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## Book Reviews

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## Book Reviews

THEORY OF ACCOUNTS, Volume 1, by D. R. SCOTT. *Henry Holt & Co.*, New York. Cloth, 284 pp.

This is a book for young students, not for experienced accountants. A large part is devoted to a description of the mechanics of accounting, clearly expressed, modern and in every way good matter to put before the college student. It could not be expected that any great novelty or improvement over usual methods should appear here; the matter that does appear may be classified as safe, sane and modern.

A few of the details of bookkeeping seem to be the professor's own, yet they are prescribed as though they were universally recognized; thus, the unusual use of red ink (page 100), quite contrary to general usage, and the omission from ledgers of all description of items (page 95) seem strange to a practising public accountant. These, however, are not matters of principle. On taking up actual work a young accountant may readily accommodate himself to the practices he finds in every-day use. The latter half of the book is devoted to such subjects as treatment of deficiencies and surpluses, arising from operations or from revaluations. Most of this is judicious and conventional. There are, however, some statements that are not justified—for instance, on page 168, where the motive for issue of stock dividends is said to be the elimination of an excessive apparent dividend ratio. The formal transfer to undistributable capital of excessive surplus, with the accompanying improvement of credit, is probably the moving cause in most cases. The treatment of inventory valuations is somewhat visionary; the matter on page 195 (et seq.) leads to the conclusion that so long as prices are advancing a company should keep a growing reserve representing that amount of apparent profit due to rise of prices between the time inventory was acquired and the time that inventory valuations were taken on the books, such reserve to be used to absorb apparent losses due to falling prices if and when they do fall. This is not practicable, however much abstruse theory may justify it. The author does not apply the same reasoning to appreciation of capital assets, to which it applies with more force. The theories of depreciation are highly debatable; but this is inevitable. There is no final standard of depreciation practice. The author gives little weight to the fact that, on the whole, machinery or other equipment is more efficient when new than when partly worn out. Finally, the methods proposed are at variance with the regulations governing taxable income and with recognized practice.

Probably every student with enough intelligence to fit him for professional accounting knows that theories of this kind are only theories, to be supplemented or changed in practical work. Granting this assumption, the book is an excellent text for the younger students.

FRANK W. THORNTON.

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BUDGETING TO THE BUSINESS CYCLE, by JOSEPH H. BARBER. *The Ronald Press Co.*, New York. Cloth, 115 pp.

*Budgeting to the Business Cycle* belongs to the laboratory class of accounting literature. It is a description of the method of budgeting used by the author as head of the planning and statistics sections of the Walworth Manufacturing Co.

While he modestly makes no claim for any new theory in budgeting, calling his book merely "a case out of experience," yet considering that his budgeting is based not only on the company's own experience in immediately prior years but also on statistics of the general business cycle derived from outside sources, we must recognize here a decided advance.

Mr. Barber has so condensed text, illustrative tables and graphics that an adequate review would be as long as the book itself; and at that would be practically a repetition of the text without the necessary aid of the illustrations. The book can be read in an hour and studied for weeks. It will be useful to the growing class of accountants engaged in building up scientific methods of budgeting.

Mr. Barber does not say how long his methods have been in use, but that they were successful for the year 1924 is handsomely admitted by the head of his company, who said in his annual report to the stockholders:

"Had it not been for our method of budgetary control which made it possible to forecast both the decline and increase in orders . . . in all probability no profit for the year would have been realized."

Undoubtedly industrial accountants will watch with interest the results for 1925 and future years—which I trust Mr. Barber will give us in due time.

W. H. LAWTON.

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C. P. A. ACCOUNTING (three volumes), second edition, by GEORGE HILLIS NEWLOVE. *The White Press Co. Inc.*, Washington, D. C. 454+390 pages+ solutions.

The numbers of candidates for certified public accountant examinations increase each year and now constitute an audience of very respectable size. Mr. Newlove has saluted this audience in compiling the three volumes of *C. P. A. Accounting* as an aid to potential accountants who approach the arduous experience of a C. P. A. examination. The second edition of the work, which is under review, is of greatly increased value owing to the addition of questions from 272 examinations, making a total of 607 examinations from which material has been drawn. The present volumes contain questions from examinations up to and including those of June, 1925. The style and subject matter of questions which are practically current are thus made available to the prospective examinee.

Many compilations of examination questions merely reproduce the questions and answers in chronological order. Mr. Newlove has taken the pains to classify the questions under topics, such as field of accountancy, double-entry bookkeeping, balance-sheet, profit-and-loss statements, partnership at organization, etc., etc. This classification enables the student readily to discover the subjects in which he is weakest and so to strengthen his preparedness.

Under each caption a concise lecture on the subject is first given and questions and problems follow. Solutions to problems are grouped separately in the third volume, an arrangement which should reduce the student's temptation to glance at the answer before attempting to solve the problem. Volumes I and II contain appendices of references to accounting literature wherein the subjects mentioned in *C. P. A. Accounting* are treated at greater length. A conscientious study of *C. P. A. Accounting* should provide a valuable background for any examination in accountancy.

JOHN L. CAREY.