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## Book Reviews

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## Book Reviews

APPLIED BUSINESS FINANCE, by EDMOND EARLE LINCOLN, *A. W. Shaw Company*, Chicago. 772 plus xx pages.

This volume has just appeared in its third revised edition. As compared with the second edition, published early in 1923, the extent of the revision does not appear to be very great, and the substance of the volume is in the main the same as that in the earlier edition.

The scope of the work is very broad, even when the title is taken into consideration. The author gives very little indication of the class of readers to whom the book is addressed, and a study of the book itself leaves one somewhat in doubt upon this point. The impression received is that not only is the scope of the book too broad, but that it perhaps attempts to reach too many classes of readers. This latter thought arises from the fact that the presentation of the subject matter is not quite as dignified as one would expect were the volume addressed solely to students. One feels that a student who took the book too seriously might start his practical career with the idea that business men on the whole were a rather poor lot, tremendously in need of the guidance conveyed in somewhat generalized terms in the present volume. The attitude of a student after reading the book would be far less apt to be that of the humble seeker after knowledge, than of a somewhat disillusioned and supercilious superman, whose mission it was to set things right.

The book perhaps suffers a little from having first been written after the debacle of 1920 and 1921. It has thus assumed a pessimistic attitude towards business in general, and subsequent revisions have not lifted the tone to the somewhat brighter hues of the present day.

The book is a rather unusual combination of data and tables of a statistical character, appealing particularly to the student of business economics, and of dogmatic and sometimes pugnacious expressions of opinion regarding business activities generally. These two features do not harmonize very well. The discussion of business methods is a trifle too journalistic in type. Some passages leave one with the impression that Mr. Lincoln is seeking rather to start an argument than to express in a form readily assimilable by students thoughtfully considered observations of educational value.

As an illustration of this, a chapter of twenty-five pages is devoted to a discussion of trade acceptances. The trade acceptance is a well recognized instrument for doing business which can be defined and explained to the student. Mr. Lincoln, however, believes that there has been an excessive amount of propaganda in favor of the adoption of the trade acceptance by commercial undertakings. He therefore feels that it is necessary to meet this with counter-propaganda, in which the scientific method of presentation is almost entirely lacking.

The reference to the budget, to which a whole section of about one and a half pages is devoted in the chapter headed "Administration of earnings," is also rather in the nature of a slur cast upon a very important instrument of business administration, and upon the men who have devoted so much effort to familiarizing business men with its use and value. To say, as Mr. Lincoln does, that "budgeting as applied to business administration means simply the application

of sound common sense in industrial affairs," may be expressing a substantial truth. It is not, however, a very illuminating definition for a student, and the specific information regarding budgets and budgeting is extremely meagre. In the chapter on purchasing and finance, it is true, Mr. Lincoln does intimate in a negative way that a proper scheme of budgeting makes it possible definitely to plan the needs of the business and to coördinate the activities of the various departments.

Mr. Lincoln has a chapter devoted to financial aspects of selling goods, in which he appears to take the obvious journalistic point of view that distribution costs are too high. Paul Mazur has performed a useful service in the *Harvard Business Review* for October, in pointing out that criticism of present costs of distribution may not be justified unless it can be shown that they can be reduced without an ultimate increase in actual costs to the consumer.

It is perhaps unfair to criticise details in a work of this kind, which admittedly covers so much ground. It does, however, seem that the student might expect to be given some explanation of the Seven-Sisters Act, which is referred to, but of which no details are given. It is an important omission in speaking of combinations and holding companies to make no reference to the Clayton act. It also appears unfortunate in a volume issued in 1925 to use a table of comparative franchise taxes taken from Conyngton's *Corporate Organization and Management*, published in 1918. No reference appears to be made, in relation with this, to the franchise tax in New York state based upon the income of corporations. The lapse of time has also brought about a very marked change, amounting in some instances to an almost complete reversal of form, in the performances of certain of the companies cited as examples. It is a little curious to see Marshall Field & Co. referred to simply as a department store and to be told that F. W. Woolworth & Co. were a partnership prior to 1912; but these are inaccuracies of a very minor character.

