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Book Reviews

Authors

F. W. Thornton, Walter Mucklow, W. H. Lawton, Edward Fraser, Earl G. Lee, and Henry W. Sweeney

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CONSOLIDATED BALANCE-SHEETS, by G. H. NEWLOVE. *The Ronald Press Co.*, New York. 309 pages.

The author of *Consolidated Balance-Sheets* has directed his efforts to the mechanical rather than the theoretical aspects of consolidations. He does briefly mention varying theories, and barely indicates his preferences. This seems to be a wise course, since textbooks having an obvious bias on debatable matters can not be accepted without question by the student; this is emphatically a book for the student and not for the professional accountant.

Many features of the book show the desire to instruct the student in methods rather than in debatable principles; conspicuous among these is the comparison in each problem of the procedure (a) where the stock of subsidiaries is carried at actual asset value and (b) where it is carried at cost. As a practical matter the stocks of subsidiaries can never be carried at asset value except at the date that the subsidiaries close their accounts; but the comparative statements of procedure referred to are well designed to clarify the minds of students. The differences in eliminations, always arriving at identical results, bring forth conspicuously the adjustments needed where stocks of subsidiaries are carried at some value differing from the asset value, as in nearly all cases they are.

Not much attention has been given to those cases where stocks of subsidiaries have been acquired in exchange for stock issued by parent companies; and a prominence that seems rather strained has been given to the treatment of stocks acquired by purchase in the open market. Of present-day consolidations it is probable that 80 per cent. are of companies either organized by the parent or acquired for capital stock of the parent.

The treatment of the accounts where the apparent value of tangible assets acquired is greater than the cash consideration, namely, by the establishment of a reserve for revaluation of assets, fails entirely when the subsidiary is acquired by the issue of stock of the parent company; inter-company relations, saving on consolidation, increased business resulting from common ownership, and some other factors may well influence the sale of stock to a parent company in exchange for an amount of stock of the parent either much greater or much less in book value than the tangible assets sold. Indeed, the value of the stock to be issued by the parent for the stock of the subsidiary may depend largely on the acquisition of that and other subsidiaries. In such circumstances the real value of the stock of the parent, including goodwill not on the books, can not be determined with sufficient accuracy to justify the provision of a reserve for revaluation of assets representing an assumed excess of book value of assets acquired over value of parent's capital stock issued for them. Only an actual revaluation can determine a proper value other than book value. Tax department methods may be all right for the purpose of measuring taxable profit, but it will be a sad day when they are accepted as a guide to correct accounting.

During recent years costs have so advanced that fixed assets long carried on the books are presumably undervalued; and a reserve for revaluation provided

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out of the excess of book asset values over cost of capital stock representing them is a refreshing thing to think about. We have been accustomed rather to see "capital surplus arising from reappraisal," representing a write-up of the book values of fixed assets.

Perhaps the author will deal with these matters in a later book; they are, possibly, somewhat unsuited to the ordinary student.

So far as the author does indicate any preferences on debated subjects his leanings are toward sane and conservative ideas. However, the influence of tax training seems to have given a slight bias toward bureau of internal revenue accounting.

The relations of subsidiaries and sub-subsidiaries are set forth as a "family tree," and rules are given for their consolidation (rules 5, 6, etc.), stating that the consolidation must proceed by steps, "so that no more distantly related companies than father and son are consolidated in the same step." Very good, if the relation is so simple; but there are companies where the son is also a grandson, and even cases where the grandson is also a stockholder in the parent. It is to be desired that these also may be the subject of a more advanced work by this author in the future. In the meantime this book will go far toward a correct training in the simpler problems of consolidation.

F. W. THORNTON.

THE CORPORATION SECRETARY'S GUIDE, by WILLIAM H. CROW.
Prentice-Hall, Inc., New York. 765 pages + xx.

