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Book Reviews

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Book Reviews

CORPORATE RESOLUTIONS, by ISABEL DRUMMOND. *Ronald Press Co.*, New York. 321 pp. + xviii.

"This is a damn good book." Please note the quotation marks.

The writer had unpacked the volume called *Corporate Resolutions* and laid it on his desk to take home for examination, when a friend came into the office, picked the book up while waiting and on laying it down made the above remark.

The judgment was unbiased and spontaneous; it came from one by no means unqualified to judge and it expresses as briefly as is possible the conclusion at which I arrived, after study.

Naturally I remonstrated with my friend, first for using such a self-contradictory expression, and secondly for swearing at the work of a lady. In reply to both he referred me to the *Century Dictionary* which shows that the two adjectives when used as in the above opening phrase do not contradict, but emphasize each other and that, by usage, it has become recognized that the expression is not profane.

It may be admitted at the outset that, as a married man of some experience, the reviewer accepted the invitation of the editor to comment on this work of resolutions, written by a woman, with alacrity and with some idea of "getting even," as it promised to afford an unusual opportunity for a mere man to discuss such matters without the fear of interruption or contradiction which is sometimes supposed to hamper a free consideration of the subject.

I regret to say that I do not know the authoress nor even the correct manner of addressing her, but the title page shows that she holds two degrees, is a member of the Philadelphia bar and assistant city solicitor of Philadelphia. Her ability is the only quality which can be reviewed, and the limits of space increase the difficulties of rendering full justice thereto.

The book opens with a short chapter giving a brief history, by-laws and the law governing corporate resolutions, clearly written and forming interesting reading. The authoress states that the origin of the by-law was the law of the old borough, which is an example of perhaps the oldest form of corporation under English law. This sounds logical, although it differs from the account frequently or usually met with, to the effect that "by" implies something of secondary importance such as a by-way, or by-path.

Her account of the derivation is followed by a brief discussion of the mandatory and directory provisions of the charter.

The authoress then deals with the resolution as a legal entity and finally emphasizes the necessity for the expert framing of resolutions—a question on which all accountants will heartily agree with her.

The above matters are all disposed of in eighteen pages, the remaining 293 pages being devoted to the wording of 359 different resolutions. These are divided into four sections:

- I. Stockholders' resolutions.
- II. Directors' resolutions appertaining to internal transactions.
- III. Directors' resolutions affecting third parties.
- IV. Corporate notices.

The scope is wide, for the resolutions extend from authorizing, organizing and fixing name, location and capital stock, to dissolution, and various forms are included, such as proxies, powers of attorney, prospectus and certificates.

It goes without saying that no one book could contain every conceivable resolution required under every possible condition, especially in view of the fact that frequently special phraseology is necessitated by the statutes of the various states. Still, a somewhat exhaustive search tends to show that all the usual, and many unusual, conditions are met and met adequately in the volume being reviewed. A list was made of various resolutions suggested by a series of reorganizations, and at first there appeared to be some deficiencies in the book, but on searching the index these all disappeared as it was found that each case was cared for.

The book is unique—none other of the same character appears to have been published; it is safe, for innumerable authorities are quoted; it is useful to the lawyer, the executive office, the stockholder and the accountant: obviously, then, a wise man in any of the above classes should place it on the shelves of his library, for there is no escape from agreement with the spirit, if not with the letter, of the opening sentence of this review.

WALTER MUCKLOW.

INCOME-TAX PROCEDURE, 1927, 2 volumes, by ROBERT H. MONTGOMERY. *The Ronald Press Co.*, New York. 486 and 576 pages.

This year's edition of Montgomery's books on federal taxes is confined to income taxes alone. It will be remembered that the 1926 edition comprehended information on excess-profits, estate, gift and capital-stock taxes as well as on income-tax procedure. The work of compiling data on all those laws from the 1909 to the 1926 act undoubtedly is a task of monumental proportions, and as pointed out by the author, even though compressed as much as possible, would have required three volumes, the aggregate pages of which would have been four thousand, to set them forth properly.

In view of this, as well as of the fact that a number of the foregoing laws are no longer in force, the elimination of these subjects seems not to detract one whit from the value of the 1927 edition.

Mr. Montgomery's books upon the subject of which this one treats are too well known to require any review of that which they contain; the manner in which the subject is presented, and the effective method of indexing. All this is known to his readers and is a source of satisfaction to them.

To members of our profession it may not be amiss, however, to point out wherein his books are of great service.

