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Book Review

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ANALYZING FINANCIAL STATEMENTS, by STEPHEN GILMAN. *The Ronald Press Co.*, New York. 475 pages.

In the preface to *Analyzing Financial Statements* it is stated that it is a complete revision of the 1925 edition, but the author has not, apparently, paid very much attention to what has happened in the last five or six years. Certainly in a revision of a book on financial statements made in 1934, where the original edition was published in 1925, it would not be unreasonable to expect some discussion of the problems that almost every credit grantor and accountant must face which have resulted from changed conditions both in this country and abroad in the last five years.

Some of these problems, none of which are discussed in the book, are: the effect of the devaluation of the dollar on the relation between bonds and debentures and equity securities; the position of importing houses where commodities must be purchased in a world market on a gold basis or the position of manufacturers or producers who must sell at gold prices in a world market; the necessity for a credit grantor to be certain that foreign-exchange commitments are covered and that inventories are properly hedged; the effect of various methods of inventory valuation, such as, "last-in, first-out" or normal stock methods; the effect of foreign-exchange restrictions particularly with "blocked" currencies; and the effect on the sufficiency of depreciation reserve of dollar devaluation particularly where machinery to be replaced is manufactured abroad.

These are only a few of the vexing problems which almost anyone who is responsible for statement analysis of concerns of any importance meets from day to day. Most of them were not of great importance five or six years ago, and it is somewhat disappointing to see these things overlooked in a book which is intended to be used as a guide to credit grantors in their analysis of financial statements.

It is not fair to criticize a book for not doing something other than that which it purports to do, but when the average reader is lead to expect a fairly complete treatment and finds points such as the foregoing neglected it is, perhaps, a fair criticism to state that important phases of the subject are not covered.

What is in the book is generally true and generally useful but would probably be of more value to a student or to a credit man in a small bank or industrial company than it would be to a trained accountant or a credit man of fairly wide experience. To put it briefly, a credit man might derive considerable benefit from reading this book if he realized that it was a detailed presentation of conventional methods and their application to small or medium-sized companies where no very special or difficult problems existed. If the credit man thought he could apply the methods laid down in this book to the analysis of a large and highly organized corporation, especially if any of its operations were in foreign countries, he might find himself in some difficulty.

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