

a focus on internal, external and governmental auditors' procedures; ethics; and reports. Other strengths include relying on vignettes from recent *Wall Street Journal* or other popular press articles to help reinforce auditing concepts; using realistic examples of vendor invoices, bills of lading and other source documents to help support audit evidence; developing excellent matrices that compare various levels of audit assurances, analytical review procedures, and other forms of audit evidence; and providing clear and expanded coverage of emerging computer auditing and statistical sampling concepts.

Nevertheless, the book could be improved in several areas. For such a detailed text, it covers remarkably little about (1) the history of auditing; (2) why current market trends demand audited financial statements (e.g., in free and regulated markets); (3) emerging trends to expand assurance services to "nontraditional" areas (e.g., the work that the Elliott Committee did for the AICPA); or (4) how to research complex audit problems (e.g., how different levels of authority help substantiate audit findings). The book also offers little on auditing fraudulent financial transactions (Statement on Auditing Standards (SAS) No. 82), a concept that the authors will undoubtedly expand upon in future editions of the book. Furthermore, the authors provide sparse references at the end of each chapter and do not link their discussions with relevant portions of the AICPA's *Professional Standards* (e.g., specific SASs).

In summary, the authors have done a more than competent job in developing an auditing textbook, and I certainly recommend faculty members who have never before taught

auditing, or who are unhappy with their current textbook, to examine the Rittenberg and Schwieger text. However, the many auditing faculty members who like their current text or (because of inertia) are reluctant to switch textbooks, may find this book inadequately different to warrant the change.

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ARNOLD J. PAHLER AND JOSEPH E. MORI,
Advanced Accounting: Concepts and Practice, Sixth Edition (New York, NY: Harcourt, Brace & Company, 1997, pp. xxix, 1167).

Pahler and Mori (PM) provide a unique sequence and coverage of business combinations and consolidated financial statements, as well as other assorted topics (foreign transactions/foreign operations, interim reporting, SEC reporting, bankruptcy, governmental/not-for-profit accounting, partnerships, estates and trusts) often sampled in *Advanced Accounting*.

Although there are enough topics here for any *Advanced Accounting* syllabus, PM is not for every instructor. PM emphasizes internal (over external) expansion and creation of consolidated financial statements from full equity method investment accounts. This emphasis results in a book that presents fundamental concepts without complexity, directly links procedures to concepts, and develops topics in increasing depth from chapter to chapter. By explicitly listing the elements of an investment in subsidiary account, color-coding worksheet entries and deriving consolidation worksheet entries from a reconciliation of the parent's investment account, PM attacks common student



problems head-on. Only after an overview of consolidations, are business combinations introduced. The straightforward analysis developed by PM would be burdensome in complex situations, but PM never tackles those situations. PM applies the same conceptual, developmental approach to other topics, resulting in clear guidance on complicated issues such as installment liquidation of partnerships, hedging of exposed liabilities, and tax expense allocation to interim periods.

PM has some outstanding features. An international focus is fully-integrated into each topic, and tax and financial accounting consequences are described concurrently. Engaging descriptions of economic events, current event articles and case-in-point topics, provide more advanced students with a richer accounting perspective, and provide other students with an initial understanding. In addition, PM's conceptual focus allows the book to serve both instructors who prefer cost or partial equity method, and those preferring full equity method. Both the cost method and the full equity method of consolidating financial statements are used throughout the initial chapters, and intercompany transactions are illustrated with cost, partial equity and full equity. Of special note are the excellent financial analysis problems which have students applying material in realistic settings. The weakest materials are the cases and personal situation questions that emphasize ethics and interpersonal skills. Instructors should take care to identify the meaningful cases and personal situations from among the authors' offerings.

One weakness should be considered by potential adopters. PM guessed wrong about imminent changes in standard setting, discounting the changes to segment reporting. Thus, the entire chapter on segment reporting is outdated and misrepresents the strengths and weaknesses of SFAS No. 14 and SFAS No. 131. PM's belief that the exposure draft on segment reporting would *not* become GAAP has been proven incorrect. Segment reporting has, in fact, been passed as SFAS No. 131. The exposure draft on "Consolidation Policy and Procedure" (which PM presented *in lieu of current GAAP*), however, is still pending. Furthermore, given the recent changes in the standard-setting environment, passage of this, or a similar statement on "Consolidation Policy and Procedure," remains uncertain. This miscalculation would have been a fatal flaw in a more procedural book—one that emphasized external expansion and complex, worksheet-oriented, end-of-chapter materials. But most of the text remains current, the "expected GAAP" materials are easily identifiable, and the conceptual approach of the book actually benefits from the illustration of "expected GAAP."

Overall, PM provides students with a background in the economic events being analyzed, presents clear methodologies that minimize complications, and offers end-of-chapter materials to promote critical thinking. In a diverse market for Advanced Accounting books, PM has a clear niche and trumpets the ways in which it is different from the mainstream. Nevertheless, it creates an organization and optional treatment package that can fit most instructor preferences for teaching Advanced Accounting at the undergraduate or graduate level.

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LESLIE CHADWICK, *The Essence of Management Accounting, Second Edition* (New York, NY: Prentice Hall: 1997, pp. x, 171).

Prentice Hall's *Essence of Management Series* presents concise, uniform analyses of subjects of interest to both managers and business administration students. The series includes books on traditional business functions such as marketing, international business, and financial management, as well as short volumes devoted to more interdisciplinary topics such as total quality management, negotiations and process reengineering. Leslie Chadwick has prepared the volume devoted to management accounting, and this book reflects the objectives and format of the overall series.

Written for a non-accounting audience, *The Essence of Management Accounting* defines key vocabulary, examines foundation concepts, describes basic procedures, and provides self-assignment questions and answers. The text includes coverage of introductory cost concepts, absorption costing, marginal (variable) costing and break-even analysis, activity-based costing, budgeting, standard costing and capital investment appraisal.

This introductory examination of management accounting terminology, procedures and concepts is expressly intended for managers and executives attending short courses. Despite the recommendation in the preface, this presentation would have limited applicability to semester or quarter-length introductory management accounting courses. Because the book is

part of a series that has a stated focus and format, the coverage of management accounting has some specific strengths and also some limitations.

Strengths of the text include the introduction and basic explanation of many terms and foundation concepts of management accounting. The self-assessment questions, along with complete answers featured in an appendix, provide an effective, though limited, opportunity to practice the techniques and procedures presented in each chapter.

A potential user of this book should also be aware of some specific limitations. No doubt, some of these challenges relate to the uniform format required by the series. Chapters are short and organized to fulfill the objectives of a condensed introduction. Each chapter contains both the main explanation of ideas and a robust summary of these concepts. In some chapters, however, the summary is disproportionately long: for example, six pages of discussion followed by two full pages of summary. The text includes learning objectives, but these objectives often feature uncertain outcomes such as having the reader "appreciate" or "understand" the material. These objectives might be appropriately altered to include outcomes such as "explain," "describe" or "compare and contrast." Once again, however, these features may be characteristic of the entire series rather than this one volume.

The topical coverage of management accounting represents a rather traditional approach to a rapidly changing field of study. This approach lacks several key components: an overall framework, important performance evaluation issues, and some significant contemporary concepts. Although decision making