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Book Reviews

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ACCOUNTING PRINCIPLES AND PRACTICE, by R. G. H. Smails and C. E. Walker. *The Ryerson Press*, Toronto, Canada, 1926. 346 pages.

Accounting Principles and Practice is a general treatise, in somewhat conventional form, with an expressed intention of meeting the needs of Canadian students. It begins with an explanation of debit and credit and ranges up to the interpretation of balance-sheets. There is much detail regarding books and forms for both private traders and corporations, and the usual topics of depreciation, reserves and profits are discussed in about the usual manner. There is also a side-glance at cost accounting and less familiar chapters on accounts for branches, agencies and foreign trade.

The value of a textbook can never be accurately determined until it is put to test in the classroom. Failing this it suffices to say that the book is clearly written, well arranged and made understandable by many illustrative examples. But even with these valuable features, the work does not seem of such outstanding merit as to make it indispensable either to the teacher or to the practising accountant.

Specific criticism may be made of the opening page where a renewed attempt to give a single explanation of debit and credit leads immediately, as it has in all similar attempts, to confusion and inconsistencies. On the following page the classification into personal and impersonal accounts—again a case of adherence to an outworn tradition—leads as usual to meaningless distinctions and contradictory statements.

More important is the repeated confusion regarding depreciation. The authors clearly state that the recognition of depreciation is a necessity and "cannot be omitted from the accounts, even though these already show a loss." But, not once merely, depreciation is spoken of as a charge against net profits, which it evidently is not.

Similarly, emphasis is repeatedly given to the statement that a reserve for depreciation is a means for retaining current assets with which the machine may be replaced, instead of being merely a recognition of consumed value. If a railroad begins the year with a large stock of coal, no one argues that the bookkeeping entry, showing the consumption of part of such stock, in any sense represents a provision for replacing the coal, or that it was made in order to retain current assets. A different technique for showing the consumption of value is used in the case of a depreciating machine from that used to show the consumption of coal. But the entry has, in each case, the same purpose and significance.

But enough of criticism, and this review closes with a word of appreciation of the cleverly expressed truth used by the authors as a text for the chapter on interpretation of financial statements. "The balance-sheet and operating account are not merely wayside monuments to an accounting period that is dead and buried." For this, thanks are due the authors.

HENRY RAND HATFIELD.

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AN OUTLINE OF CAREERS, by EDWARD L. BERNAYS. *George H. Doran Co.*, New York. 431 pages.

This is a day of outlines and of careers. The reading public has had everything described and outlined from history to science, and the service of these syntheses is doubtless considerable. Books such as the one now under consideration are not intended to be a complete survey of the fields which they cover, but rather to present a bird's-eye view which will enable the one who reads to see the high spots in the landscape. Everyone knows that the question of vocational selection has become increasingly important with the wide development of opportunity. Mr. Bernays is largely interested in the question of vocational guidance and he has felt the need of a comprehensive review of some of the principal vocations, both business and professional. This is the incentive of the book. The subjects discussed include accountancy, art, editing, engineering, law, the ministry, motion pictures, salesmanship, the stage and a score or more of others. The chapter on accountancy is written by A. C. Ernst. This chapter is of more importance to the readers of *THE JOURNAL OF ACCOUNTANCY* than some of the others. It seems that the chief point which the author of this chapter makes is that accountancy offers a stepping stone to positions of importance in the business world outside professional accountancy. This, of course, is a strong inducement to enter accountancy, but it might have been well to have laid somewhat more stress upon the opportunities which the professional career itself offers to young men of ability. It is all very well to speak of accountancy as a means to an end, but better to speak of it as an end in itself. An interesting chapter on banking is written by Reeve Schley, vice-president of the Chase National bank of New York. The chapter upon law by Julius Henry Cohen is written with all the skill for which that author is well known. Mr. Cohen's comments are always well written and based upon sound experience. The book as a whole is useful as a work of reference, and it would be helpful to every young man and woman, in search of his or her most suitable life-work, to read all the chapters which the book contains.

A. P. R.

FINANCING AUTOMOBILE SALES BY THE TIME INSTALLMENT PLAN, by WILLIAM A. GRIMES. *A. W. Shaw Co.*, Chicago. 116 pages.