"This volume is intended primarily to fill the need for a comprehensive manual and reference book for corporation secretaries." So reads the opening sentence of the preface of *The Corporation Secretary's Guide*, and an examination of the succeeding 764 pages inclines one to the opinion that it fills its mission.

The book consists of 24 chapters, an appendix containing a great variety of forms and the listing requirements of American and foreign stock exchanges, followed by a complete index.

The opening chapters are devoted to a description of the nature and scope of a secretary's office, the qualifications in England and America, pre-organization and organization matters, including a tabulated statement of the requirements in each state. It describes the powers and duties of the various corporate officers, the many records, reports, notices, lists, etc., for which a secretary is responsible, and his duties preliminary to and while in attendance at meetings. There is a full statement of the legal requirements related to each of the various corporate meetings, followed by a chapter describing the books and records to be maintained by a secretary. Five chapters are devoted to the details related to transfers; corporation taxation occupies one chapter, and is followed by another on the miscellaneous duties of a secretary. Then comes one of the most valuable portions of the book, a description of privileged offerings or "rights," which occupies several chapters.

A chapter on commercial law contains numerous definitions of legal phrases in common use and the book closes with a glossary of stock-exchange and financial terms. Throughout the book are 9 tables showing the requirements of taxes, fees, etc., imposed by each of the states in the union.

The author gracefully conveys his thanks to the many collaborators who have assisted him and expresses his regret that he is unable to name them all; however, he feels that special acknowledgments are due to 147 gentlemen (nearly all secretaries) who have assisted him.

It is a curious fact, and one worthy of consideration, that in America, where incorporation is resorted to perhaps to a greater extent than in any other country, there is no recognized standard of secretarial qualifications. The company secretary in this country has, Topsy-like, "just growed," and today he is in a position somewhat similar to that which the accountant occupied here forty years ago. He is frequently, as was the accountant, a man of ability, but he is not recognized as belonging to a distinct profession, as is his brother in England where the Chartered Institute of Secretaries maintains standards, sets examinations and exercises a control of the profession in a manner not dissimilar to that followed by the chartered bodies of accountants.

The essential characteristics of a good secretary are a genius for detail, industry and tact: would that his duties could be as briefly defined!

Reading this book leaves one with the impression that a really first-rate secretary should have all the virtues, all the knowledge and every other good thing possessed by the 147 named collaborators, to say nothing of the cloud of unnamed assistants. But after all, is not one of the chief duties of a secretary that of doing himself what any other of the officers has left undone?

After considering the book as a whole, what impression does it leave on the mind of the reader? So far as this reviewer is concerned, the impression is good, distinctly good.

The need for such a book is apparent, the information is complete, well stated and varied. Some doubt arises as to whether or not it is too varied.

The experiences of able men have a permanent value, standard forms may be relied on for long periods, but any attempt to tabulate the ever changing laws of 48 states on such a subject as the regulation of corporations seems to me dangerous. In the present instance, notwithstanding a page of "changes and errata," some errors remain. Floridians are proud of their new incorporation law passed in 1925 and said by many competent authorities to be the best in the United States. This is mentioned on page 68 and is correctly quoted in several other places, yet the "important requirements" on pages 96 and 97 are evidently taken from the old statute and are incorrect in many, if not most, of the important particulars.

Possibly other doubts may arise as to the wisdom of devoting a chapter to commercial law—on the principle that a little knowledge is often a source of danger—and also as to the necessity for a glossary. Such additions increase the expense of the book and contribute to make the price sufficiently high to prevent its purchase by some secretaries of small corporations—a class which contains perhaps those most in need of information. Still, notwithstanding these items of doubtful value, there remains a mine of great value.

So far as I know, no other work on the subject is as complete as this one, and it is probably the first time that such a variety of information regarding a secretary, his requirements and his duties has ever been enclosed in the covers of one book.

WALTER MUCKLOW.

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ELEMENTARY ECONOMICS, by FRED ROGERS FAIRCHILD, EDGAR STEVENSON FURNISS and NORMAN SYDNEY BUCK. *The Macmillan Company*, New York. 2 vols., 568 and 661 pages.

