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Book Reviews

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Book Reviews

INCOME TAX PROCEDURE 1919; by ROBERT H. MONTGOMERY. *The Ronald Press Company*, New York. \$6.00.

It has been stated that while theory without practice is useless, practice without theory is anarchy. Certainly the preparation of income tax returns, especially for corporations, without an exact knowledge of the regulations and a fair knowledge of preceding laws and their interpretation would result in the widest variations and in extreme departure from the treasury's understanding of the law. The author has therefore, performed a public service in bringing out the current edition of his *Income Tax Procedure* because it interprets both law and regulations and annotates the present law with precise references to previous ones and with illuminating comments on obscure sections. It required courage to present so formidable a volume within a few weeks after the passage of the law and before the regulations were available, but the result demonstrates the wisdom of the action. Previous editions had established the book as a standard guide in income tax matters and the present edition again reveals the author's exceptional knowledge of the laws and his astuteness in explaining the regulations and in suggesting interpretations where none has been proposed by the government.

Perhaps the most useful service performed by the book and its supplement is the thorough discussion of invested capital, with particular reference to inadmissible assets. Sections 325 and 326 of the law are dangerous ones to apply because, on first reading, their inherent ambiguity is not apparent and an incorrect interpretation of them with an underassessment or overassessment of the tax might readily result. As pointed out by the author, section 325 (a) "is not at all clear and can hardly be understood except by the use of several illustrations." Illustrative problems solved in detail, accompanied by copious comments and explanations presenting the underlying principles and stating the results sought to be obtained by the law, are of great assistance in involved cases.

Accountants who have to apply the law will agree with the author that the computation of invested capital should begin with a statement of capital stock and surplus, to be adjusted, instead of with a detailed list of assets. On pages 718 and 719 is a particularly valuable tabulation showing the additions and deductions which may be expected to affect the invested capital as determined at the beginning of the year. Opposite each item is a reference to the pages of the book where it is explained and discussed in detail.

The book as a whole may be said to be comprehensive and logically developed. An introductory chapter shows one the principal portions of

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1917 procedure which he must unlearn and by summarizing the 1918 law offers a perspective before the details are presented. Part I deals with application and administration and is followed by discussions of income and deductions. Part IV, is concerned with special classes of taxpayers and concludes the presentation of that part of the law imposing the income tax. Then follow the excess and war profits taxes and the text concludes with part VI which discusses the federal capital stock (excise) tax and the munition manufacturers' tax. The complete 1918 law is given in an appendix. A very complete table of contents and a forty-six page double column index are of material assistance. The book is well annotated and former procedures are explained in footnotes.

While the author gives no encouragement to those who seek to evade the tax, practical and helpful suggestions are made to enable a taxpayer to resolve reasonable doubts in his own favor, in accordance with the established principle of law that "such statutes are construed most strongly against the government, and in favor of the subjects or citizens, because burdens are not to be imposed, not presumed to be imposed, beyond what the statutes expressly and clearly import." For example, on page 49, the author points out that where several persons contribute to the joint support of several dependents, it may be desirable to allocate the contributions to particular dependents so that the taxpayer may be the chief supporter of certain individuals and thus become entitled to the dependent exemption.

In a brief review it is difficult to select portions for special comment. Throughout the book runs a thread of discussion on the fundamentals of accounting which makes it a valuable contribution to accounting literature apart from its function as a tax manual. It is a readable book because the author's personality pervades it—witness on page 142, where he comments on the average man's willingness to pay an exorbitant taxicab charge or tip an insolent waiter rather than undergo the unpleasantness of a row.

Anyone familiar with bureau methods in Washington will agree that some decentralization is advisable in order to avoid intolerable congestion. While uniformity should be sought, a slight compromise is justifiable when it will make for dispatch.

The book is encyclopædic and replete with practical suggestions for special types of taxpayers and special kinds of cases. Among many unexpected ideas is one that an individual may deduct the taxes paid by him in connection with club dues, railroad and Pullman fares and admission to places of amusement. This may induce more accurate account keeping, a point often urged by the author, and one may some day see individuals carrying pocket note books in which to record these taxes, heretofore ignored as deductible by the vast majority of individual taxpayers. An annual expenditure in such taxes could easily amount to \$50.00, in which case a deduction under a 12% tax would itself pay for this entertaining and practical book leaving all the other benefits derived as pure income—but too intangible to be subject to any tax which the most inquisitorial congress could conceive.

HAROLD DUDLEY GREELEY.

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NEW MODERN ILLUSTRATIVE BOOKKEEPING, Introductory course, by CHARLES F. RITTENHOUSE, C.P.A. *American Book Company*. 152 pp. Cloth, \$1.20.

There should be cause for much rejoicing at the appearance of this book. The great body of bookkeeping teachers is made up of two types—human teaching machines and teachers. The latter type is the product of or shows the influence of the modern school of thought. It rebels at having to teach principles which are unsound and practice which is not only obsolete but positively wrong. The teachers are therefore to be congratulated on the selection by the publishers of so able a person to revise *Modern Illustrative Bookkeeping*. The general result is most satisfactory.

