

6-1962

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### Recommended Citation

Kabbes, S. Madonna (1962) "Tips for Busy Readers," *Woman C.P.A.*: Vol. 24 : Iss. 4 , Article 7.  
Available at: <https://egrove.olemiss.edu/wcpa/vol24/iss4/7>

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# Tips for Busy Readers

S. Madonna Kabbes, C.P.A.

ACCOUNTING FOR DECISION-MAKING, by H. J. Davidson and R. M. Trueblood. *Accounting Review*, Vol. XXXVI, #4 October, 1961—PP. 577-582.

Decision-making by management involves recognition of the problem to be solved, consideration of the possible alternatives, and finally decision as to which of these alternatives appears to offer the best solution.

What is the relationship of the accountant in this decision-making process? While management has always relied on the accounting division to furnish necessary data and information, the need for new kinds of information, not generated by the conventional accounting system, is being constantly demonstrated.

The decisions faced by business organizations fall roughly into two categories—those of a routine nature which continually recur, and those of the “special” or nonrecurring type. While some progress has been made through research in the area of routine decisions, serious deficiencies still exist. Information supplied to management may be detailed, where summarized data would suffice; it may fail to provide adequate facts on which to base a decision; or it may be untimely in that it is supplied too late to be useful, or is furnished routinely while it is actually needed at only irregular intervals. The above deficiencies have often been overlooked in systems design when data processing is being installed. While the flow of information should be greatly improved with electronic data processing, unless such information is carefully screened and summarized, management may be deluged with irrelevant data.

Some correction has been effected in the problems concerning untimely information through the use of analytical studies, and also the concept of exception reporting. Progress has already been demonstrated in areas such as inventory control, production control, and investment decisions by applying scientific analysis in formulating rules for routine decisions.

Less progress has been made in improving the information flow in regard to “special” decisions. The problems in such areas are less obvious, and yet failure to recognize them will exact the heaviest penalties. In the past managers have relied largely on haphazard information to aid them in recognizing and attempting to solve such special problems. Research in this area is now being conducted in

an attempt to devise information systems which will offer aid in recognizing the problem, as well as furnishing alternatives for its solution.

The authors' concluding challenge to the accountant is that he not only continue his stewardship responsibilities, but that he give more attention to supplying management with the kind of information which will aid in making the broad decisions which business organizations now face.

ADVANCED ACCOUNTING, by Bedford, Perry and Wyatt, John Wiley and Sons, Inc., New York, 1961, 758 pages.

The “organizational approach” used in this book presents the materials usually included in an advanced accounting text in a way that is both logical and practical. Recognizing that only with a thorough understanding of the concepts and principles of accounting will the student be able to cope with the many business situations he will meet in practice, the authors have emphasized the conceptual interpretation, and yet have not ignored the technical proficiency which must also be acquired.

A natural sequence has been followed in the five divisions which develop the problems of the enterprise from the standpoint of its formation, maintenance, expansion, contraction and possible liquidation. The presentation leads the reader from the more elementary concepts, with which he is already familiar, into broader areas of application where departures from such basic concepts may sometimes be warranted. Where conflicting opinions exist the various viewpoints are presented, together with the criticisms of the authors concerning the validity of such procedures; in other areas where suggested changes have been recommended, analysis is given to show why the profession has not at present accepted such changes.

Included in the division concerning the maintenance of the enterprise is a chapter on valuation; as one suggested method an example is given, in some detail, which shows the effect of converting original costs into statements based on common-dollar amounts. Other new material includes a discussion of how accounting data may be used as an aid in decision making concerning contemplated expansion. Evaluation of the effects of such expansion, as well as the possible methods of financing, are discussed and compared.

Some of the situations which may arise

making it advisable for the enterprise to contract its scope of operations are developed in section four, along with the accounting treatment to be followed to effect such contraction. Considered here are the ways to reflect decline in asset values due to economic conditions, extraordinary obsolescence, debt retirement and contraction of the investment equities of the owners.

Following each chapter adequate problems of varying complexity are given. The illustrative problems used in the text material have been compounded with fairly simple numbers, so the principle is not obscured by the complications of computation.

The style throughout is readable, logical and well organized. Careful reading of this text should broaden the viewpoint of the reader, strengthen his understanding of basic concepts, and make him generally more cognizant of the problems which must be faced by our ever expanding accounting profession.

*TODAY'S WOMAN IN TOMORROW'S WORLD* published by the Women's Bureau of the Department of Labor (Bulletin #276) pp. 124.

The above title was the theme of the conference held in Washington, D. C. in June, 1960 to commemorate the 40th anniversary of the Women's Bureau. The speakers on the conference program, as well as the participants in the panel discussions, emphasized the increasing part women must be prepared to assume in meeting the manpower needs of the next decade. James T. O'Connell, Under-Secretary of Labor, predicted "the number of women at work will increase 25% in the decade ahead, and by 1970 one out of every three members of the labor force will be of the distaff side."

Another encouraging thought expressed was that the prejudices against age and sex will decrease in the years ahead. The mature woman, planning to re-enter the labor force after her home duties decrease, was urged to bring her training up-to-date and be prepared to meet current conditions when she applies for employment.

Various charts are included showing distribution of women in the labor force by number and age groups, marital status, amount of college training and other comparative data. These graphic presentations serve to highlight the progress that has been made in the past 40 years.

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bookkeeping systems. This is somewhat to be expected, considering the economic sizes involved, the degree of integration, the business areas serviced, the ownership structure, the type of person in the controlling position, et cetera. Yet all three companies profess to be gathering economic data in such a manner as to provide the owner, either directly or through a hired manager, with the information required for him to make adequate decisions. The systems are declared to provide useful information, not just information.

Considering the above declaration, and that the milk industry in California is a closely regulated one, it was surprising to find that all three creameries studied failed in some way to meet the requirements of generally accepted accounting principles and procedures. This failure certainly affected the validity of the financial statements, i.e., the validity of the information available for decision making, and ultimately the appropriateness of the decisions.

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have been so willing to give of their time and talent to help us through a year made difficult by the loss of our President-elect, Betty Brown.

I will never be able to express the gratitude I feel toward the other officers and directors of the American Society of Women Accountants for their cooperation, encouragement and support. It has been an honor and a real privilege to serve as president of such an organization as the American Society of Women Accountants.

It is a genuine pleasure for me to turn the leadership of this Society over to one so capable and dedicated as Erma A. Sembach of Cincinnati Chapter. I am looking forward to 1962-63, our 25th year, as one which will be truly outstanding.

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imburement for which there is a reasonable prospect of recovery.

The Internal Revenue Service has indicated it will endeavor to expedite refunds in these situations and suggests that the taxpayer in filing such an amended return or claim for refund, attach securely to the front of the return a statement to the effect that a disaster loss is claimed.