Having several times in these columns expressed an earnest wish for more texts on elementary economics for the rising generation, it is perhaps not surprising that the editor of THE JOURNAL has sent me the excellent volumes called *Elementary Economics* to review. I confess at once that I got more than I bargained for! After several weeks of reading and inwardly digesting these twelve hundred pages, I am moved to remark that if these be elementary economics; if, as the authors announce, this book is "strictly for beginners," what, then, must be the scope of advanced economics! "Elementary" is a relative term to be sure, but it seems to me it has been rather overworked as a qualifying title in this particular line of study. A casual inspection of the contents of several of these "elementary" texts, ranging from 250 to over 1,000 pages, all proclaiming themselves to be for "high schools and colleges," has left me with very confused notions as to just what constitutes the elements of economics. Now I have a decided respect for the mental acuteness of the average twelve to fourteen-year-old youth, and I believe a small primer of sound economics, an economic credo, as it were, would be readily grasped and assimilated by him. This is what I had in mind to combat communistic "Sunday school" methods. It would be as practicable and useful as similar methods of teaching history and geography in the elementary schools, or religious history and dogma in our Sunday schools.

But this is by the way. What we have in this book is a text for the use of college students prepared by members of the faculty of Yale University in the light of many years' experience in teaching the subject. Disclaiming any attempt at propaganda in favor of one school or another, its avowed aim is to set forth the elementary facts and principles upon which the science of economics stands today. The authors have endeavored as far as possible to avoid controversial subjects, believing such matters to belong to the more advanced courses in this field. Where this rule could not be followed they have frankly stated what they consider sound conclusions to be drawn from the premises, believing, and rightly I think, that beginners do not profit much from the type of discussion which presents both sides of a controversy and leaves them to draw their own conclusions. With the ethical or moral problems which inevitably arise the authors profess no concern: the object of the book is to aid the student to discover how things are, not how they ought to be, following the classic distinction between science and art as laid down by Francis Walker. While the book as compared with the majority of textbooks in economics may appear quite long, it has been written with the idea of combining class work with required reading, a desirable convenience for students of smaller colleges maybe, and certainly for the general reader, who may not have access to the list of books of sources and authorities given at the end of each section. And finally the book is offered to those more mature readers who have not had the advantage of college instruction in economics, or have forgotten most of what they did have, as a general outline of the science of economics as it stands at the present time.

A brief summary of the contents will best indicate the scope of the book. Part I describes the economic organization: the necessary preliminary

definitions of economic terms, the factors of production, a history of industrial stages in England and America (most interesting chapters these!), division of labor, business units, the organization of marketing and transportation, and the economic functions of government.

Part II, the laws of price: significance of price, supply and demand, competitive and monopoly prices, and the complex relations of supply, demand and cost of production. Old-fashioned Spencerianites will note with satisfaction the modern confirmation of the doctrine that all things tend to an equilibrium.

Part III deals with the history and various theories of money, banking and exchange, a section likely to cause severe headaches and more or less contention! While I admit the need of a term more inclusive than "money" to take in the extensive use of bank credits (deposits and cheques), I query the word "currency" (see page 437). This word has a definite and universally accepted meaning in business and financial circles, and the use of it as a technical economic term can lead only to confusion. Why not "exchange media"? In their discussions of the stabilized dollar and the business cycle the authors seem to have gone outside the stated purpose of telling only "what is, not what ought to be." As far as I can see, stabilizing the dollar on the basis of index prices would be purely arbitrary as a function and not governed by any economic law per se; while it is obvious that the business cycle simply illustrates the inevitable working of certain economic laws. We know what they are, so there is no "unsolved problem in economic science" (p. 515) involved.

The second volume opens with part IV discussing several problems of the business organization, such as the economics of railroad transportation, leading naturally to the phenomenon of government regulation, and the problems of industrial monopoly and its control, "big business", and of the closely interrelated subjects of risk, insurance and speculation.

