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Book Reviews

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RAILWAY ACCOUNTING PROCEDURE, 1926 edition, edited by E. R. WOODSON. Published by Railway Accounting Officers Association, Washington; distributed by *Simmons-Boardman Publishing Company*, New York. Cloth, 885 pp.

A feature that distinguishes the railways of North America from other enterprises (except perhaps banking institutions) is the vast number of their transactions with one another. The efforts of the Railway Accounting Officers Association to standardize accounting procedure have, because of this feature, been notably successful and have borne fruit, on the one hand, in certain mandatory rules of procedure as regards interline accounting which are binding on its members, and on the other hand in a very thorough set of recommendations regarding accounting procedure for carrier activities of individual companies.

Railway Accounting Procedure is primarily a digest of these mandatory rules and recommended practices; it also describes various plans for improved procedure which are still in what may be called the experimental stage and presents numerous facts bearing on accounting procedure, such, for example, as a list of mechanical aids to accounting with notes on the applicability of each to railway work. The current edition appears to have been brought well down to date and has been enlarged by the inclusion of a classified and annotated bibliography covering some 90 pages.

The concise brevity of the digest and its arrangement and indexing reflect the highest credit on the editor. The work is presumably intended primarily for railway accounting officers and employees, but it covers so fully the technical and complicated procedure in connection with freight, passenger and disbursement accounting and the internal audit thereof that it provides a very valuable book of reference to independent accountants who undertake examinations of railway accounts, and a satisfactory manual to those desirous of familiarizing themselves with the technicalities of practical railway accounting.

The accountant with general experience desiring to become acquainted with railway accounting may, by a study of the technical procedure as herein outlined and of the classifications of accounts and the outlines of accounting theory in the *Classifications* issued by the interstate commerce commission, equip himself to consider railway accounts intelligently and competently. The *Classifications*, deal thoroughly with the accounting principles likely to be met in dealing with the financial accounts of railways, but they touch very lightly on the technicalities of freight and passenger accounting, an understanding of which is nevertheless highly important to an intelligent review of a balance-sheet or income account. The work under discussion on the other hand does not venture far into the field of accounting principles. *Railway Accounting Procedure* is in a noticeable degree complementary to the *Classifications*. This is undoubtedly its proper field; discussion of accounting principles would be a paraphrase of the instructions of the interstate commerce commission, an amplification of them, or a raising of issues. Neither the first nor the second is necessary; the third would be inappropriate in such a work.

J. H. BOWMAN.

ELEMENTS OF ACCOUNTING, by FREDERICK W. WOODBRIDGE. *The Ronald Press Company*, New York. xii + 700 pages.

This is designed as a textbook for students who are not specializing in accounting and who wish, in a single year's work, to acquire both a knowledge of that subject and also a satisfactory background of economics, business organization and corporation finance. In purpose, although not in content, the work, therefore, resembles Professor McKinsey's *Managerial Accounting*, as both of them transcend the strict limits of accounting.

The scope of the book may be well inferred from the statement of its purpose. It includes a slight presentation of some of the important phases of business organization, an introduction to the theory of accounting, detailed drill in ordinary bookkeeping processes, a description of the "paper work" peculiar to a factory, a keen and intelligent discussion of many of the most important unsettled problems of accounting, and a consideration of the interpretation of accounts, through all of which runs in varying proportion an undercurrent of economic theory. Of particular merit are the admirable chapter on control accounts and the extended discussion of partnerships and their accounts. The latter is particularly valuable for the analysis of the uniform partnership act and for the criticism of some of the unnecessary and harmful differentiations made by that act and by the decisions of the courts, and for the clear treatment of the consolidation of partnerships. The book closes with more than 150 pages of questions and problems, the merits of which cannot well be passed upon without trying them out.

