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Book reviews

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Book Reviews

Gerstenberg, Charles W. *Financial Organization and Management of Business*. (New York, Prentice-Hall, Inc., 1924. 723 p. Price \$5.)

This book is of value to accountants in that it discusses some of the important bases on which their work rests. "How," one asks, "can an accountant interpret the accounts and pass judgment on the affairs of a particular business enterprise if he is not thoroughly familiar with the fundamental principles underlying capitalization, business operation and results, and rational business policies?"

To epitomize the scope of this volume one might say that it embraces the acquisition and use of business capital and relation of profits thereto. The style is delightful. The text is livened with human interest illustrations. The arrangement is logical. There is an abundance of explanatory notes which are very satisfactory in their detail and precision, a need which only an experienced teacher understands. The book is replete with source-notes and references. If it may be criticised for being bulky and unhandy to carry about, such objection should be mollified by the thought that it offers a lot for the money.

The content is rather characteristic of books of its class, and no claim may be made for any particular originality in this respect. There is, however, one section which deserves more than passing mention and accountants especially are under obligation to the author for his full and satisfactory exposition of working capital.

This subject has been most superficially treated by authors in the past, probably because of its complexity and the enormous amount of time required to think it through to a practical conclusion. One of the difficulties involved in discussing the subject of working capital has been definition.

The time-honored acceptance of net current assets as representing working capital constitutes a fallacy which is inconceivable. When one goes to the heart of the question it must be apparent that all current capital, regardless of its source, is being turned over in an attempt to develop profit. Presumably no one will insist that only the proprietary equity in current assets is being so utilized. There is, however, a controversy with respect to working capital, but it is founded on lack of agreement as to what the term "working capital" means. The author, after acknowledging the controversy and discussing both sides briefly, gives material help to groping minds by dodging the issue and applying the term "circulating capital" to all the assets of a company that change form in the turnover process incident to the production of profits. If it were conceded that the book has no other value for accountants the three chapters on working capital would be well worth the price.

One may not dismiss the review of this volume without paying compliment to the author for the energy, capacity and thoroughness with which he has discussed the subject and an acknowledgment of his contribution to the advancement of education for business through his courses at New York University and his books on finance and related subjects.

McClure, Matthew Thomas. *How To Think in Business*. (New York, McGraw-Hill Book Company, Inc., 1923. 173 p. Price \$2.)

Possibly the best way to convey an idea of the character of this book is to quote some of the passages. It has some high-sounding words and abstruse phrases, but withal it is an extremely sensible treatment of a subject which merits more attention

than it has received. Its teachings apply to accountancy as well as business. Hear what the author has to say on the essentials of a trained mind:

"There are five things which constitute mental training and the man who can do these things, no matter where he has learned them or how he has learned them, is a trained thinker:

"1. Can he recognize a fact? 2. Can he make a distinction? 3. Can he draw an inference? 4. Can he judge evidence? 5. Can he concentrate his attention?"

"The thinking process is a problem-solving process." "Understanding the problem is half the battle." "To be a trained thinker you must first be a trained observer." "To reason is to investigate a suggestion before accepting it or rejecting

it." "Reasoning is primarily concerned with evidence."

"Judgment may be defined as the final summing up of the situation. It means that the time has come to stop thinking and begin acting. It is a decision." "To make a decision where live issues are at stake and where vital consequences are involved requires a readiness to assume responsibility." "Good judgment is the test of a trained mind."

Notwithstanding the serious character of the book and the academic approach to the subject, the text is interesting and absorbing. It is saved from being heavy by many practical applications to business conduct, the narration of incidents, and quotations from some of the lighter business literature.

Recent Additions to the Library

Baker, Ray Palmer. *The Preparation of Reports, Engineering, Scientific, Administrative.* (New York, The Ronald Press Company, 1924. 468 p.)

Bennett, R. J. *Accounting for Building and Loan Associations.* (Philadelphia, Bennett Accountancy Institute: 1924. 45 p.)

Everett, Frank, & Heywood, Johnson. *Cost Control for Foundries.* (New York, McGraw-Hill Book Company, Inc., 1923. 226 p.)

Finney, Harry Anson. *Principles of Accounting.* 2 v. (New York, Prentice-Hall, Inc., 1923.)

Finney, Harry Anson. *Solutions to Problems and Answers to Questions in Principles of Accounting.* 2 v. (New York, Prentice-Hall, Inc., 1923.)

Fixel, Arthur E. *False Financial State-*

ments; Remedies of Defrauded Creditors. (Albany, New York, Matthew Bender & Company, Inc., 1924. 319 p.)

Gerstenberg, Charles W. *Financial Organization and Management of Business.* (New York, Prentice-Hall, Inc., 1924. 723 p.)

Hastings, Hudson Bridge. *Costs and Profits: their Relation to Business Cycles.* (New York, Houghton Mifflin Company, 1923. 168 p.)

McClure, Matthew Thompson. *How to Think in Business.* (New York, McGraw-Hill Book Company, Inc., 1923. 173 p.)

Scovell, Clinton H. *Interest as a Cost.* (New York, The Ronald Press Company, 1924. 254 p.)

Van Dyke, J. E. *Complete Four Decimal Bond Value Tables.* (New York, The Financial Press: 1923.)