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Book Reviews

Edward H. Moeran.

W. H. Lawton

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Book Reviews

PRACTICAL ACCOUNTING FOR GENERAL CONTRACTORS, by
H. D. GRANT. *McGraw-Hill Book Co., Inc.*, New York, 254 pp., cloth.

Here we have another monograph, a type of book which is a welcome addition to accounting literature. After the usual preamble, the various types of construction contracts are described, an entire chapter being devoted to cost-plus contracts. Then follows a detailed description of the financial accounts, records and statements which completes part I. Part II is devoted to "field accounting control," including a chapter on organization and personnel and monthly reports. Part III, which completes the book, deals with miscellaneous matters such as pay-roll problems, legal aspects of contracts, etc.

Upon reading the book through, the first impression is likely to be one of bewilderment, especially if the reader be a student, because of the ingenuities and departures from common practice and the seeming intricacies and difficulties peculiar to accounting for general contractors. Almost at the outset (page 3), we are confronted with the following: "Contractual cost accounting requires as many, if not more, internal cost accounts than a manufacturing business, and some of the accounts are more difficult of manipulation." Incidentally this is an example of unequivocal statements which tend to shake one's confidence in the author's experience, and we respectfully suggest the deletion of "manipulation" as savoring too strongly of malice aforethought.

There are many generalizations contained in the book to which exception might properly be taken, but one example will suffice. On pages 6 and 7 the following appears: "Overhead extravagance, administration and selling expenses should be curtailed to the irreducible minimum." We agree with Mr. Grant as to extravagance in its true sense, but point out that few, if any, concerns doing a competitive business can with impunity whittle down their selling expense to the vanishing point as suggested. Successful contractors may build up each a reputation that solicitation of business, in any form, is no longer necessary, but such a point is usually reached by a "go get it" policy, involving expenditures far removed from the irreducible minimum. The term "whole cost" used as a synonym for selling price (pages 14 and 15) is decidedly objectionable and the suggestion on page 25 that material supplied from contractors' stock should be priced at cost or market whichever is higher might, in the absence of specific contract provision, lead to serious abuses and is at best a questionable practice.

The general records suggested by Mr. Grant are in many respects ingenious, to say the least. An outline of the cash record appears on page 36 and is badly designed. Among other objectionable features only one column is provided for the date of receipts and disbursements, and only one column for payor and payee, necessitating a waste of space which might be as great as 50%. The two suggested posting mediums to the general ledger are the cash record above referred to and the general journal, and the chief underlying record to the general journal is the "figure-analysis book," an ingenious device which, among other things, takes the place of a voucher record.

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Practical Accounting for General Contractors, whatever its shortcomings, and, although a dangerous book for students to read, gives evidence of painstaking care in its preparation and contains data of value to those sufficiently experienced to sift the chaff from the wheat.

Apart from the accounting features of the book and textual criticism, we feel it our duty to call attention to the fact that Mr. Grant, on the title page, is described as "Auditor, Hudson and Manhattan Railroad Company." Mr. Grant was never the auditor of the railroad company, but was, we believe, auditor of one of its subsidiaries, the Tunnel Advertising Company. Also, on pages 138 and 139 there appears a comparative balance-sheet, followed in succeeding pages by operating statements, of L. K. Comstock & Co., with whom Mr. Grant was formerly associated as treasurer. The figures used are purely suppositions, but this fact is not clearly set forth as it should be. These two inadvertencies should be corrected, if the sale of the book warrants a second edition.

EDWARD H. MOERAN.

SYSTEM BUILDING AND CONSTRUCTIVE ACCOUNTING, by
RAYMOND D. WILLARD. *McGraw-Hill Book Company*, New York.
cloth, 315 pages.

Although from its general title one would expect to find this book a treatise on system-building and accounting in general, only twenty-seven pages are devoted to the general subject. Those pages contain a general outline of the problems usually encountered in designing a system, details of programmes to be followed in preliminary investigations, scope of reports to be rendered, and last but not least practical suggestions for the selection of papers to be used for different purposes and instructions for preparing forms, rulings and printing. The last-named is a feature I do not remember before in any accounting text, and it is a valuable one.

As to the remaining pages, it may be of help to the prospective purchaser who reads this review to state that it covers in full detail the organization, system and accounting for an automobile sales company, a wholesale grocery company, a large club, a wholesale leather-cutting concern, and a semi-public hospital. The treatment of each case is full and explicit, including even the proper form of journal entries for closing, etc., and all the forms for books and tickets necessary to make complete records. The systems described are in actual use, it is stated in the preface, which emphasizes the practical nature of the book. Each is typical of a large class so that with the exception of the retail trade we have the whole field of accounting fairly covered. It is primarily a text-book for students, but the practicing accountant will find it useful for reference.

Exception must be taken to the practice of the auto sales company in continuing the charge for depreciation of an expired asset as an operating expense offset by a similar credit to income. I do not suppose the author is responsible for or approves of this bit of theory gone mad, but at least a note might have been made to warn the student. (Page 71.) If the asset has exceeded its estimated life, i. e., the charge for depreciation in previous years has been overestimated, it is a matter for adjustment through the surplus not the income account.

W. H. LAWTON.

BUDGET MAKING, by ARTHUR EUGENE BUCK. *D. Appleton & Co.*, New York. cloth, 234 pages.

Budget Making is one of the series of manuals on government administration and accounting issued by the National Institute of Public Administration in conjunction with the New York Bureau of Municipal Research. In the words of the author's preface:

"It is not the purpose of this hand-book to discuss the philosophy and theory of the budget, but to present model budget forms and to outline the procedure of budget-making in such a way as to be of assistance to those engaged in the actual work of preparing budgets."

But it is more than that. For the student of government administration it is a complement to such studies as the *Metz Handbook of Municipal Accounting*, and Oakey's *Principles of Government Accounting and Reporting*, either as a preliminary view of the whole subject of budget-making or as a summary and digest of the two larger studies. In a sense it may also be considered as a report of progress of the country at large. We have become so accustomed to criticise government agencies of all classes for lack of business methods that it will surprise many to learn that no less than forty-six states have provided by statute or by constitutional amendment for the establishment of a budget system, and that scores of cities throughout the country are using budget methods in conducting their finances. That congress has adopted a budget system for the federal government is a matter of recent history. Two states, Pennsylvania and Rhode Island, still enjoy the proud distinction of clinging to antiquated and wasteful rule-of-thumb financial ways.

The first two chapters of the book deal with the budget in relation to government work and budget-making authorities and staff agencies. The purpose of a budget is to furnish a guide for legislative action, a method of control for the executive and, above all, information for the public in respect to public expenditures. It follows that the ideal budget must be not only scientifically based from an accounting standpoint, but also stated in terms that will be easily understood by the man of average intelligence. Budget-making is a continuous process involving the gathering and recording of data, preparing the estimates, formulating and adopting the financial plan, executing the plan and recording more information for future budgets, a complete cycle. How the data should be accumulated and classified, then grouped and synthesized for the purpose of informing the legislature and the public and of controlling the administration of the plan through the executive is covered by the next eight chapters. Being based on actual procedure for the most part, these instructions are practical and furnish a safe guide for state and municipal authorities. The remaining two chapters deal with administrative organization and methods, an important feature, since the most ideally scientific system of government accounting is useless without the administrative power to make it effective. Supporting appendices and a good index complete the book, which is a thoroughly good piece of work and will be appreciated by all students of government administration.

W. H. LAWTON.