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Book Reviews

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Book Reviews

OFFICE MANAGEMENT, by GEORGE M. DARLINGTON. *The Ronald Press Co.*, New York. Cloth, 203 pages. 1935.

A handy little manual is *Office Management* written for the benefit of the manager of a small office. In no derogatory sense one may say it is the boiled down essentials of Taylor, Leffingwell, *et al*, as applied to the office. It contains many practical and useful suggestions conducive to the smooth running of office routine.

W. H. LAWTON.

PROBLEMS IN AUDITING, by ARTHUR WARREN HANSON. *McGraw-Hill Book Company, Inc.*, New York. 2nd edition. Cloth, 556 pages. 1935.

From the Harvard graduate school of business administration comes a second edition of Professor Hanson's *Problems in Auditing* revised and much improved both by eliminations from and by additions to the first edition of 1930. Of 126 cases in the first edition, 48 have been discarded, the remainder more or less revised after several years' tests in use, and 71 new cases have been collected within the last five years. All these cases are actual ones contributed by members of the profession. Thus the student may feel assured that he is being familiarized with tested and up-to-date auditing procedure as practised by the best public accountants.

Much extraneous and practically useless matter that was in the first edition has been entirely omitted, reducing the size of the book from 750 to 556 pages. An alphabetical list of problems has been added for readier reference.

A friend discussing the first edition with me questioned the plan of the book on the ground that the "case method" rather ignored principles and that the large number of cases to be studied would only leave the student with confused ideas of what they were intended to teach. I do not think so. The cases are arranged, in the first place, in the sequence usually followed in standard practice: audit of cash, audit of securities, etc.—as main divisions, and the author then uses the clever device of heading each problem with a query which suggests the underlying principle. This seems a happy combination of theory and practice.

Perusing some of the problems with their wealth of data, I was struck by the difference between them and those to be found in the average C. P. A. examination paper. The latter usually calls for more or less elementary definitions or broad outlines of procedure, and should give little or no trouble to candidates who are presumed to have had two or three years of practical experience combined with study of standard textbooks. Yet, according to the American Institute of Accountants' *Bulletin*, 71 per cent. of the candidates failed to pass the auditing examination in May, 1935. It would be interesting to know how this compares with Massachusetts' records as to Harvard graduates; in other words how the method of theory plus haphazard practical experience compares with the Harvard systematic laboratory case method.

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ACCOUNTING PRINCIPLES, by JAMES O. MCKINSEY and HOWARD S. NOBLE. *South-western Publishing Co.*, Chicago. Cloth, 758 pages. 1935.

Judging from the pedagogical positions held by the authors, *Accounting Principles* is a text-book on accounting theory and practice as taught at the universities of Chicago and California. In this second and revised edition some more or less extraneous matter has been omitted in the earlier chapters to make room for more details in chapters on partnerships, corporations, etc., and new chapters on creditor control (i. e. insolvencies) and supplementary statements for information.

A hint of the method of teaching is shown in the problems for class discussion closing each chapter, apparently a sort of round-table conference admirably designed to arouse the student to do some thinking for himself. Incidentally they may serve to keep the teacher on the alert also, for it is safe to say that with the discussions once started he will have many unexpected questions to answer. In addition there are laboratory problems and practice sets such as are usually to be found in text-books of this class, for which a separate pamphlet of blank working papers is furnished. An unusual feature is chapter XXXII on "Analysis and interpretation of financial statements," which may be above the heads of students in the first course but should be of value to many a business or professional man.

Exception must be taken, however, to the method of starting the closing entries to profit-and-loss (pages 100-102) by debiting the profit-and-loss account with the inventory at the beginning and the purchases during the fiscal period and crediting it with the closing inventory. It is illogical in that it makes the account apparently show that the business has suffered a loss measured by the total of the opening inventory and purchases, and has earned a profit measured by the closing inventory. Profit-and-loss account is intended to show the gross income in the credit, and the costs, expenses and losses in the debit column. Making and posting three entries where one is sufficient is a waste of time, labor and space.

One must also criticize the statement on p. 716, "It is contrary to conservative accounting and management to enter the appreciation of fixed assets in the accounts or to show it on the financial reports." That is too sweeping. There can be no valid objection to this procedure if it is based on an honest appraisal and the resulting surplus is properly segregated in financial statements. As applied to the illustrated balance-sheet under discussion it may be correct, but to state it as a general principle without qualification is apt to mislead a student or lay reader. It is fair to assume that this was an inadvertent slip on the part of the authors.

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