy and profit economy which we live in, and probably must continue to live in, the authors have followed an earlier volume on "Money" with the present work on "Profits."

The first half of the book is devoted to a partial justification of our money and profits system, wherein it is pointed out that the profit incentive is probably the most satisfactory motive for individual effort and initiative; that profits and losses are a necessary result of the business risks which are inherent in a progressive society; and that competition must remain in our economic order, together with security of private property. The last part deals with adverse criticisms of our economic system demonstrating, among other things, that the present money and profit economy does not enable consumers, year in and year out, to obtain the required money to buy goods quite as rapidly as they are produced, which is necessary to attain the desired economic aim of constantly advancing the material well-being of the people generally; and that there is consequently no possibility of sustained economic progress, and extreme alternations of prosperity and depression are inevitable.

It is contended that consumer buying does not keep pace with production for two reasons: first, because approximately one-half of all industrial profits are invested in increasing production rather than disbursed to consumers to buy the goods already produced; second, because consumers, under the necessity of saving, cannot spend even as much money as they receive. Dollars saved instead of spent are used to a large extent for the production of more goods, thereby increasing the difference between production and consumption. One of the more important factors which tends to make up for the deficit in consumer buying is the expansion of the volume of money. However, the money is expanded mainly to facilitate the production, rather than the consumption of goods, and the goods must be sold to consumers for more money than the expansion has provided.

Although the authors analyze and discuss the problems without offering a solution,

the general statement is made that our greatest economic need to sustain a forward movement in business is adequate consumer purchasing power. This contemplates a flow of money to consumers which, after providing for savings, would always be approximately equal to the flow of finished goods.

The book differs from the average discussion of economic principles in that the terminology used is well adapted for those who are more practical minded. It is one of a series of publications of the Pollak Foundation for Economic Research, which offers a prize of \$5,000 for the best adverse criticism of the arguments advanced.

News Items

Colonel Carter returned from Europe on January 25, on the S.S. *Berengaria*, after spending a month visiting our London, Paris, and Berlin offices.

Mr. Forbes returned from the Orient early in January after having assisted in the opening of our new office located in the Pacific Building, Manila. He also visited Shanghai and several cities in Japan in connection with other professional matters.

Mr. C. M. Doiseau, of the systems division of the Technical Procedure Department, has resigned to become vice-president of The Cambridge Tile Manufacturing Company, Covington, Kentucky.

Mr. H. W. Scott, of our Detroit office, recently has received the C. P. A. certificate of the State of Michigan, as a result of the November, 1926, examination.

Mr. E. K. Ford, of our Philadelphia staff, also is to be congratulated upon passing the November, 1926, C. P. A. examination of the State of Pennsylvania.