A few criticisms may be made. The author falls into error in his calculation of the value of goodwill (page 341). He again errs in arguing that to show upon the books the unusual profits of a concern and also to bring goodwill upon the books is "of course, wrong" because it amounts to taking a "double profit" (page 343). But there is a difference between receiving a gift of $1,000 and receiving such a gift and also an annuity of that sum for the following five years. There may be difficulty in determining how this difference is to be shown on the books but it is not "of course, wrong" somehow to show the facts. Without criticizing the author for repeating the stock dictum that "no profits can be realized until the sale has taken place," one could wish that some accountant would give a solid basis for this positive statement. He follows current custom in speaking of "watered" capital stock, as being practically worthless, although in the illustration which he uses to establish this fact it is sold in the market for $62,500. One must have large views to consider such a sum as practically worthless. It is a pleasure to note that the outstanding merits are found in the original contributions of the author; the defects are often where he has followed tradition.

The reviewer hesitates to say anything which would seem to indicate an unwillingness to recognize the services to accounting rendered by Professor Kester, but in the interest of historical accuracy one must object to the author's statement that the "term 'trade debtors' is undoubtedly a contribution [of Professor Kester] to accounting practice" (page 115). This phrase was used by both Lisle and Dicksee as early as 1903, and it is found in the examination of the British Institute of June, 1888. The analogous term "trade creditors" occurs in the examination set by New York state in 1907. A similar title, "debts to tradesmen," indeed, goes back to the form appearing in the companies act of 1862. Surely the laurels deservedly awarded to Professor Kester for his achievements are so ample that he will not resent one reluctantly plucking a single leaf from his crown.

HENRY RAND HATFIELD.

MATHEMATICS OF FINANCE, by LLOYD L. SMAIL, *McGraw-Hill Book Company, Inc.*, New York, 310 pp.

The preface states that this book is intended as a textbook for college classes, for private study and for reference. For these purposes it is to be most highly recommended. The author refers to over thirty other mathematical and insurance works, American, British, French and German, and while the present reviewer does not claim to have read many of them he can state that this new work must certainly cull the best from them all as it is by far the most complete and best written manual of elementary actuarial science he has seen.

Only an elementary knowledge of algebra is required and while alternative methods requiring higher mathematics are given for the benefit of instructors and others interested, these are printed in small type and may be omitted by the ordinary student without affecting the continuity of the remainder. This appears to be one of the many new ideas in the preparation of this volume.

The language used is simple and easily understood, numerous examples being worked out in detail, those involving logarithms being unusually complete. While the author may begin an article with an arithmetical example of what he is about to describe in order to permit the student to visualize the process, he does not make the mistake of basing a formula thereon but re-expounds the theory algebraically and deduces the formula. Each section contains exercises to be worked out, the questions being grouped in pairs and the answer to the first of the pair given so that the student may see that his method is correct. Each chapter has a set of review questions covering in general the entire studies to this point so that the student is not allowed to forget what he has already learned. At the end of the book proper there is a set of 184 general review problems.

The first part of the book covers compound interest, compound discount and annuities followed by application of the theories to practical problems of accountants such as sinking funds, depreciation, valuation of bonds and building and loan associations. Then comes a brief elementary discussion of the mathematics of life insurance. The last 50 pages cover 15 different tables including compound interest, present values and annuities at 15 rates of interest ranging from ½% to 8%, effective rates of interest when compounded semi-annually, quarterly and monthly, mortality tables, a table of 6 place logarithms with differences and proportional parts, a table of 10 place logarithms for $(1 + i)$ at 50 different values and a table of 7 place logarithms of interest ratios from 10000 to 10999.

Three chapters are appended on algebraic subjects: progressions, logarithms and the binomial theorem, that on logarithms being unusually clear. There is also a chapter on varying annuities which while of frequent practical use have not been treated in any previous text published in America. A section of the book contains a general summary of all formulas used with cross references to the paragraph numbers where previously explained and to the tables containing the values. This is of considerable use for ready reference.

Standard symbols are used throughout, the author adding one which appears to be new, the use of the letter "q" to simplify (1 + i) just as "v" ordinarily denotes 1 divided by (1 + i).

A word should also be said in praise of the typography, the printing being clear and unusually free from typographical errors.

The price of this volume ($3.00) seems absurdly low considering the contents and without doubt it is a book that every accountant should have.

EDWARD FRASER.