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## Book Reviews

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## Book Reviews

THE ACCOUNTANTS' DICTIONARY, edited by FRANCIS W. PIXLEY.  
*Sir Isaac Pitman & Sons*, London and New York. 2 vols. 989 pages.

At a time when accounting terminology is being so widely considered as to receive official consideration by the American Institute of Accountants and THE JOURNAL OF ACCOUNTANCY in this country and by *The Cost Accountant* in London, the appearance of a new dictionary is sure to attract attention. The present volumes are edited by the distinguished author, Mr. Pixley, who has written among other works *Auditors, Their Duties and Responsibilities*, which has for many years been regarded in Great Britain as the leading authority in its own field. The editor has been assisted by nineteen "highly qualified members of the accounting and legal professions," amongst whom are some of the best known British accountants.

The fact that the work is written by practitioners in Great Britain for British readers naturally leads to the treatment of many subjects in a British manner and to the inclusion of British procedure, which is not of direct use to American readers, e.g., many pages are devoted to bankruptcy matters, to British income tax, to executors' accounts and to some other similar subjects, in which the procedure is determined by law. Such inclusions, however, are not entirely useless to American readers for they present in a convenient and condensed form much information which practising accountants occasionally need, while comparison with foreign methods affords excellent practice for the student. The majority of expressions appear in alphabetical order, but many of the important matters are treated in groups, e.g., under balance-sheet we find a discussion of the usual accounts found therein, such as reserves, sinking funds, plant and machinery, etc., while the trading account and profit-and-loss account are treated similarly, the result being to bring in one place a discussion of the usual items included under the main subject. This arrangement facilitates a broad view of the entire question and illustrates the amount of information given beyond mere definitions.

The reader expecting to find many new principles enunciated may be disappointed, but if he also seeks sound information on a great variety of accounting subjects, he will be well rewarded. It must be remembered that one does not consult a dictionary in search of novelty so much as to obtain an accurate and authoritative statement.

On account of my work for the American Institute of Accountants in connection with terminology, I admit to some disappointment at the absence of a full discussion of some of those balance-sheet and profit-and-loss terms which are used so indiscriminately, such as net and gross profits, earnings, surplus, etc. There is also disappointment at the omission from the list of other words frequently used in this country, such as accountant, accountancy, fund, auditor, accruals, obsolescence and turnover. On the other hand we find interesting matter of value under such heads as "Accounts, criticisms of," which deals in some detail with the accounts appearing in a balance-sheet or profit-and-loss account and reminds one of Mr. Pixley's *How to Read*

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a *Balance-sheet and Organization of an Accountant's Office* dealing with the accounts of an accountant. Similar excellent articles are scattered throughout the book under such headings as "bills" of various kinds; "internal check," "goodwill," "investigations." The article on auditing occupies over seventy pages and, besides discussing the details of an audit, mentions special points in the audits of various enterprises such as banks, builders, building societies, etc. One subsection deals with auditors' certificates, but here the British legal requirements are the chief consideration and there is little discussion of the difficulties which beset the American accountant in this regard.

Reserves, reserve funds and sinking funds are excellently dealt with under the head of "balance-sheet" and also under reserves and reserve funds. The author enters his protest against the indiscriminate uses made of these expressions and insists that fund should be used only when cash or securities are in actual possession. At the same time he regrets that his views are not shared by all competent accountants and, therefore, he cannot lay down the rule that it is incorrect to describe an ordinary reserve as a reserve fund—a regret in which we all share. A suggestion, worthy of serious consideration, is made to the effect that the word "provision" describes more accurately than "reserve" the nature of an account set up for the purpose of keeping certain amounts out of revenue receipts or for making provision for the replacement of some asset, yet none of the pattern balance-sheets given in the dictionary contains any such account.

The present dictionary may be placed, in size, between Pitman's *Dictionary of Bookkeeping* or Dawson's *Compendium* on the one hand and Lisle's *Encyclopædia* on the other. It devotes much less space to illustrative forms and to mathematical formulæ and to abbreviations than does the encyclopædia but in a general way covers the same ground. While it contains little that is new, it does provide a mass of sound statements on general accounting matters, clearly expressed and well arranged. It should find a place in all accounting libraries; it is instructive to the student; useful as a book of reference to any enquirer, and affords a mine of value to anyone desiring to quote high authority on accounting matters, the weight of its authority being increased by the fact that its well-known editor is supported by capable colleagues and, we assume, the book is the result of their combined experience and knowledge.

A somewhat detailed comparison of this work with four or five others of a more or less similar nature proves conclusively that at present there is not in existence any vocabulary of accounting terms such as is now being prepared by the committee on terminology appointed by the American Institute of Accountants.

WALTER MUCKLOW.

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ECONOMICS FOR THE ACCOUNTANT, by KEMPER SIMPSON. *D. Appleton & Co.*, New York. 206 pp., cloth.