William A. Grimes was awarded first prize by the Chicago Trust Company for monographs in the field of business development and the modern trust company, and in *Financing Automobile Sales by the Time Installment Plan* he has made splendid exposition of the sales and financing methods of automobiles. Every business man will be interested in the story, which is written in a most lucid manner. Of course, the book does not cover the accounting problems incidental to this financing and evidently it was not the intention of the author to discuss this feature. That would require a volume in itself. The instalment plan is comparatively new; therefore the statistical information regarding the pertinent facts is somewhat limited at this time. The book, however, presents some interesting facts about it. The author's analysis of the subject, is comprehensive and it is believed that accountants will derive much information from the book.

C. R. WHITWORTH.

CREDITS AND COLLECTIONS, by RICHARD P. ETtingER and DAVID GOLIEB. Revised in collaboration with Herbert M. Diamond. *Prentice-Hall, Inc.*, New York. Cloth, 520 pages.

"Credit is the power to obtain goods or service by giving a promise to pay money (or goods) on demand or at a specified date in future." Therefore, it is the buyer who actually gives credit, the seller who receives it. Yet invariably we reverse this and say we "give credit" when we let a buyer have our goods in exchange for his promise to pay, specific or implied. It is a bit curious to reflect that 99/100ths of the world's business is thus founded on a paradox which would delight Chesterton.

However, after noting this paradox the authors of the book before us throw consistency to the winds and proceed to give us in customary terms an excellent treatise on the functions of credit in business and finance, domestic and foreign, the instruments used, the duties and qualifications of the credit man, and the best methods of making collections. Although its scope would appear to be limited, yet perusal of it leaves one with the feeling that he has really been reading an outline of business. In truth there is no phase of business with which the credit man must not be familiar. Internally, he must work in cooperation with the selling and financing departments. Externally, he must be capable of analyzing and judging the condition of his employers' customers, which means that he must know much about normal costs of production, market conditions, efficiency in operating, and above all the human equation. All these matters are keenly discussed on so high a plane that one is quite ready to grant the authors' claim that the credit man is a professional in all the term implies. To be sure the man who measured up to the severe requirements set forth in the book would be a veritable Admirable Crichton, and if we fear he must be rare, still he would no more than represent the high ideals expressed in the canons of commercial ethics adopted by the national association.

There is a full discussion of the advantages and disadvantages of the trade acceptance as compared with the open book account receivable, from which one may conclude that this method of settling current accounts does not appear likely to prevail in general practice. From an auditor's point of view there is one serious objection which the authors do not mention. On the whole the trade acceptance works in favor of the seller—and the banks! But in the case of the seller seeking further credit on a certified statement, his auditor must perforce show a substantial item of contingent liability for trade acceptances, assuming of course that the seller has discounted them in accordance with the whole scheme. Aside from the difficulty of verifying this item (which means written confirmation from every bank holding the paper) it is no violent assumption that a large item of contingent liability is never regarded with favor in any balance-sheet. A clear-cut item of accounts receivable, with provision for past due accounts, can be given its full weight, but a mere foot-note on the balance-sheet that the would-be borrower is contingently liable for a large sum for trade acceptances, which by their very nature must be paid immediately on their return dishonored, would make the most lenient of bankers hesitate. In theory, the bank discounting the trade acceptance looks to the drawer for payment, but who can doubt that as a matter of practice the bank will rely mainly on the acceptor, its own customer? The ultimate effect then is to limit the

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seller's credit to that extent, so in the end he is no better off than if he sticks to the open book account.

Procedure under the federal bankruptcy act is fully described and explained, and attention is called to the important amendment of 1926, viz., a discharge in bankruptcy is barred where the bankrupt has already been granted a discharge within six years.

It is disappointing to find no mention of arbitration as a means of settling disputes in lieu of law suits. This surely comes within the scope of the credit man's functions, since it is arguable, at least, that a resort to arbitration might well prevent precipitate legal action which might lead in turn to embarrassment. The procedure outlined for conferences and adjustment bureaus appears to be limited to action after embarrassment is experienced.

This book is intended to be a text for students and a general guide for credit men. It has been adopted as a standard text by the National Association of Credit Men, which may be taken as sufficient notice to our own profession that it is well worth a place in our working libraries. There are many practical hints applicable to our own work.

W. H. LAWTON.