Those who are disposed to be critical may of course find things to deplore. The discussion of "double entry bookkeeping," for example, misses the opportunity to bring out the fact that one set of entries records financial condition while the other set records the changes therein. It still clings to the traditional statement that "it is necessary to record both the thing received and the thing given."

Another thing which is subject to criticism is the discussion of the use of red ink. "If red ink is used at all by the bookkeeper, it is used for all ruling in the ledger and in books of original entry and in balancing ledger accounts." The reviewer is tempted to remark that the only bookkeepers who still use red ink are those who are ignorant of the fact that its use in books is obsolete or those who are forced by circumstances so to do. The sooner texts on bookkeeping unite in advising against a practice which is both time-consuming and unnecessary the sooner the practice will be discontinued entirely.

The revision as a whole meets the modern tests with regard to content, arrangement of material and method. It is a valuable addition to the supply of material available in this field.

JOHN RAYMOND WILDMAN

ELEMENTS OF BUSINESS, by PARKE SCHOCH and MURRAY GROSS. *American Book Company*, New York. 216 pp. Cloth, 88 cents.

Elements of Business is a striking example of the oft repeated remark that "a book should not be judged without first reading the preface." Without discovering what the authors seem to have in mind one would be tempted to describe the book in question as a compilation of the materials of business practice, lacking in correlation and without focus.

There is apparently little in this book which is not in numerous other books. It is divided into six parts with titles as follows: exchange, money and credit; banking and savings institutions; insurance; property; investments; letter writing; personal account records. The quality of the material is excellent; the exposition very interesting. From a practical point of view it will probably serve as an inexpensive compilation of good material.

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When one realizes that the motive which prompted the book was a desire to render social service, the objective becomes clear, the relations apparent.

JOHN RAYMOND WILDMAN

READINGS IN THE ECONOMICS OF WAR. Edited by J. MAURICE CLARK, WALTON H. HAMILTON, and HAROLD G. MOULTON. *University of Chicago Press*. \$3.00 net.

There are few students, professional or amateur, who do not long for some convenient method of preserving for future reference the data and opinions on contemporary problems which they read in current journals and books. We have all felt the exasperation incident to the vain attempt to locate a half-remembered statement which we would give much to be able to quote verbatim. It is all very well to say "always verify your quotations," but what if one can remember neither quotation nor the source?

Three professors, two of the university of Chicago and one of Amherst, recognizing the importance of contemporary thought before, during and after the great war, have collected and edited a series of articles on the economics of war, making a volume of some six hundred pages, "full of meat." It is not an economic text-book, but is intended to be used for collateral reading by students in economic courses. The source of every article or extract is given in foot-notes, a cursory perusal of which gives ample assurance of the impartiality exercised by the editors.

He will be a temerarious man, however, who attempts to read the book through in ordinary course. Mental indigestion at the least will be his fate.

W. H. L.

AUDITING PROCEDURE, by WILLIAM B. CASTENHOLZ, A.M., C.P.A. *LaSalle Extension University*, Chicago.

The LaSalle extension university has published this book by William B. Castenholz, which presumably is the official text-book of the institution on the subject of auditing procedure and we take it for granted that it is supplementary to a regular course on auditing theory. The author states specifically

"Not what and why, but how—that is the essential message of this book."

The contents of the book of 342 well-printed pages bear out this statement. As a guide to procedure the book is well worth having for reference by new practitioners.

W. H. L.

STORING: ITS ECONOMIC ASPECTS AND PROPER METHODS, by H. B. TWYFORD. *D. Van Nostrand Company*, New York.

The second half of this book, beginning with chapter VIII, will be found of great value to the public accountant. The question of inventories, always an important one and doubly so now that the federal income tax

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laws recognize the necessity of accurate inventories in ascertaining invested capital, has been a stumbling-block since time immemorial. Most of us side-step it by accepting the statements submitted by proper officers (see any standard work on auditing). This may be permissible but, be it noted, only on condition that the system in effect for recording stock is trustworthy and accurately kept. Mr. Twyford's methods and forms, with his practical suggestions to the storekeeping force, leave little to be desired, and are well worth studying by the auditor who is endeavoring to encourage scientific and systematic methods of stores accounting on the part of his clients.

W. H. L.

MODERN MANAGEMENT APPLIED TO CONSTRUCTION, by
DANIEL J. HAUER. *McGraw-Hill Book Co., Inc.*, New York. \$2 net.

Modern Management is a book of some 180 pages on the application of scientific management to construction work. While it is an interesting study of modern methods in organization, accountants will find only a few pages (chapters 8 and 9) of any particular relevance, and those of quite general character. Accountants who are employed on construction work will find the book useful in helping them to get in touch with the engineers who are striving for the last word in efficiency.

W. H. L.