Part V covers the most vexed, least understood and highly explosive field of the distribution of wealth and income. This brings under survey the questions of rent, interest, profits, wages, trade unions, immigration and population. The Malthusian theory comes in for its usual derogatory criticism—a modern economist would be out of fashion if he did not take a shot at it!—but I am glad to note that the authors of the book after duly riddling the mistaken ratios admit that the fundamental basis of the theory is correct.

Part VI treats of the economics of government, a subject that is becoming of painful interest to us as a people, involving public finance, taxation, tariffs and government industries (post office, etc.), with some remarks upon government ownership, as would be expected.

In part VII there is a very clarifying and instructive discussion of the labor problem and the rise of labor organizations.

It is not of any importance perhaps, but the title of part VIII, "Reform of the economic system", seems a misnomer. Of its two chapters, the first, on profit sharing and coöperation is logically an evolution, not a reform, of the distribution of income, while socialism, the subject of the second chapter, necessarily involves the total destruction of the present capitalistic system. Witness the authors' definition of socialism:

"Socialism is a programme of reform which repudiates private ownership of the means of production and competitive control of industry; it

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proposes a type of society in which productive capital will be owned collectively and economic activity will be controlled by authority."

However, a "reform" that kills the object to be reformed is no doubt effective!

As one of those "more mature readers" whose "present notions (of the science of economics) are . . . vague and antiquated" (or at least were) I make bold to affirm that the authors of *Elementary Economics* have well performed their task as outlined in the second paragraph of this review. I cheerfully recommend the book to all others in like case. I suppose the average business or professional man has a more or less hazy smattering of economic ideas and principles lurking in the back of his mind. By the same token he is more than likely to have just that proverbially dangerous little learning that makes him vulnerable to attacks by light-hearted and light-headed pseudo-economists who offer through the popular magazines and Sunday supplements economic panaceas warranted to abolish poverty, business cycles, low and high prices, profits, banks, etc., etc., ad lib., forthwith. If the "economist" happens to be prominent in some other profession or business with little or no reputation in the field of economics, so much the better. It is not an easy task to read and digest this "exposition of the fundamental facts and principles of economics." Compared with the leisurely perusal of a popular article on a Sunday afternoon it is even hard work, but if faithfully and earnestly undertaken it will bring far better results in the way of an orderly and logical method of reasoning on causes and effects. It hurts to think sometimes, but we would be a better balanced people if we learned to think till it hurts.

W. H. LAWTON.

MOTOR BUS ACCOUNTING PRACTICE, by IRVILLE AUGUSTUS MAY.
The Ronald Press Company, New York. 200 pages.

The rapid development of transportation by motor bus, both within the limits of cities and between cities and towns, leads one to expect the publication of books on the accounting practices applicable to such ventures. In the opinion of the reviewer, Mr. May's book, *Motor Bus Accounting Practice*, will be more valuable to bus enterprises operated in connection with, or as competitors of, street railway systems than to suburban bus lines or companies operating between distant cities or towns.

The book contains fifty-four forms, and suggested headings for others, and reproduces in the appendix the classification of accounts for bus-operating companies prepared by the committee on bus accounting of the American Electric Railway Accountants' Association, as amended in October, 1925. These forms and the appendix should prove valuable to any accountant engaged in designing and installing a system of accounts for a motor-bus operator. However, the author submits or suggests more forms than the average bus company could use to advantage, and a number of the forms reproduced overlap, with the result that the user of the book will be called upon to discriminate in determining which forms, or parts of forms, will best serve his purpose.

The reviewer believes that the chapter on statistical information places too much emphasis on summarizing revenue and expense data by buses, and to a certain extent disregards the fact that practical operating conditions often require the same bus to run on two divisions during one day. Executives of bus companies tell us that operating costs by buses are important in deciding

upon types or makes of coaches to be purchased or withdrawn from service, but that data on passengers carried (or gross revenue per bus mile), by *runs* or *divisions*, are of great importance in determining policies.

