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## Book reviews

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Inventory at beginning:			
Work in process.....	\$55,000.00		
Finished parts.....	65,000.00		
Finished goods.....	70,000.00	\$190,000.00	
Cost of manufacture:			
Finished parts.....	\$680,000.00		
Finished goods.....	830,000.00	1,510,000.00	
Total.....		\$1,700,000.00	
Inventory at end:			
Work in process.....	\$50,000.00		
Finished parts.....	70,000.00		
Finished goods.....	80,000.00	200,000.00	
Cost of finished parts and of finished product sold.....			
		\$1,500,000.00	
Average inventory.....		\$195,000.00	
Ratio of cost of finished parts and of finished product sold to average inventory.....			13%
Credits to profit and loss:			
Interest on investment.....	\$42,500.00		
Factory profit.....	17,500.00		
Total.....		\$60,000.00	
Interest on investment and factory profit included in inventories, 13% of \$60,000.00, or.....			
		\$7,800.00	
	Per Books	Adjustment	Adjusted
Adjustment of inventories:			
Work in process.....	\$50,000.00	\$1,950.00	\$48,050.00
Finished parts..	70,000.00	2,730.00	67,270.00
Finished goods..	80,000.00	3,120.00	76,880.00
Total....	\$200,000.00	\$7,800.00	\$192,200.00

The method as outlined has been followed for a number of years, with the ratio of adjustment remaining practically constant, proving to some extent that the method as outlined may be considered theoretically sound.

### Book Reviews

**S**LOAN, LAURENCE C., Managing Editor, Standard Statistics Company. *Corporation Profits*. (Harper & Brothers, New York, 1929. 365 p. Price \$3.50).

This reviewer confesses to having tucked away, for the purpose of future study, and never to have studied them, the series of bulletins entitled, "Beneath the Surface of Corporation Profits," upon which Mr. Sloan's book is based. This reviewer confesses also to representing himself as a certified public accountant. In reading Mr. Sloan's book, for the purpose of reviewing it, he pleads guilty to having been annoyed by the premise set forth in chap-

ter 1, paragraph 2, to-wit: "It is about accounting, but is not a book on accounting. It examines the *results* of accounting: takes up the work of the professional accountant where he himself leaves off, seeks to determine the meaning of what his figures report, so far as possible, and seeks likewise to differentiate between meaning and confusion."

Obviously, there must be some misunderstanding with respect to the function of the professional accountant if the presumption exists that his work has been finished when he compiles and presents certain financial statements. Year in and year out, for many years, educators have been preaching the doctrine that the professional accountant must interpret as well as exhibit the results of his work. These exhortations have had their effect, and the facts are that there has been a marked increase in the amount and quality of interpretation introduced into the reports of certified public accountants. However, so far as the public is concerned, this condition is not apparent. In the case of corporations, the public sees only the reports made by officers of the corporation, included in which, usually, are the financial statements supported by the approval of certified public accountants. Whatever there may be of interpretation or comment appears to be that of company officials. Mr. Sloan, perhaps, has based the conclusions stated in his premise on the examination of published reports, and is not aware of the voluminous comments which are included in the confidential reports of the accountants to the corporations.

Now, that we have settled our score with the author, we may turn, with friendly interest, to a consideration of his book, which is, indeed, a contribution of value to accountants as well as to investors, corporation officials, and bankers. The book affords what might be termed a bird's-eye view of financial condition and results of operations of American industries. It

considers the characteristic aspects of financial condition and operations, and attempts to bring out the significance of the results characteristically expressed in group form, according to lines, and in some cases according to companies.

The statistical tables are admirable, and the book in this respect takes its place along with those of Bliss and of Gilman in offering standards which may be used to advantage, for comparative purposes, in passing judgment on the efficiency of single corporations.

Not the least interesting part of the book is the index, which includes the names of all companies listed, so that one is guided easily and quickly to information concerning individual companies.

There are some things in the book which, perhaps, are controversial, but inasmuch as no one person may hope to be right about everything, so differences of opinion stimulate study and discussion, usually with the result of adding knowledge to the supply of those concerned. In this respect the chapter on depreciation and depletion should be especially productive, particularly to those who are responsible for the depreciation policies of corporations. It is not difficult to think of several such officials to whom the book may be recommended, with the hope that a reading will not only convey information, but carry conviction that will be productive of improvement in the future.

To the certified public accountant the book is recommended most enthusiastically, with the assurance that all those who read and study it will have their range of knowledge accordingly increased and be helped materially in their efforts to review and interpret the financial operations and results of their various clients whose form of organization is corporate.