A somewhat disturbing feature in reading the book is the author's very frequent use of the inverted comma for many words used in their accepted and well recognized sense. The purpose of this does not seem to be very clear, but taken in conjunction with the very frequent use of the exclamation mark, it increases the feeling one has in reading the book that Mr. Lincoln writes a little as though he were the George Bernard Shaw of business administration.

H. C. FREEMAN.

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PRINCIPLES OF CORPORATION FINANCE, by HAROLD L. REED.  
*Houghton, Mifflin Company*, Boston, 1925. 412 pp.

A somewhat critical examination of this volume causes the reviewer to conclude that it is a book which should interest the general reader on financial and accounting subjects as well as provide knowledge for aspiring students. The observations to be made concerning the book are, in the main, commendatory in character. Its worst fault lies in the fact that it is spotted occasionally with "high-brow" language which tends to annoy the general reader, particularly if he has not had the advantages of association with modern economists, who have a phraseology of their own. The average reader is likely to work fairly hard before he gets much sense out of such titles as, "Criteria of successful forethought."

Having said the worst, the fact remains that the author has produced a volume in which the subject is logically developed, the ideas are good, and the exposition generally is clear. The plan follows the economic life of a typical business enterprise, tracing through the stages of organization, operation, expansion, failure, and reorganization. This, obviously, is the same old story, but it is told by the author with a good deal of crispness and with particular consideration of current conditions in their relation to enterprise. Reiterating what the reviewer has repeatedly said on the subject of books dealing with corporation finance, this book would serve admirably the purpose of anyone concerned with laying a firm foundation for an understanding of accounting. Further, it contains an excellent chapter on the interpretation of an income statement, notwithstanding the fact that the discussion deals with the income statements of railroads.

A parting word of praise which may be said in behalf of the book is that it is concise as well as comprehensive. Conciseness is an important consideration to the general reader.

JOHN R. WILDMAN.

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COST ACCOUNTING, by W. B. LAWRENCE. *Prentice-Hall, Inc.*, New York. Cloth, 528 pp.

A man does not become an orator by reading books on public speaking; neither does he become a cost accountant by studying books on cost accounting. Mr. Lawrence's claims for his book are very modest. There is no suggestion that those who read it will, upon turning over the last page, automatically become cost experts. All that he says is that it is intended "as a course in cost accounting and as a reference for cost accountants in manufacturing enterprises."

Many men have written less and claimed more. For a clear explanation of the various kinds of cost systems and the way in which each is operated, Mr. Lawrence's book is far ahead of anything yet published. It is a revelation to observe how discussions of the most difficult points have been made easily apprehensible by the use of familiar, every-day expressions and the avoidance of hyper-technical terms. Being an accountant, Mr. Lawrence naturally takes the attitude that cost accounting is a function of accounting rather than of engineering or management, although he admits that the work of the cost accountant touches the fields of industrial engineering and management. Emphasis is therefore placed upon accounting theory and practice, with only secondary consideration given to the economic and managerial aspects of the subject. The major portion of the volume is given over to the discussion of specific-order cost accounting and the methods by which the various factors of material, labor and expense are applied to the product manufactured. Numerous charts and journal entries help to clarify the discussion.

Reviews of technical books are usually dry reading. I sometimes think that a reviewer of such books should follow the practice of reviewers of fiction, that is, to outline the plot, lead up to the climax, and then, when interest is most acute, make the disappointing statement that the outcome may be learned by reading the book. This plan could be used in speaking of Mr. Lawrence's chapter entitled "Interest on investments." He has given both sides of the argu-

ment in great detail and with such impartiality that it is impossible to foretell on which side he will array himself. The final statement of his opinion is, therefore, more eagerly read—but for this I refer you to the book.

