

3-1926

Book Reviews

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Recommended Citation

Moeran, Edward H.; Rusk, Stephen G.; Hyslop, G. K.; and Lawton, W. H. (1926) "Book Reviews," *Journal of Accountancy*. Vol. 41 : Iss. 3 , Article 10.

Available at: <https://egrove.olemiss.edu/jofa/vol41/iss3/10>

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Book Reviews

HARVARD BUSINESS REPORTS, VOLUME I, compiled by the Graduate School of Business Administration, Harvard University. *A. W. Shaw Company*, Chicago. Cloth, 561 pp.

"In this volume are published 149 cases selected from the file of business cases collected by the Harvard graduate school of business administration through its bureau of business research, and with the cooperation of its faculty. Each case has been judged to have significance, either as a record of current business practice or as a guide to sound business management. The decision stated in each case is that reached by the business firm; in no instance has the school or the bureau undertaken to inject editorial opinion."

So states the first paragraph of the foreword of *Harvard Business Reports*. The cases published in this volume cover a variety of problems involving matters of accounting principle, mathematical computations and questions of business policy. Examples of the subjects covered, taken at random, are as follows: Investment of capital in foreign plant; cost accounting for differential wages; wording of letter concerning re-employment; use of temporary surplus funds; economies of consolidation; budgetary control of expenditures for capital account; fixation of piece rates; redemption provision in new bond issue; standard costing rates for by-products; centralized organization, and purchase and sale of municipal bonds.

It is important to note that the decisions in each case may or may not be concurred in by the school, and therein lies the value of the book as a basis for classroom debate.

It would seem that the volume under review and those which it is stated are to follow, though primarily intended for school use, might well be used to good advantage by public accountants in questioning applicants for staff positions, and they should find a place in the library of the wide-awake business executive who is anxious to learn what others have done when confronted by perplexing situations.

The school is to be congratulated on a substantial piece of work well done.
EDWARD H. MOERAN.

INCOME-TAX PROCEDURE, 1926, AND EXCESS-PROFITS, ESTATE, GIFT, CAPITAL-STOCK-TAX PROCEDURE, 1926, by ROBERT H. MONTGOMERY. *The Ronald Press Co.*, New York.

A review of Mr. Montgomery's annual contribution upon the subject of federal taxation seems entirely superfluous if the reviewer is expected briefly to comment on its contents. This year's contribution is in two volumes. They contain, as usual, the law, regulations, interpretations, court decisions, board of tax appeals decisions, and what is most helpful, the author's own comments and elucidations of the numerous phases of the law. If one is interested in having the latest information upon any given tax subject, he will find it in these books, indexed in such a manner as to make it readily accessible.

The author justifies his "temerity" in publishing the 1926 edition of this work just prior to the enactment of the new law, by reasons that seem unnecessary and inadequate. He states them to be that the arduous and faithful labor

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of his associates would have been rendered partly futile if the work were not published, and that the 1926 act will not differ essentially from the former acts.

It would seem that the most important reason for the publication of the book at this time is that Montgomery's books upon federal taxation are invaluable aids to taxpayers who are called upon to explain and defend the tax returns they have made in past years.

Often a taxpayer receives one of the famous notices from the commissioner, gently intimating that upon some astute examining officer's discovery, however painful it may be, he is contemplating an assessment of an additional tax for some past year. After the first impulse to sit right down and tell the commissioner how grossly he is in error has passed, the suffering one seeks some authentic source such as Montgomery's tax annuals for information upon all phases of the question at issue.

From such considerations, one comes to the conclusion that it is fortunate that books upon 1926 tax procedure are made available even though the new law is not yet enacted. If the new law is ambiguous in any particulars (and it probably will be if history is to be relied upon) it will be a long time before the exact intent and meaning of these ambiguous passages will be elucidated. It has taken eight years to discover that taxpayers keeping their books upon an accrual basis are not entitled to report taxable income on the instalment basis for such sales as are made by them on the instalment basis, and it is not yet certain that the "discovery" is authentic. It has taken nine years to find out that income taxes accrue in the year in which the transactions occur upon which they are computed. This, too, is not definitely decided.

STEPHEN G. RUSK.

AN INTRODUCTION TO THE METHODS OF ECONOMIC STATISTICS, by WILLIAM LEONARD CRUM and ALSON CURRIE PATON. *A. W. Shaw Company*, Chicago and New York. 493 pp.

An Introduction to the Methods of Economic Statistics fulfills the main purpose for which it was compiled. The text, while technical and calling for a knowledge of mathematics of a high order on the part of the reader, is primarily adapted to the needs of the statistical student and the practitioner who should find it helpful in their studies and work. It covers in thorough fashion the treatment of groups of numerical data from their origin through the course of their refinement for use in statistical determinations, so much relied upon nowadays for the interpretation of past economic experience and for estimating the probable experience of the future. The importance of any plan or procedure which lends effective aid in future determinations based upon available knowledge of past economic facts is admitted by nearly every one.

The requirements of the student are borne in mind in the introduction to the subject contained in the various chapters of part I, particularly those relating to the collection of primary data, the compilation of secondary data and also the construction of tables and charts. The significance of the reliability of sources and the accuracy of compilation of data obtained therefrom to the finished tabulated or graphical product has received due stress by the authors.

The science of statistical presentation is extended in part II in the discussion of analytical methods for the summarization and interpretation of statistical

data. In part II is presented the application of these methods to the important subject of price changes, wherein the determination of price relatives and index numbers and the bearing thereon of the influences of time fluctuations receive careful exposition.