One should not expect polished literary style in a book of this character, or comment on violations of good form such as the use of a split infinitive, but the reading matter would have been improved had the author made definite unhedged statements of his own opinions rather than frequently using such phrases as, "It would seem to be rather poor advertising," "a report . . . somewhat along the lines shown," "still further reports might come in from the operating department," "which might be called 'statistical information' or some other name," and "some forms that might perhaps be used."

The explanation of the operation of a petty cash fund and other similar matter "might perhaps" have been omitted from a book of this character.

A. F. WAGNER.

TEN-PLACE INTEREST AND ANNUITY TABLES, by FREDERICK C. KENT and MAUDE E. KENT. *McGraw-Hill Book Co., Inc.*, New York. 214 pages.

The title of *Ten-Place Interest and Annuity Tables* errs on the side of modesty.

The book contains the six customary tables of compound interest, discount and annuity values carried to ten places of decimals at 36 different rates of interest from $\frac{1}{4}$ of 1 per cent. to $10\frac{1}{2}$ per cent. The 24 highest rates are calculated for 100 periods, the middle group of 4 rates for 200 periods and the 8 lowest rates for 300 periods. This last group, for instance, assists one in calculating values at nominal interest rates of 3 per cent. to 9 per cent. per annum compounded monthly for a total period of 25 years.

There are also tables showing: the compound amount of 1 at 15 rates from .25 of 1 per cent. to .95 of 1 per cent., carried to 15 places; the compound amount of 1 for fractional parts of a year, the nominal annual rates equivalent thereto and the compound amount at the end of a year of periodic deposits during the year—all for 2, 4, 6 and 12 parts of a year at 36 different rates of interest, and all carried to 10 places of decimals.

Tables of logarithms are also incorporated, giving ten-place logs of 228 interest ratios from 1.0005 to 1.10, seven-place logs of numbers from 10,000 to 11,000 and a six-place log table from 1,000 to 10,000.

The volume concludes with the American experience table of mortality and the commutation columns based thereon at $3\frac{1}{2}$ per cent.

An introduction gives examples and solutions so that the tables may be used by one with no knowledge of actuarial science.

EDWARD FRASER.

THE TEN-PAYMENT PLAN OF RETAILING MEN'S CLOTHING, by H. D. COMER. *Bureau of Business Research*, The Ohio State University. 27 pages.

The bulletin of The Ohio State University on "The ten-payment plan of retailing men's clothing" presents a very interesting exposition of the subject. The analysis of the plan seems to be as complete as available information will permit, and the conclusions are stated in brief and intelligible form. While the plan seems open to the same objections which apply to all credit methods, it appears to have some advantages over other forms, one of the principal being that the goods purchased are paid for before they are worn out. It seems to be

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established that the plan as now operating materially reduces the time outstanding on accounts. This time element has been mathematically analyzed and effectively visualized in accompanying charts. The conclusion in regard to the time factor, however, is that it is harder on the customer than the ordinary credit arrangements. "Some customers apparently interpret the plan as being 'easy' because it functions as a substitute for the will-power necessary to plan ahead and save the funds with which to make a needed purchase. In that event the plan is 'easy' because it permits following the line of least resistance, that is, it takes the form of painless budgeting."

The effect of the plan on sales is of particular interest to the merchant. One subtle influence suggested is that it operates to hold the trade of the delinquent credit customer who might be otherwise tempted through a feeling of embarrassment to spend his cash elsewhere. An instance is quoted of one dealer who converted annual losses into profits because the plan enabled him to dispose of seasonable goods at full price during the season instead of at reduced prices later.

It is suggested, however, that the supposed advantages may be temporary competitive advantages accruing to certain stores and that "as a means of permanently increasing total volume of the clothing business, a thorough-going educational campaign on personal appearance would seem to offer greater results than the ten-payment plan."

