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Book review

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Recommended Citation

Haskins & Sells Bulletin, Vol. 10, no. 07 (1927 July), p. 55-56

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sented in the capital stock account, because the undiminished surplus may be drawn upon for future cash dividends.

No single method for determining the amount of surplus which should be capitalized when a no-par stock dividend is declared, can be advocated which would be appropriate in all instances. Each case must be treated in the light of the specific

facts applicable thereto. If the laws of the state have been complied with, and the action of the board of directors has been in harmony therewith, the accountant can offer his opinion as to what he considers the best procedure for handling no-par-value stock dividends in the accounts, but he cannot insist that any other action be taken.

Book Review

Hatfield, Henry Rand. *Accounting*. (New York, D. Appleton and Company, 1927. 548 p.)

It would indeed be with regret that one would give up such a friend as Hatfield's *Modern Accounting*, if it were not for the fact that *Accounting*, its supplanter, is written by the same author. *Modern Accounting*, published in 1909, was one of the earliest American contributions to accounting literature presenting the theory of accounts as distinguished from bookkeeping technic. That, eighteen years later, this volume should still maintain its high position in the literature of accounting, is sufficient evidence that the frequent reference to this work as an "accounting classic" is well merited.

Accounting is, in some measure, a revision of the author's earlier book. The last two decades, however, have been so fruitful in the progress which has been made that this later volume must be considered something more than an ordinary revision. The author has extended his comments on many of the matters discussed therein and also has introduced new material in two chapters on the consolidated balance sheet and the interpretation of the balance sheet respectively. The introductory chapters on the theory of double entry bookkeeping have been omitted in the present volume.

The book is not an elementary one. It does not attempt to treat the mechanics of bookkeeping. The author has presented the problems of current accounting practice in a dispassionate, rather than argu-

mentative, manner. In view of the fact that there is no uniformity of opinion upon many questions, the author's purpose is, as quoted from the preface to the earlier publication, ". . . to show the existing variations rather than to attempt to formulate rigid rules. The comparative study of accounting practice will, perhaps, be a greater service to accounting science than a more dogmatic treatise." Professor Hatfield accordingly has drawn freely from current practice for his illustrations. The frequent citation of court decisions, the numerous references to other writers, European and American, and to the legal provisions of the European countries, give one the feeling that nothing has been left undone to make the work a thorough one. The tolerant attitude which Professor Hatfield exhibits toward differences of opinion is soothing when compared with arbitrary statements of others that the only correct procedure in a given instance is thus and so.

The theoretical argument, as given on page 162, that depreciation might be considered a function of profits is interesting indeed, especially in the light of the efforts which have been made to eliminate this procedure in practice. As Professor Hatfield later points out, accountants are agreed that to charge off more depreciation in prosperous years and less when profits are less is improper.

Chapters X, XI, and XII on profits and dividends are noteworthy indeed. The argument in favor of permitting a corporation operating wasting assets to pay

dividends without making allowances for depletion is presented well. As Professor Hatfield points out, a mining venture is not necessarily a permanent undertaking. It is of a speculative nature. Stockholders may prefer to have the fruits of such exploitation returned as soon as possible to invest in another venture rather than have them invested for a period of years in securities yielding a low rate of interest. In the author's own words "... it seems absurd to require that a body of capitalists willing to invest in a peculiar speculative enterprise should be forced to form what is practically a trust company to invest part of the annual receipts against some far distant day of accounting."

A chapter is included on the statement of affairs although it is doubtful whether such a statement is to be found very often in the United States outside of textbooks and examinations. There also is included an appendix of sixty-three pages containing problems which, rather than to constitute a memory test, serve to test the reader's grasp of the principles involved. Frequent efforts to ascertain quickly what "Hatfield" has to say on one subject or another cause one to feel that the index could be more comprehensive to do justice to the wealth of authoritative information contained in the book.

Accounting is a finished piece of work on current principles and practice. It deserves a place in every accounting library, large or small. It is a valuable reference book serviceable to student and professional accountant alike. A volume of the character of Hatfield's *Accounting* is indeed a welcome addition to the literature of accounting.

News Items

Mr. Ludlam is planning to sail on the S.S. *Leviathan* July 2 for Europe. He will go direct to Paris and visit the various European offices during his proposed stay of about two months.

Mr. Wildman has returned from New

Orleans where he has been assisting the State of Louisiana in the prosecution of the case of *State v. F. C. Glover, et al.*, charged with embezzling \$94,000 from Guaranty Plan Corporation of New Orleans, Louisiana.

This case is one in which six members of the office force were in collusion, one of the six being the stenographer. Two of the men turned State's evidence and have not been prosecuted. The ringleader changed his plea to guilty at the opening of the trial and was given a sentence of from seven to twelve years. The remaining two stood trial and were convicted of embezzlement. Sentence has not yet been imposed.

A recent cable from Mr. Morris announced the sudden death in Milan, Italy, on the night of June 8, of Mr. Charles F. Smith, formerly of the Thirty-ninth Street practice office staff. Mr. Smith had been assisting the European organization and had been complaining of illness for several days prior to his death. The precise cause thereof is unknown, but is thought to have been acute gastritis. Mr. J. M. Brennan is en route to the United States with the body on the S. S. *Duilio*. Mr. Morris is still in Europe and his return to this country is indefinite.

We also convey, with deep regret, the notice of death in Atlanta, Georgia, on May 19, of Mr. L. C. Matthews, formerly manager of our Atlanta office. Although Mr. Matthews had not been connected with our organization for some time prior to his death, he had many friends and acquaintances in our organization who will learn of his death with sincere sorrow.

Mrs. Dudley C. Morris, who has been connected with the financial department of the Executive Offices for some time, sailed for Paris on June 22 to take the position of secretary of that office. Mrs. Morris' husband, who died in November, 1924, was formerly a member of the firm of Haskins & Sells.