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them off and sell them to the hair net factories," he said. "Most of the hair nets American girls wear are made from Chinese hair. That is quite an industry over there.

"There are about 50,000 people in Shanghai, and 3,500 of them are Americans. An American men's club organized there has a membership of 800, and is planning to build a six-story club house soon, with swimming pool, gymnasium, and all other club-house comforts.

"There are about fifty American girls who have positions over there," Padon said, "and there is a great preponderance of young men, so of course, the girls have a great time.

"The majority of the persons engaged in positions over there like it fine. They are paid better salaries, as a rule, and there is practically as much amusement. As for the home life, you can't say it is more pleasant, but still, all those servants add to the joy of life!"

Padon has been in Shanghai for the past three and a half years, and will be in Tulsa for another week before returning to China.

Book Review

McKinsey, J. O., and Meech, S. P. *Controlling the Finances of a Business.* (New York, The Ronald Press Company, 1923. 638 p.)

This book may be somewhat flippantly described as neither fish, flesh, nor fowl. It is rather a combination of the three, a fact which contributes to, rather than detracts from, its usefulness.

From an accounting point of view its value lies chiefly in the background which it develops for accounting practice. Without specifically attempting to do so, it combines a large amount of fundamental information bearing on organization, management, economics, finance, and business law. Since accounting practice must of necessity be concerned with all these phases of business activity, familiarity with such phases is obviously essential to good practice.

The benefit of reading a book of this character accrues to a student of accounting largely because the book stresses the theories on which financial practice is based rather than their interpretation for accounting purposes or any consideration of how the facts should be expressed in financial statements. For example, speaking about control of selling expense:

> "This control involves three steps:
> 1. Determination of what should be included in selling expense, and the setting up of a proper classification thereof.
> 2. Determination of standards by which to judge the amount of selling expense and the use of these standards in the formulation of a selling expense budget.
> 3. Determination of methods of enforcing the standards set and the execution of these methods."

The book also makes one very valuable contribution bearing on the time-worn question of borrowing money in order to pay dividends in cases where the profits have been sufficient to justify dividends, but the cash resources are not available except through the incurring of obligations. On this point the authors say:

> "As a matter of general financial policy, debt should be incurred only to increase earning assets. Debt incurred to pay out cash to stockholders is usually poor financial policy. There are some exceptions to the rule, however:
> 1. In case cash is expected, *e.g.*, from the sale of securities or from liquidation of inventories in a seasonal business.
> 2. In case dividends on preferred stock have accumulated and the earnings of the corporation are adequate to pay fixed charges, current dividends on preferred, and a conservative rate on common stock.
>
> "The American Can Company, for example, paid off accumulated preferred dividends amounting to 31¼% on $41,233,000 preferred stock in 1913 by selling an issue of 5% deben-

tures amounting to $14,000,000. The company was at this time attaining a financial position which led the directors to look forward to the payment of initial cash dividends on the common stock. By borrowing, through a bond issue, in order to pay off the accumulated dividends on the preferred stock, dividends on the common stock could be begun at a much earlier date than if the accumulated dividends had been paid off slowly over a period of years. Thus the credit of the company was enhanced. The long-term debt did not offer the risks of unfavorable maturity which would have existed in case bank loans had been resorted to. However, the ability of the business to carry fixed charges and pay current contingent charges should be reasonably assured."

Because of the comprehensive manner in which data relative to financial practice is presented and the fundamental value which the consideration of these matters has for accountants, the book is recommended for careful and thoughtful reading.

Mr. J. F. Forbes, resident partner at San Francisco, has recently been in New York on his annual spring visit to the Executive offices.

At the annual meeting of the Gyro Club of Denver Mr. T. R. Young, manager of our Denver office, was elected president of the club for the ensuing year.

Mr. Edmund C. Gause, on April 10, was elected chairman of the Pittsburgh Chapter, Pennsylvania Institute of Certified Public Accountants.

Mr. Elijah Bates, manager of the Cleveland office, has been appointed a member of a committee consisting of four accountants and two lawyers to serve as advisers to a fact-finding committee of five citizens of Cleveland, to conduct an investigation into the pending gas legislation.

Mr. H. J. Jumonville acted as chairman of the Paving Committee of the New Orleans Association of Commerce which, on March 27, 1923, rendered a report outlining a plan for paving the city and the steps to carry the plan into effect. The report was received with enthusiasm and approved.

"This meeting," said President W. P. Simpson, "can be considered as an epoch in the history of the city. We cannot pave by resolution tonight, but backing a definite plan for the improvement of our streets can attain the object through the leadership of business men of the association."

Mr. Page Lawrence acted as the discussion leader on the subject of "The Treatment of Overhead," at a meeting of the Cost Accountants Group of the Chamber of Commerce of Kansas City, on March 16, 1923.

Colonel Arthur H. Carter has recently obtained the C. P. A. certificate of the State of Minnesota.

We note with pleasure that Mr. J. R. Hutson, of the Baltimore office, has successfully passed the C. P. A. examinations held by the State Board of Accountancy of Maryland in November, 1922.

Congratulations are also extended to Mr. C. C. Croggon, resident partner, Baltimore office, Messrs. M. L. Higgins, R. L. Randall, and O. J. E. Sonnenberg, of the San Francisco office, and Mr. J. K. Gregory, of the Los Angeles office, on their success in obtaining the C. P. A. certificate of the State of California.

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