The general run of tax practitioners may handle a great number of cases without being confronted with some of the problems presented by the laws. As an instance of this is cited the provisions of the several acts upon the subject of amortization, obsolescence, depletion, the withholding of distribution of accumulations of earned surplus by corporations, and the statutes of limitations. When a client is confronted with some question not theretofore coming to the attention of the practitioners, they must read up intensively upon the subject; get all the various expressed views upon the question and then determine upon the particular procedure in the case before them. At such times too

much information can not be available. The minions of the commissioner seem to exercise almost devilish cunning in finding interpretations and opinions to confute the lowly taxpayer, but when, in the presence of one who has not only anticipated that which they are relying upon, but cites instances, opinions and interpretations of which they have not heard, their wily arguments fall heavily back upon them. In such cases Montgomery's work is invaluable. He, with his associates, not only have thought through the usual problems of a taxpayer: they have done it on all problems presented by the several acts.

We like Montgomery's works in the matter of federal taxation because he is courageous and outspoken; he does not hesitate to point out the defects of the laws, and, in many instances, he sees the defects long before others.

All of us perhaps read the laws, but obsessed with the idea that if a law is duly enacted, it is the law, no matter how unjust and inequitable it may be. Being in that frame of mind we do not question frequently enough whether or not a particularly drastic provision is invulnerable. Not so with Montgomery. If the law is defective he points out the defect, and the taxpayer is thus notified in advance to protect his interests in the matter.

STEPHEN G. RUSK.

MATHEMATICS OF FINANCE, by JAMES V. TONER. *The Ronald Press Co.*, New York. 364 pages.

A few years ago it was difficult to find a textbook on elementary actuarial science suitable for class work, but now there are several. *Mathematics of Finance* was prepared by Professor Toner as a result of his lectures at Boston University and is written from the viewpoint of a certified public accountant addressing students whose knowledge of mathematics is limited. The reasoning is clear and hardly requires a knowledge even of the rudiments of algebra, higher mathematics not being used at all. One excellent feature of the book is the large number of examples worked out in detail, even the bookkeeping entries being given in extenso, and the numerous problems given on each chapter for home work.

The first two chapters contain elementary matters relating to simple interest and discount not usually found in a book of this nature, such as finding the number of days between given dates, the calculation of chain discounts, etc. These are followed by a well written chapter on logarithms; then by the main subject: compound interest, annuities and the application to practical problems of the formulae derived from the compound-interest table, including an interesting chapter on depreciation.

While the simpler problems may be solved by arithmetic, this method is often slow and cumbersome. A knowledge of the rudiments of algebra is really essential and enough can be obtained by a few hours' study. Professor Toner avoids the use of algebra whenever possible. In this I appear to differ from him as I much prefer algebra to arithmetic as a basis, but perhaps I am biased by my early training in the subject. For example, Professor Toner gives first an arithmetical explanation of the amount of an annuity, then the algebraic, referring to the appendix for an explanation of the latter. The building up of the algebraic formula is so short and simple that no student should have any

difficulty in understanding it. After all, the entire subject covered is based upon the application of only two major algebraic formulae—one being derived from and practically the reverse of the other—which if forgotten can be built up again in a few moments. Other formulae used are derivatives.

It is difficult to include everything in one book, but in a subsequent edition there should be given a scientific formula for the valuation of an annuity where the number of times the interest is compounded is less than the number of payments made per annum. The one method of calculation shown for monthly payments, interest compounded quarterly, may be customary, but it is not scientific and is incorrect. Also there should be included a short scientific formula for the valuation of serial bonds sold at a premium or discount—Makeham's formula for example—two pages of the book being devoted to the arithmetical solution of the value of serial bonds spread over only five years. Some errors will no doubt be corrected in a subsequent edition.

The volume contains a six-place logarithm table from 1000 to 9999, showing differences and proportional parts, and a seven-place table from 10000 to 11000 for the more accurate calculation of interest ratios. The ten-place table of certain interest ratios given in the body of the book should be placed at the end where it could be more quickly found. The five customary interest and annuity tables are also included, calculated at 30 rates of interest from $\frac{1}{4}$ of 1 per cent. to 7 per cent., carried to seven places of decimals.

EDWARD FRASER.

A FEW WORDS TO THE ARTICLED CLERK, by DANIEL S. FRIPP, *Gee & Co.*, London. 40 pages.

A Few Words to the Articled Clerk is a paper read by the author before a body of student accountants, in which he gives some sound advice and helpful hints in the matter of preparing for examinations. Many of his suggestions would meet with a heartfelt "Amen!" from American examiners.

W. H. LAWTON.