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Book Reviews

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Book Reviews

COST ACCOUNTING, by J. LEE NICHOLSON, C.P.A., and JOHN F. D. ROHRBACH, C.P.A. *The Ronald Press Company*, New York. \$6.00 net.

The authors of *Cost Accounting* have produced what the reviewer considers the most satisfactory book on the subject which has come to his notice. It answers the tests with regard to content, arrangement and interesting presentation of the subject. It is a marked improvement in the matter of arrangement over previous works of the senior author. There is much of course which he has presented before, but such material has been skillfully worked into the present book so as to add rather than detract.

The outline of the book is similar to that generally followed in well arranged books on the subject. Briefly summarized, there are discussed in the order stated, cost finding and its functions, the elements of cost, the methods employed, the cost records and the reports rendered. Following this the author takes up the relation of the detail records to the controls, the installation of a cost system and simplified cost finding methods.

The chapters on the accounting under government contracts are most interesting. Cost-plus contracts, which came with the war, may have served most of their usefulness. They may have been good or bad so far as economy is concerned judged from the point of view of the government. They served at least to bring the subject of cost accounting to the attention of a large number of persons and stimulate much interest in it. The authors of the book under review have offered a most complete exposition of cost-plus contracts and their accounting which if only for historical purposes would be decidedly worth while.

The chapter on suspension or cancellation of contracts is most timely and will be seized upon with avidity by the many persons who are in the throes of settling government contracts terminated by the war.

In the opinion of the reviewer, if the statement may be made without detracting in any way from the rest of the book, especially the closing chapters, the most useful portion of the book is that which deals with depreciation and maintenance. Much has been written on the theory of depreciation. Information as to the various bases upon which depreciation is calculated is abundant. Scarce indeed have been data, based on experience, as to the life of physical property. It is in supplying this long felt want, in part, that the authors have made a large contribution. The rates given embrace buildings, building equipment, power plant and power equipment, machinery, small tools and miscellaneous equipment.

Cost Accounting by Nicholson and Rohrbach is a welcome addition to the literature on the subject. It shows not only knowledge of the subject but a careful organization of the material. It is broad in scope and altogether satisfying.

JOHN RAYMOND WILDMAN

Book Reviews

U. S. RECLAMATION SERVICE MANUAL. VOL. II, ACCOUNTING.

Issued by the *Department of the Interior*, Washington.

In a letter transmitting the above book for review C. E. Piatt, acting chief accountant, department of the interior, says—

“While the instructions contained therein have to do with the accounting problems peculiar to the reclamation service, there are many practices and principles which are generally applicable to various commercial enterprises.”

This is a modest statement. Though the mass of detail seems fairly bewildering at first sight, the practices are founded on absolutely correct accounting principles, so Mr. Piatt would have been justified in saying that they are applicable to the operating and property accounting of all commercial enterprises, barring, of course, the special forms necessary to complete the systems of corporations and partnerships. In short, the manual is a good and sufficient text-book for any student of bookkeeping. The only wonder is that with the liberal salaries offered at the start by Uncle Sam to ordinary bookkeepers which should attract plenty of competent graduates from business schools, it should be considered necessary to give such elementary instructions as the manual provides in its earlier pages. But as the manual is the result of fifteen years' experience in the reclamation service we must assume that F. L. Cavis, chief accountant of the reclamation service, knew what he was about when he compiled it.

The manual is divided into four parts.

Part I, general accounting, begins with definitions of the terms used in the book, classifying and explaining in detail the use of every account, and ending with instructions for the proper auditing of the accounts by the examiner. Auditors in civil life will be interested to know that the examiner may require his questions to be answered under oath; and that if test checks of material on hand are unsatisfactory, he is directed to make a complete inventory. Uncle Sam evidently considers that auditors shall be responsible for the inventories!

Part II covers fund accounting, which serves to connect the work done with the appropriations made by congress.

Part III covers cost and property accounting, with an exhaustive list of property accounts and forms.

Part IV, forms, contains the list of forms to be used for apparently every conceivable purpose, even to the proper form to be used for applying for leave of absence and the acceptance of resignations.

In addition there are some thirty pages of fine print containing a classification of items in detail comprising the various cost keeping accounts and reports, and an excellent index which should make it go hard with any careless employee who fails to use the right form or makes an entry in the wrong account.

There is an interesting statement in regard to repairs and replacements on page 246 which seems to throw a clear light on the continual struggle between modern and antiquated accounting methods going on in the government service. After defining correctly the difference between a

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repair and a replacement, the manual instructs the bookkeeper nevertheless—

“In the case of structures (completed and in operation), the cost of both repairs and replacements of a canal or a structure will be included in the operation and maintenance cost for the current year. . . . It is not considered practicable in reclamation accounting to create a reserve for future substitutions or replacements.”

We are not told why it is not practicable, but one may hazard a guess that here the old method of turning back to the treasury all unexpended balances at the close of the fiscal period prevails. The service is apparently not permitted to retain the reserve that might and should be created out of the current rates to provide for depreciation. Then either the current rates will not contain that element of operating cost, and the present consumer will thus benefit at the expense of the future, or if the rate is fixed to cover depreciation, the funds so created will be turned back into the treasury, and future replacements must be paid from new appropriations. If the current rate does not include depreciation, it also follows that either the consumer or the taxpayer must bear the burden of replacements in the years when they become necessary. What with the consumer's congressman bent on keeping the rate down to “actual cost,” and other congressmen criticizing the growing appropriations required for replacements, the lot of the reclamation service is rather a hard one. It is gratifying to note that the accounting officers fully grasp the subject, however, (as is shown by the ample and careful provision made for depreciation of equipment during construction) and one may hope that in time congress will be brought to an understanding of it.

W. H. L.

OFFICE MACHINERY AND APPLIANCES, by LAWRENCE R. DICKSEE.
Gee & Co. London. Ten shillings and sixpence net.

Any book dealing with the subject of office equipment must either treat the matter in an abstract and general way or run the risk of appearing to be a special pleader for certain appliances. The recognized standing of Professor Dicksee is so high in the profession, however, that his opinion in regard to various kinds and makes of machinery is above accusation of advertisement and what he has to say is worth reading. In the volume before us he discusses many of the best known appliances and his views are peculiarly interesting to American readers because they reflect the opinion of a foreigner on the subject of American products—most of the modern office appliances are of American origin.

If any one wishes to learn the uses of a rather wide range of appliances written by one who thoroughly appreciates the advantages of modern office equipment he may find what he wants in this little volume by Professor Dicksee.