*Economics for the Accountant* is a short treatise on economic principles as they apply or, in Doctor Simpson's opinion, should be applied to the

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work of an accountant. Starting with the general definition that "economics is the social science that deals with man in his efforts to make a living or to satisfy his wants," he shows that two processes are always involved, consumption and production, consumption being the beginning and the end of economic study, for "it furnishes the incentive for economic endeavor and it constitutes the ultimate purpose of all economic organization." The accountant's work deals principally with production, so it follows that the book is devoted to the principles underlying production costs and the distribution of the producer's profit.

Production factors consist of labor, land (including capital goods), capital, and that intangible and somewhat elusive element called enterprise, management or direction. These factors are represented respectively by laborers, owners of land and capital goods, capitalists and entrepreneurs. All human effort, whether mental or physical, is classed as labor. Land and capital goods are the land, goods, machinery and instruments used by the producer in creating his product. Capital is defined as "postponed claims on consumption goods expressed in terms of money" lent to the producer with which to purchase capital goods. The entrepreneur is the man (or group of men) "who controls its policies because he has legal title to its capital goods and its product." The economic rewards of each class respectively are termed wages, rent, interest and profits.

After some preliminary discussion of the effect upon prices of demand and the medium of exchange, the author proceeds to discuss the main topic of his book, economic *vs.* accounting costs. The elements of raw materials, labor, factory overhead, general and administrative expense, selling expense and depreciation are seen to be economic as well as accounting costs. Further, Doctor Simpson maintains, theoretical (that is, not actually incurred or paid) rent, salaries and interest on investment are not only economic but also accounting costs and should be included by the accountant in production costs. Finally there is left the pure economic profit which goes to the entrepreneur.

It will be observed that the author departs widely from generally accepted accounting practice in his treatment of the above-mentioned theoretical elements, not only in analyzing the total profits into the four categories given, but in requiring three of them to be included in prior production costs. It may also be mentioned that his conception of "production cost," which includes everything except the entrepreneur's profit, bears slight resemblance to the accountant's "cost of production." Likewise his "gross profit" is not the difference between sales and cost of sales but the entrepreneur's profit plus interest on the invested capital.

Three appendices close the book, two being elaborate arguments in favor of the author's views of disputed elements of costs, e.g., interest on investment, and the last giving a list of questions in economics asked in several state C. P. A. examinations, with references to the chapters in the book where answers may be found.

The accountant who reads the book will enjoy the little trip into the rarer atmosphere of economic theory, and if it leads him to a wider study of the science of economics, so much the better for him. The broader the education, the better the accountant. But when he gets back to the

solid ground of practical accounting he will quickly be confronted with some knotty problems to be solved before Doctor Simpson's theory as a whole can be reduced to practice.

W. H. LAWTON.

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PROBLEMS IN BUSINESS FINANCE, by EDMOND E. LINCOLN. *A. W. Shaw Company*, Chicago, 1921. 525 pages.

It has been only a few years since the "case system" or the "problem method" of instruction in business was first proposed. The proposer was thought more or less radical at the time, and the idea was not received with any especial enthusiasm. It practically meant, as was stated by a leading business educator, the scrapping of all that had been accomplished during the lifetime of those actively engaged in business education. Yet today the problem method of teaching business is taken for granted, and business schools everywhere are actively engaged in gathering materials and in the preparation of problem books for classroom use. Some of the leading correspondence schools, even, have of late been advertising that their courses are now being taught by the problem method.

Professor Lincoln's book is one of the first "problem books" to appear. The problems have been drawn directly from the financial experiences of many business men and bankers. They represent more than one hundred and twenty-five totally different kinds of business and industry and hundreds of separate concerns.

The first part of the book contains a full outline and a rather complete bibliography "for a general course in business finance dealing primarily with small and medium-sized industrial concerns." This is followed by a brief statement to teachers, students and to general readers, after which the author makes a general survey of the field, points out the distinctions between "trust" finance and "corporation" or business finance and emphasizes the importance of proper purchasing, of adequate working capital, of established credit, etc. Professor Lincoln states that "it is an American commercial trait to overrate the selling end of the business," and he then proceeds to point out the evils of "over-selling," of making special concessions to customers, etc. Successful financing is largely a matter of coöperation—coöperation between banks and business concerns and between numerous business concerns themselves.

The rest of the volume—comprising some 450 pages—is given over to the problems and to accompanying references, which usually give a clue to the solution. Part II of the text takes up the sources of capital, and discusses the numerous problems involved in the raising of fixed and working capital. Some 112 problems compose this part of the volume. Problems of internal financing are next discussed. These problems include the financial aspects of purchasing goods, producing goods, selling goods and administering the earnings. In selling the goods, the author considers sales and price policies, coöperation between the credit and sales departments and the customer, the problem of discounts and of collections and the financial aspects of advertising. We believe the coördination of the various functions of purchasing, manufacturing, selling and financing might

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have received somewhat more attention, for that internal control of departments—sometimes spoken of as budgeting—is as essential to business success as is the external coöperation which Professor Lincoln emphasizes. Fifty-eight problems are included in this section of the text. The remainder of the book furnishes problems on financial involvements, receiverships, reorganizations, promotions, etc., etc. Twenty-one problems furnish material for this section of the book.