Fowler, John Francis, Jr. *American Investment Trusts*. (Harper & Brothers, New York and London, 1928. 415 p.)

The recent break in the stock market seems not to have caused any great decrease in the number and amount of new issues of securities being placed on the market. Offerings of the numerous investment trusts comprise a considerable part of these new offerings.

The investment trust movement in America is attaining vast dimensions, and just now is being subjected rather generally to the limelight of publicity. It is only natural, therefore, that books and articles should appear on the subject, although American experience with this financial growth is relatively of a short period.

The volume was written primarily from a professional point of view, the author himself being directly connected with an investment trust. It is so written that the general investor may gather information from it, and in addition those in financial circles will find much of direct interest.

Investment trusts existed in various countries before receiving much attention in the United States. Much of the history of investment trusts is contained in that of British organizations. The present book covers British trusts briefly before describing the American growth.

The author broadly defines the investment trust as an organization for the collective investment of the funds of numerous individuals in numerous securities. He classifies them from the standpoint of organization into two main groups termed "statutory" and "contractual." The "statutory" trust, as he terms it, is probably more commonly spoken of as a management trust, and the "contractual" as the fixed trust.

The management of the portfolio, questions of accounting, taxation, promotion, public regulation, and analysis of the trust's holdings are discussed in detail. The use of actual names of existing investment trusts for purposes of illustration lends definiteness and point to his discussion.

The chapter on how to invest in an investment trust will probably appeal particularly to the average investor. The author explains certain analytical tests which may be used as a guide in purchasing investment trust securities and in valuing such securities.

It is perhaps in order to mention that the name investment trust, strictly interpreted, is misleading. The officers, generally, do not occupy a fiduciary position as such, although the element of trusteeship is present to the degree that it is in any business organization. The author notes this in describing the origin of investment trusts.

The book is replete with a number of appendices as follows: a classified directory of American investment trusts, specimen charters and by-laws of statutory trusts, specimen indentures of contractual trusts, specimen reports, tabulation of resources, capitalization, earnings, etc., specimen organization charts, and a bibliography. The information contained therein is of great value for reference and statistical purposes.

In the last chapter of the book, the author considers the place of investment trusts in American finance, their services to investors, social considerations, economic significance, and their effect upon security markets.

### Additions to the Library

American Hotel Association. *Depreciation and Obsolescence in Hotels*. (Chicago, American Hotel Association, 1928. 23 p.)

Davis, Herbert L. *Legal Accounting and Court Auditing*. (Kansas City, Vernon Law Book Company, 1928. 796 p.)

Fowler, John Francis. *American Investment Trusts*. (New York, Harper & Brothers, 1928. 415 p.)

Greer, Howard C., editor. *Packinghouse Accounting Prepared by Committee on Accounting of the Institute of American Meat*

*Packers*. (Chicago, The University of Chicago Press, 1929. 404 p.)

Grimes, John Alden, and Craigue, William Horace. *Principles of Valuation*. (New York, Prentice-Hall, 1928. 274 p.)

Joseph, Emrys S. *Insurance Agency Accounting and Management*. (Harrisburg, Pennsylvania, The Unit System Company, 1928. 137 p.)

Lowrie, Josephine A. *Analysis of Revenues and Expenses of Ohio Daily Newspapers, Year 1925*. (Columbus, Ohio State University Press, June, 1928. 48 p.)

Northwestern University. Bureau of Business Research. *Margins, Expenses, and Profits in Retail Hardware Stores*. (Chicago, A. W. Shaw Company, 1928. 174 p.)

Parker, Junius. *Some Aspects of the French Law*. (New York, Charles Scribner's Sons, 1929. 82 p.)

Prochazka, George A. *Accounting and Cost Finding for the Chemical Industries. First Edition*. (New York, McGraw-Hill Book Company, 1928. 242 p.)

Reitell, Charles, and others. *The Presentation of Costs for Executives*. (New York, National Association of Cost Accountants, 1928. 285 p.)

Rose, Dwight C. *A Scientific Approach to Investment Management*. (New York, Harper & Brothers, 1928. 440 p.)

### News Items

Mr. O'Connell recently was elected treasurer and appointed chairman of the Finance Committee of the Midland Valley Country Club.

Mr. O. N. Hutchinson, manager of our Charlotte office, has been elected president of the Charlotte Accountants' Club.

Messrs. Robert T. Taylor, E. Stanley Frost, and James E. Armstrong, Jr., of our Baltimore office, are to be congratulated upon passing the November C. P. A. examination of the State of Maryland.