Of particular interest to accountants are the chapters in the latter part of the book on estimating cost systems, establishment and uses of standard costs, and some legal phases of cost accounting. The last-named deals principally with opinions and rulings by various governmental bodies with reference to the establishment of cost systems by trade associations and the issuance of cost data to the members thereof. A summary of the various decisions is stated as follows:

“The collection and publication of cost data by trade associations seems within their legal rights provided,

(a) The information is collected and published in such manner that the data of individual concerns can not be known to competitors;

(b) Such publicity is given to the published information as to render it available to those without the industry who may be interested in it;

(c) No uniform rate of profit or other medium for the translation of costs into uniform selling prices is furnished;

(d) The composite cost data are published in such manner as to be a guide to conditions and an incentive to individual action as opposed to collective action.”

At the end of the book there are included seventy-nine pages containing questions bearing on the text and exercises covering the practical application of the principles and procedure discussed. No answers are given to either.

It is a pleasure to commend this book to readers interested in cost accounting.

W. B. FRANKE.

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FINANCIAL HANDBOOK, edited by R. H. MONTGOMERY. *The Ronald Press Company*, New York. 1,749 pp.

In a manual of this nature consisting of 1,749 closely printed pages, it goes without saying that an immense volume of well selected material following generally accepted views is presented, which it is both impossible and unnecessary to review or criticize. The plan, scope and general arrangement therefore become the distinguishing characteristics. It is possible that the title *Financial Handbook* is either not sufficiently descriptive or gives a somewhat limited idea of the scope of the work. It is not, as one might be led to believe from the title, a book on corporation finance, although this subject is covered. It is rather a manual for financial officers, and the bulk of the work deals with internal problems of finance and control rather than with external features of financing.

A bird's-eye view of the arrangement and plan may be gathered from the general subjects covered which are, briefly: business economics, capital structure, statements and accounts, control of operations (budgets, inventories, cash, purchasing), credits, transportation, business law, banking, federal taxes and regulation, foreign trade and investment of surplus funds.

While it is obvious that many of these subjects can not be treated fully, a good general view of each based on recognized practice or authority is given. Although it would hardly take the place of a financial library, I think anyone charged with responsibility for the finances of a company would either find the answers to his questions in this manual, or find it a valuable and suggestive

starting point for further investigation. The list of special contributors is long and worthy of respect, and there are few who would use this book to whom the name of the principal editor is not familiar.

MAURICE E. PELOUBET.

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AN ORIGINAL TRANSLATION OF THE TREATISE ON DOUBLE-ENTRY BOOKKEEPING BY FRATER LUCAS PACIOLI. Translated for the Institute of Bookkeepers, Limited, by PIETRO CRIVELLI. London, *The Institute of Bookkeepers, Ltd.* 1924.

Continuing interest in the history of bookkeeping is shown by the appearance of a second English translation of Pacioli's, *De Computis et Scripturis*, a translation that is at least semi-official as it was made for, and published by, the Institute of Bookkeepers of London. This edition is in one respect less satisfactory than the one put out ten years ago by Geijsbeek in that it does not give a facsimile of the original text; but on the other hand it has a most attractive feature, the reproduction of Barbari's portrait of Pacioli and his patron, Duke Urbino.

Mr. Crivelli adheres, in his translation, somewhat more closely to the text than did Geijsbeek, who purposely allowed himself considerable freedom, thinking thereby to make Pacioli's point of view more understandable even though his actual words were not exactly rendered. Perhaps as a result the new translation lacks somewhat in fluency of style. Unfortunately there are also occasional slips in rendering some of the passages. In a very few instances these amount even to rather serious errors.

But translating Pacioli is indeed a difficult task. It has in this case been so well done that one can easily comprehend the system laid down in this first printed text on bookkeeping. Many, therefore, will indeed be grateful both to the translator for his labor and to the Institute of Bookkeepers for making this classic available in inexpensive form.

HENRY RAND HATFIELD.