A statistical appendix of some forty pages contains much practical and interesting information concerning such things as the number and size of industrial concerns in the United States by five-year periods from 1899 to 1914, the standards for credit granting in various industries, the financial standards in the rubber, automobile and cotton industries, classified expenses and annual turnover of stocks in retail stores, corporation income distributed by industrial groups, etc. A very interesting table of the record of business failures in the United States is also shown.

To the layman it would appear that Professor Lincoln has done exceedingly well a quite difficult and heretofore untried task. The volume is not one which will appeal greatly to the general reader, but to the student of business finance who will read first the general references and will then give intelligent thought to the accompanying problems the book will prove of great benefit and a real inspiration. The book is not without faults, but there is so much more of good that might be said about it that we shall not attempt any adverse criticism of it. It is well printed, and contains an exceedingly full and valuable table of contents. There is no index.

J. HUGH JACKSON.

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WALL STREET ACCOUNTING, by FREDERICK S. TODMAN. *The Ronald Press Co.*, New York. 350 pp.

*Wall Street Accounting* is an enlarged and revised edition of the author's *Brokerage Accounts*, published in 1916. It gives a complete description of accounting methods, books and forms used by the leading brokerage houses in New York and other large cities and, in addition, a very informing analysis of the technique of trading on the stock and commodity exchanges. The change in title from the 1916 edition is well advised, for the book deals with stock and commodity brokerage only, and the old title was therefore somewhat misleading, as the writer, who once searched vainly in it for information on real estate brokerage, can testify.

The auditing of a stockbroker's books calls for the maximum of accurate detailed verification in the minimum of time, and naturally this class of business is chiefly confined to a few large and well-equipped public accounting firms. The public accountant of limited experience and resources who rashly accepts such a contract ventures in where angels fear to tread. If he doubts it, let him read Mr. Todman's book. But whether for informing or for deterrent purposes, the book should be in a public accountant's library.

W. H. LAWTON.

MATHEMATICS OF ACCOUNTING AND FINANCE, by SEYMOUR WALTON and H. A. FINNEY. *Ronald Press Co.*, New York. 274 pages.

"The earlier chapters explain in considerable detail a number of short processes and practical suggestions that may be applied in routine computations of any sort. Particular attention has been given to the matter of adequate checks upon calculations.

"The central portion of the book treats of the special applications of arithmetical principles and short methods to the problems of individual lines of business.

"In the final chapters an attempt has been made to explain, in simple terms, convenient ways of using logarithmic and actuarial methods in the solution of business problems relating to compound interest, investments, annuities, bond discount and premium, effective bond rates, leaseholds and depreciation."

This is a quotation from the preface and recites the subjects treated in *Mathematics of Accounting and Finance*. The book is written throughout in clear and simple terms and with few exceptions the methods of solving the specimen problems are discussed at length so that the reader or student may follow the reasoning leading up to the results and formulas given. The short cuts and suggestions in the earlier chapters seem rather obvious and in reading them over one wonders what the authors meant by "material of advanced nature" referred to elsewhere in the preface. They are indeed so elementary that the public school may reasonably be expected to have prepared the average person for the exercise of his reasoning faculties when confronted with these everyday problems of office and business arithmetic. However, the suggestions themselves are good enough although many more, and more useful ones, could have been given. The central portion deals with a number of special problems that are met in the ordinary office or business routine, as for instance, averaging accounts, liquidation of partnerships, calculation of goodwill, consolidation of foreign-branch accounts with the head office books, etc. None of these topics is treated at all exhaustively but a student of accounting and business methods will find a good deal of useful information in that part of the book. The chapters on logarithms, simple and compound interest, annuities, bond values, etc., present the solutions of the various standard problems very clearly; but here also there is no material improvement upon the treatment in the school texts.

On the whole the merit of the book lies more in the special information which it gives on various subjects than in the exposition of arithmetical or mathematical processes. A. VAN OSS.

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#### **Society of Incorporated Accountants and Auditors**

The thirty-seventh annual meeting of the British Society of Incorporated Accountants and Auditors was held in London, May 18th. The report of the council showed that on December 31, 1921, the society's roll contained the names of 3,360 members.

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#### **Missouri Society of Certified Public Accountants**

At the annual meeting of the Missouri Society of Certified Public Accountants, the following officers were elected: President, E. G. H. Kessler; first vice-president, Page Lawrence; second vice-president, O. M. Cartall; treasurer, F. A. Wright; secretary, E. W. Gottenstrater.