1921

Book reviews

Anonymous

Recommended Citation

Haskins & Sells Bulletin, Vol. 04, no. 12 (1921 December 15), p. 111-112

The law further states that "No corporation created under the provisions of this chapter, nor the directors thereof, shall make dividends except from surplus or net profits. Dividends may be paid in cash or capital stock at par, or in the case of stock without par value, dividends in capital stock may be paid at a price fixed by the board of directors, but otherwise the corporation shall not divide, or in any way pay to the stockholders, or any of them, any part of its capital stock."

While the courts seem to have been liberal in defining surplus profits it is doubtful if in the instance above mentioned, any court would have construed any part of the money paid in for capital stock as surplus. In the case of Williams vs. Western Union Telegraph Company (93 N. Y., 162) the court defined surplus as being the excess of assets over liabilities and capital. But it seems doubtful if any court would regard the money received in exchange for capital stock as anything but capital.

The surplus created in the Delaware case was different from that which might arise from revaluation of assets. It was different from that which might be created where stock with par value is involved and the stock is sold at a premium. It appears that the action was nothing more than an arbitrary division of the capital resulting from the sale of stock into two parts, one called capital, the other, surplus. It would therefore appear that a payment of dividends out of such surplus would be illegal.

(*To be continued*)

Minneapolis

IN connection with the opening of an office, on December 1, 1921, in Minneapolis, it may be of interest to note certain facts in connection with that city. Minneapolis has a number of distinguishing characteristics. It is the gateway to the northwest and western Canada. Twenty-two lines of railway radiate therefrom. It is the largest flour milling center in the world; this industry having surpassed in magnitude the lumber industry which centered for many years in Minneapolis. The city is also well known for its many and varied manufacturing industries which are naturally attracted by the abundant power developed from the Falls of St. Anthony.

Minneapolis is said to be the largest of the American cities which have developed wholly since the middle of the nineteenth century. It has grown tremendously during the past twenty years, having practically doubled its population since 1900. The present population is about 400,000. There are about sixty-five banks including the Federal Reserve. The bank clearings during the year 1920 were about three and one half billions. There are many fine buildings, both public and private. The city also boasts of four railway stations.

Minneapolis and St. Paul are situated so close together as to make it difficult to tell where one begins and the other ends. They are frequently called the Twin Cities. Minneapolis is unequally divided by the Mississippi River, the main portion being on the right bank. The river at this point is spanned by numerous and massive highways and railroad bridges.

Altogether, Minneapolis is a city of beauty and stability; has a strategic location which makes it strong commercially, is well equipped financially and bids fair to progress as rapidly during the next few years as it has in the past.

We announce the appointment, effective January 1, 1922, of Mr. B. A. Padon as assistant manager of the Shanghai office.

Book Reviews

McGrath, T. O. *Mine Accounting and Cost Principles.* (New York, McGraw-Hill Book Company, Inc., 1921. 257 p.)

Any accountant who has had the experience of taking up an engagement involving mine accounting must have wished, secretly at least, for some good book on the subject. While it is true, of course, that the principles of accounting apply to all lines of industry and kinds of activity, there is just enough of the special problem involved in mine accounting to require special attention and consideration.

The book under review very properly considers first the business of mining, which is the natural background for a discussion of mine accounting. It then devotes considerable space to a discussion of general accounting, followed by capital promotion and organization, development and equipment, and reorganization. The other sections deal with operating production, administrative accounting, and cost accounting. The section dealing with cost accounting should be of special interest as so little has yet been written on this subject. The operations, with the accompanying cost forms, are followed through to a logical conclusion, resulting in a discussion of the cost compilations.

The book taken as a whole is a welcome addition to the literature of accounting and fills a long-felt want.

Cole, William Morse, and Geddes, Anne Elizabeth. *The Fundamentals of Accounting.* (Boston, Houghton Mifflin Company, 1921. 434 p.)

Professor Cole has written a new book which is better than the one which he called, "Accounts, Their Construction and Interpretation." How much of the credit is due to the collaborator is difficult to decide. The book has all of the earmarks of the scholarly senior author, yet it seems to be supplemented in many places by detail and precision which the average man of affairs in the field of accounting instruction seldom has time to supply.

The development of the subject in the new book is not unlike that in the senior author's previous book, but it shows the changes which time naturally brings about in the thoughts of any author on any subject. The philosophy which likens the accountant to an editor is not only rather novel but very interesting. The whole theory of relations between kinds of accounting, accounting and bookkeeping, etc., is set forth in a very interesting manner.

The new book discusses double entry bookkeeping, the balance sheet, the fundamental principle of debit and credit, the interpretation of debit and credit, the income sheet, the operating statement under cost accounting methods and under inventory methods. Considerable space is then given over to the content of common accounts, dividing the whole group into five classes, asset accounts, contra accounts, ownership-claim accounts, nominal accounts, and clearing accounts. The fundamental principles of bookkeeping method, trial balance, the principles of labor-saving devices, the technique of closing books, and auxiliary records all receive passing attention. There is an interesting chapter on some peculiarities of corporation accounts and other rather special chapters on such subjects as: Where do profits begin; the division of profits; the effect of interest on values; finding the cost of particular products or services. Some thirty-three pages are devoted to depreciation and maintenance. Perhaps the best chapter in the book is that which deals with the interpretation of financial statements. Questions and problems serve to make the book more useful as a text.

Altogether, it is a book to be read with general interest and to be admired for the thoroughgoing way in which the subject is presented.

PRESS OF WILLIAM GREEN, NEW YORK