An interesting speculation as to the economic aspect of instalment selling is given in a footnote in which the buying on credit by the consumer is likened to the borrowing of capital by a manufacturer, who thereby increases his purchasing power. The fallacy, of course, lies in overlooking the fact that the borrowing on the part of the manufacturer increases his wealth-producing power—it is merely putting idle capital to work; while the consumer utilizes credit not for the purpose of creating, but of consuming wealth a little ahead of the time he would be able to do so on a cash basis. The claim that this particular plan will increase the total volume of the clothing business "is not yet capable of empirical demonstration."

The pamphlet will be of interest to any clothing merchant contemplating utilizing the plan, or to the professional accountant called in consultation with his client on the subject.

EARL G. LEE.

HOW TO DO RESEARCH WORK, by W. C. SCHLUTER. *Prentice-Hall, Inc.*, New York. 137 pages.

The aim of *How To Do Research Work* is to make clear the approved principles and objective methods of modern scientific research, and to present such useful information in a form that will be easily understood.

The structure of the book can be most easily understood from an inspection of the steps in research procedure as the author gives them, for each such step represents the content of a chapter. These steps are as follows:

1. Selecting the field, topic or subject for research.
2. Surveying the field to apprehend the research problem.
3. Developing a bibliography.
4. Formulating or defining the problem.
5. Differentiating the elements in the problem and outlining them.
6. Classifying the elements in the problem on the basis of their relation to data or evidence (direct or indirect).

7. Determining the data or evidence required on the basis of the elements in the problem.
8. Ascertaining the availability of the data required.
9. Testing the solvability of the problem.
10. Collecting the data and information.
11. Systematizing and arranging the data preparatory to their analysis.
12. Analyzing and interpreting the data and evidence.
13. Arranging the data for presentation.
14. Selecting and using citations, references and footnotes.
15. Developing the form and style of the research exposition.

Each step in the outline above is given clear and simple treatment that explains why such a step is important and why it occupies the position that it does. Careful differentiation between principles and facts is characteristic of the treatment, so that the essentials of research work are stressed as such while being amply illustrated. Repetition of principles and of the reasons for their respective positions in the general outline serves as a continuous aid to memory and understanding. The treatment is concise enough to permit rapid comprehension of important matters and yet is sufficiently exhaustive to serve as an excellent guide for even the highly technical and carefully supervised Doctor of Philosophy dissertation. The treatment is broad and not dogmatic. The chapters are short. The book is interesting and easy to read.

The author states that there are many kinds of research and that the conditions, viewpoints and the like will vary with each field. He carefully emphasizes, however, that the principles and general methods of all research are the same and thus are capable of exposition in a general treatise. But because the author, after declaring that business and economic research may differ from other types of research, then uses chiefly references to business research to illustrate his treatment, the research worker in non-economic fields may wonder whether a better title for the book would not be *How to Do Research Work in Business*. But even if this slight criticism is justified, the book seems well worth reading, nevertheless, by anyone doing research in any field.

Although the author utilizes good psychological principles in presenting his subject matter, he may, perhaps, be criticized in some cases for failure to give more general classification to detailed important points of principle or procedure. The fifteen steps in general research procedure, quoted above, may be taken as an illustration of too elaborate classification. The detail that they present is great enough to confuse the reader with regard to the general regions that he must traverse on his way to the goal. Perhaps a general classification somewhat like that following would overcome the objection.

1. Selection of the research problem. (Steps 1 to 4 inclusive.)
2. Study of the problem regarding necessary obtainable data for solution. (Steps 5 to 9 inclusive.)
3. Analysis of the data. (Steps 10 to 12 inclusive.)
4. Presentation of conclusions obtained from the research work. (Steps 13 to 15 inclusive.)

If the research worker in practically any field would study each succeeding chapter of this book as his research work correspondingly progressed, he would find this little volume an able assistant.

HENRY W. SWEENEY.