The high value of intelligent study and sound presentation of economic data (even the term phenomena may here be used) is obvious in this day of economic activity. The glass through which such data may be seen more clearly is provided by such treatment as is advanced in this important addition to statistical literature.

G. K. HYSLOP.

COST ACCOUNTING PRINCIPLES AND PRACTICE, by J. P. JORDAN and GOULD L. HARRIS. *The Ronald Press Company*, New York. Cloth, 562 pp., with chart.

This is the second edition, revised and enlarged, of a classroom text first published in 1920. It is a very comprehensive study of the principles and practice of cost accounting; indeed, but for the flood of cost-accounting literature of the past few years it might almost be called the last word. That, however, would now be a rash statement. The field is so broad and the interest aroused by the Hoover campaign against waste so great that one can not yet say that the whole field has been covered. The authors themselves rather significantly point out that the costs of the selling department have barely been touched upon so far.

It is worth while to note the happy combination of practice and theory represented by the authors of this work. Mr. Jordan as a consulting management engineer, member of the American Society of Mechanical Engineers and formerly president of the National Association of Cost Accountants, brings into play his practical experience, while Mr. Harris, as assistant professor of management in the school of commerce, New York University, undoubtedly has had much to do with the arrangement of the book to make it a lucid and consecutive text for the student. It is needless to say that both names are a guarantee for honest and careful treatment.

Students of cost accounting, not only college students but also accountants who are realizing the growing importance of cost-accounting knowledge in auditing practice, who look for a mechanical short-cut to procedure in this book will be disappointed. The aim of the authors has been to set forth the basic principles upon which all plans of cost accounting must be founded. They attain their object by a well planned treatment which follows the flow of cost procedure in a logical and connected sequence of operations (chapters I to XXVIII) which must be studied in connection with the large chart of operations in the back of the book. The other chapters deal with special points not a part of the regular procedure but necessary nevertheless to a complete understanding of the subject. It is not a book for casual reading. It most emphatically requires study, and hard study, but it will amply repay the man who wants to know what cost accounting is and what it may be. No doubt the criticism will be made that we have here a broad and complicated procedure applicable only to very large manufacturing concerns, a procedure that the average public accountant will not encounter in his whole professional life. True, but

such criticism misses the point. It is only by studying and assimilating such complicated procedure that we can acquire knowledge of the basic principles. Once these are grasped they may be applied to any concern, large or small.

The whole book is so evenly compiled and dovetailed, as it were, that it is difficult for a reviewer to pick out salient points either for praise or for criticism. Perhaps the most important chapter is that which emphasizes the necessity of starting with proper bases of costs—the fifth chapter. Failure in this respect was no doubt the cause of much wasted time and effort in the past, and gave a black eye to cost accounting in its earlier days. A close second is chapter III advocating departmentalization of the plant and accounts for closer analyzing costs and finding weaknesses. The prime object of cost accounting is control, and it is only by planning the system on these two bases, proper units and logical departments, that such control may be exercised by the management.

As would be expected in a classroom text, some fifty pages are devoted to questions on each chapter, including a long general problem in cost accounting by Henry Heaton Bailey, assistant professor of accounting, University of Illinois. These questions are such as might well be asked in any C. P. A. examination and furnish good laboratory work for the student, especially the general problem which covers practically all that is taught in the book.

There may be details which seem over-refined to the practitioner. For example, since cashbooks and voucher registers are journals in fact, it may appear a waste of time and labor to formulate summaries of these and enter them in the general journal. But these are optional matters which the accountant may treat as he finds most convenient.

Interest as cost bobs up as might be expected! After explaining how and where it may be useful in determining actual costs, the authors leave it to the practitioner to decide for himself. Perhaps the reviewer ought also to pass it over, but when the authors recommend charging interest to cost: "1. On buildings and real estate, in order to equalize the property occupancy cost with competitors who pay rent" (p. 456), the reviewer is moved to ask, "Why?" By the same reasoning the manufacturer whose raw materials lie at his door should charge "theoretical freight" to cost in order to equalize his materials cost with competitors a thousand miles away from their source of supplies!

W. H. LAWTON.

ANALYSIS OF RAILROAD OPERATIONS, by JOSEPH L. WHITE. *Simmons-Boardman Publishing Co.*, New York. Leatherette, 381 pp.

The purpose of *Analysis of Railroad Operations*, best stated in the language of the author in the introductory paragraph, page 1,

" . . . is to review the system of accounts and statistics established on the railroads of the United States by the interstate commerce commission, and to outline the methods by which these accounts and statistics may be used to analyze the activities of a railroad and the results obtained from its operations."

From this it will appear that the book is of interest to a rather limited class of readers, mainly those who are interested in railroad securities. It should be valuable also to university classes in higher accounting as a study in proper

methods of analyzing accounts and statistics in general, for those laid down and explained by the author are adaptable to almost any field of operations. Above all it would be an admirable manual for members of congress and state legislatures—but that would be too much to expect!

The author's methods are clear and explicit. He tells the reader what information should be sought from the data furnished in the voluminous reports of railroad operations, and how it is to be obtained. It is a timely book, for with railroads limited as to their income they must seek ways of reducing expenses, and as the government is now interested in any excess profits it is right that the public should have some means of detecting unwarranted increases in expenses.

A good half of the book is made up of appendices containing abstracts, classifications and orders of the interstate commerce commission, all quite necessary to a complete understanding of the main text. A good index facilitates references.

W. H. LAWTON.