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Book review

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cause of a misunderstanding as to the nature of capital stock without par value. A notion seems to be prevalent in some quarters that the abolition of all par value automatically eliminates the distinction between classes of stock. It has been argued that where the stock of a corporation is without par value, it is unnecessary to keep any accounts for capital invested other than one "net worth account."

Such reasoning is utterly fallacious. The removal of par value from preferred and common stock does not make them the same. One still has certain rights which the other does not possess. And even in cases where there is only one kind of stock, the capital contributed in exchange for stock certificates should not be merged on the books with surplus arising from operations, appraisals, or other sources, although such a merger is made for purposes of finding the equity which the stock certificates represent. Unless the different elements are kept separate, it would be very

difficult to know just when dividend payments began to encroach on capital invested.

The question of the desirability of preferred stock without par value has been discussed many times. It appears that there is more disadvantage than advantage in removing par value from issues of preferred stock. Confusion is likely to occur when both common and preferred stock exist without par value, in defining the rights of each class. It is sometimes necessary to assign an arbitrary value to non-par preferred stock, as in the case at hand. Then, wherein lies the advantage in removing par value at all?

Preferred stock is usually issued as a class of securities midway between bonded indebtedness on the one hand and common stock on the other. It partakes somewhat of the nature of both. It usually has enough of the characteristics of long-term bonds to render the abolition of par value a very questionable procedure.

Book Review

Munn, Glenn G. *Bank Credit*. (New York, McGraw-Hill Book Co., Inc., 1925. 284 p.)

The idea that only books on accounting are useful to accountants has been refuted so often that no further proof necessarily need be offered. Mr. Munn's book, however, is too striking an example of a book which should be studied by accountants who wish to take advantage of any opportunity for more intelligent rendering of professional service, not to use it in support of a principle.

Service connotes satisfaction to the party served. Ability to satisfy depends upon having a knowledge of that party's requirements, of his ideas, and even perchance of his capricious likes and dislikes. Successful service frequently is built on a psychological study of the individual seeking service, or of the type to which he belongs.

Ergo, if accountants would serve clients

who have occasion to offer financial statements to banks for credit purposes, what could be more logical than to find out what kind of information is required? Further, if accountants understand thoroughly the reason on the part of banks for desiring the data, what use is made of the statements, and incidentally something about the mechanics of bank credit departments, such information cannot but contribute to more useful service.

The book in question was written for bank credit men and students of bank credit affairs. Business men who borrow, and accountants, one of whose functions is to facilitate borrowing, may read it with profit. The influence of a book of this character should reach far beyond the field it was designed to reach.

The chapter on Statement Analysis is admirable; that on Estimated Future Balance Sheets, full of interest and unique. There is also a good discussion of commer-

cial paper purchases. Not the least important to accountants are the chapter on Ethics of Credit Interchange and the appendix treating of Contingent Liabilities. The latter, strange to admit, is one of the fullest discussions of the subject available.

The book as a whole is well written and very readable. The author is to be commended for his contribution and for the concise way in which he has presented a large amount of information.

Early Days of American Accountancy

MR. JAMES T. ANYON, senior member of the firm of Barrow, Wade, Guthrie & Company, has contributed, under the title above, a fascinating bit of literature in a series of three articles which appeared in the January, February, and March numbers of the *Journal of Accountancy*.

One who has been privileged to know the genial author of the articles, reads the record of his reflections as one quaffs a pleasant drink. Any one who seeks, or needs without realizing it, a change from the humdrum of technical perusal will find in the articles refreshing diversion.

The reminiscences carry in suspension a lot of information which, aside from the entertainment it affords, is valuable in helping to fix the background of present-day practice.

Mr. Anyon has traced the career of the accountancy profession in America from about 1880 to date. We acknowledge herewith our debt of gratitude to him and hope that as soon as the pressure of the busy season will permit the articles will be read by every one in our organization.

Mr. E. E. Leffler, manager of our Buffalo office, has been elected vice-president of the newly organized Buffalo Chapter of the New York State Society of Certified Public Accountants.

March 19, 1925, marked the first anniversary of Mr. Sells' death. The year, while passing all too quickly, has brought a keen realization of loss to our attention on many occasions. We have missed the inspiration of Mr. Sells' presence and the benefit of his wise counsel.

We have noted with interest that Mr. Chris M. Martin, of our Chicago office, was successful in passing the May, 1924, C. P. A. examination of the State of Illinois.

Mr. R. B. Cato, of our New Orleans office, is to be congratulated also upon his attainment of the C. P. A. certificate of the State of Louisiana.

Mr. C. M. Doiseau, formerly assistant manager of the New Orleans office, has been transferred to the Executive Offices, Technical Procedure Department, for the purpose of devoting his entire time to system engagements. The work in this field having assumed proportions which seem to warrant the assignment of some one to concentrate thereon, Mr. Doiseau was selected because of his interest in, and specialization along, system lines.

Before leaving New Orleans Mr. Doiseau was given a farewell dinner by the staff.

Mr. Gordon M. Hill, for several years a member of the New Orleans staff, has been made assistant manager of that office, effective April 1.

We have pleasure in noting that Mr. R. H. Moore, of our Los Angeles office, has been successful in passing the C. P. A. examinations of the State of California and of the American Institute of Accountants.

Mr. C. M. Doiseau delivered an address before the student body of the College of Commerce and Business Administration, Tulane University, at New Orleans, on March 3. His treatment of the subject, "System in Business," was very much appreciated.