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## Book Reviews

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## Book Reviews

AUDITING PROCEDURE, by DE WITT C. EGGLESTON. *John Wiley & Sons, Inc.*, New York. Cloth, 528 pp.

Not alone the substance but the form of presentation of this book is commendable. It is in rather striking contrast to the type of book which constituted the accounting literature of a decade ago, when there was a decided paucity of material suitable for the accountancy student.

The first 400 pages are devoted to chapters dealing with the usual items found in the general accounts of a mercantile concern and following this there are 100 pages or so of audit procedure on special cases. The first section also contains chapters introducing the subject of auditing and explaining its value, its nature, the conduct, duties and liabilities of auditors, and general office procedure in beginning an audit.

In its scope the book extends somewhat farther than the title itself would suggest, and touches in a number of instances on what is usually termed the theory and practice of accounting. A number of interesting forms are presented, including balance-sheets prepared for various purposes and forms of schedules for working papers or reports.

The book is comprised of many small chapters, and each chapter dealing with the verification of some account or class of accounts includes a description of each account and the method of verification, followed by a schedule of steps, listed seriatim, to show the programme of audit. The chapter closes with a general summary and review questions. References are made in various places to the method of treatment of items which will conform to treasury department regulations.

To test its value as a book of reference I sought to find what it had to say about reduction of capital stock, and found seven lines on the subject. That, however, is seven lines more than I had expected, as most authors ignore entirely the possibility of stock reduction.

Excellent discussions, though necessarily somewhat brief, are included on the subjects of surplus and dividends. The subject of inventories is dealt with in a capable manner, as also, in most particulars, are accounts receivable. Will not some author soon tell in what cases it is desirable or necessary to request confirmations of accounts receivable and in what circumstances it is unnecessary? Inasmuch as in most audits of large mercantile concerns this is not being done, do the authors of works on auditing consider such audits to be futile? No fault, however, can be found with the book for its inclusion of a description of all steps necessary to make a complete audit. The author has probably found that in the practice of auditing, the most frequent fault is the omission of work which should be considered necessary.

The subject of auditing procedure has been dealt with quite fully, the book is readable and well arranged, admirably adapted to the uses of the student, and the practising accountant will find the programmes of audit throughout the book to be excellent as reminders which will enable him to review his practice without reading extensive detail.

A. S. FEDDE.

## *Book Reviews*

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A UNIFORM SYSTEM OF ACCOUNTS FOR RETAIL FURNITURE DEALERS, by HOWARD C. GREER. *The Ohio State University Studies*, Volume II, number 14. Bureau of Business Research Monographs, number 2,

This bulletin is a condensed treatise which gives the fundamentals of a system for retail-furniture-store accounting, covering both the technical and practical aspects of the subject. It sets forth clearly the purpose and content of operating and financial statements, and gives some idea of what advantages should accrue to the management by correct preparation and proper use of such statements. The work does not discuss underlying theories, but presupposes that the management understands the business, and that the bookkeeper who is to use the system recommended is well grounded in both theory and practice. Nevertheless, although brief, it is at the same time comprehensive in its scope, concise and thorough in its presentation and practical for adaptation, and it furnishes a usable manual for the bookkeeper.

Under the first section entitled "Statements and reports" there is given a general explanation of the operating and financial statements, and methods for their preparation. This is followed by tables showing proper forms for their presentation to the management.

The next two sections are entitled, respectively, "Classification of accounts" and "Forms, records and procedure." The first of these discusses the selection of ledger accounts and suggests the order of their arrangement. It presents in tabular form a complete list of accounts for both large and small stores, with a detailed explanation of the items to be included in each account. The other section discusses and illustrates by forms the procedure to be followed under the system.

Another section deals with instalment income-tax collections, explaining the procedure necessary for making returns on this basis and illustrating how the tax calculations are made.

The last two sections form a practical manual for the bookkeeper. The one entitled "Bookkeeping entries" gives a typical set of monthly closing entries, and also explains those for the yearly closing. The appendix classifies from an accounting standpoint, and in alphabetical order, a list of all merchandise and expense items most likely to be encountered in the ordinary retail furniture business.

CHARLES L. SWEARINGEN.

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ANALYZING FINANCIAL STATEMENTS, by STEPHEN GILMAN. *The Ronald Press Co.*, New York. Cloth, 222 pp.

Quoting from the last chapter of *Analyzing Financial Statements* (pp. 212-213):

"The purpose of statement analysis is to determine:

- a. Trends.
- b. Present condition for the purpose of proving or disproving symptoms of each of the five following common business ailments:
  - (1) Insufficient profit.
  - (2) Over-investment in receivables.

- (3) Over-investment in inventories.
- (4) Over-investment in plant.
- (5) Insufficient capital."

The author's aim, then, is to set forth the procedure and technique for analyzing financial statements, i.e., balance-sheets and profit-and-loss statements, based upon the eight ratios commonly in use, and supplemented by the trend-percentage method, which is growing in favor. While there is nothing particularly new developed in his thesis, Mr. Gilman has rendered a service to students of the profession by his intensive study of a subject which is most important in the public accountancy field. To put the matter colloquially, the public accountant's client wants to know, (1) "Where am I at?" and (2) "Whither are we drifting?" Heretofore accounting training has been devoted mainly to answering the first question. It is time more attention was given to the second, which after all is more vital to the client.

What impresses me most in this study is that the author is not led away by over-enthusiasm for a set of formulas. He repeatedly warns the reader that ratios and trends are not to be accepted blindly. Common sense must be exercised always.

A good manual and a timely one.

W. H. LAWTON.

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FIRE-INSURANCE ACCOUNTING, by WILLIAM B. WIEGAND. *The Ronald Press Co.*, New York. Cloth, 103 pp.

Fire-insurance accounting is a highly specialized form of accounting and the average accountant without previous training, if called upon to audit the books of a fire-insurance company or to advise it in the installation of its records, would find himself facing a difficult task.

Mr. Wiegand's book gives an excellent idea of some of the records used in fire offices. The book is one of the Ronograph library and the publishers announce in the foreword, "It is the plan of the series to discuss each topic completely in a single, compact, thorough volume," but it is doubtful that the author intended his book to be a complete discussion or a thorough treatment of the subject. Even so skilled an accountant as Mr. Wiegand could not accomplish that in 103 pages.

S. H. WOLFE.