

BOOK REVIEWS

Principles of Accountancy — Advanced (Third Edition)

By H. A. Finney. New York, PRENTICE-HALL, INC., 1946. xi + 802 pages. \$6.50.

This book is written for students of advanced accounting—and by its coverage it is admirably adapted for those planning to take the C. P. A. examination. However, in a sense, this volume is more than an accounting text—it not only delves into the broader aspects of business but undertakes to correlate accounting treatment with legal requirements where the latter is a factor.

The material in this revised edition is presented in Finney's usual clear, concise and direct manner. His free use of explanatory case material facilitates understanding of complex subjects. If you disagree with Finney's conclusions you will generally have the benefit of knowing exactly why—because his conclusions are usually given only after presenting in logical form his reasons for them.

This third edition consists of 30 chapters taking 570 pages, followed by 222 pages of questions and problems arranged by chapters, and an 8 page index. Ten chapters are devoted to parent and subsidiary accounting and consolidated statements, three chapters to partnerships, two chapters to estates and trusts and one chapter each to consignments, venture accounts, installment sales, insurance, correction of statements and books, the statement of affairs, receiver's affairs, realization and liquidation report, home office and branch accounting, foreign exchange, budgets, public accounts, bank accounting, stock brokerage and consolidations, mergers and financing.

It is interesting to note that the chapters on consignments and in-

stallment sales which were omitted from the third edition of Finney's intermediate text now appear in this advanced text. In rearranging and selecting material for the advanced text he has also shifted two of the five chapters on partnerships from the advanced to the intermediate course and reduced from three to one chapter (and about one-half the number of pages) the material on foreign exchange. A new chapter concerning the correction of statements and books has been added.

Probably many accountants will not see eye to eye with the author's theory regarding the preferable method of recording and carrying on the books of a parent corporation its investments in subsidiaries. Mr. Finney explains in some detail the two bases for recording such investments and describes them as (1) the economic basis (maintaining the investment in subsidiaries at book value) and (2) the legal basis (maintaining the investment at cost). The author apparently favors the economic basis believing that it conforms to the "economic reality" of recognizing in the parent's accounts the periodic increase or decrease in the net worth of the subsidiary while the legal basis "often places the parent in a position to show as annual income such amounts as it may arbitrarily decide to have transferred to it as dividends, instead of the profit or loss which results from the subsidiary's operations." Accounting students would obtain a better conception of this subject if the author mentioned that a very high percentage of parent corporations maintain their investments in subsidiaries at cost (the legal basis). Reference might also be made to bulletins dealing with consolidations issued by the American Institute of Accountants, rules promulgated by the S. E. C.

and The Public Utility Holding Company Act of 1935 to throw further light on this question.

No matter whether you agree or disagree with Mr. Finney concerning the above, it does not impair the value of his text because he has discussed both sides of the question. In general, his presentation of parent and subsidiary accounting and the preparation of consolidated statements is excellent.

For the most part the specialized subjects dealt with in this book are very adequately covered but further expansion seems desirable in the chapters concerning bank accounting, stock brokerage and foreign exchange. Students having no knowledge of these fields would indeed find it difficult to reconcile the theory given in these chapters with methods and procedures found in actual practice.

In reviewing this book emphasis has been placed upon its use as a text book for students of advanced accounting. The reviewer wishes to go on record that he is not a teacher and consequently does not feel qualified to pass upon this book from the point of view of the teacher. However, the book seems particularly well suited to the needs of students and should be of considerable help and interest to them. The broad and logical approach to each subject should cultivate in students a similar perspective towards accounting questions. Any accountant whose work encompasses the specialized subjects considered in this book should find a space for it in his library.

RAYMOND G. ANKERS

Professional Ethics of Public Accounting,

By John L. Carey. New York, AMERICAN INSTITUTE OF ACCOUNTANTS, 1946. 136 pages. \$2.00; 25% discount to educational institutions. For the good of all concerned in the

practice of any profession, including accountancy, it is necessary that the members thereof do more than discharge their legal duties to one another and those whom they serve. They must observe the rules of professional conduct, or canons of ethics, accepted by the profession as the basis for self-regulation not only in the public interest, but in its own self-interest. In essence, these require the professional practitioner to deal truthfully and fairly with the public, with his clients, and with his colleagues. Above all else, a professional person must possess the ability and perseverance* to ascertain the truth, as well as the zeal and resolution to report it accurately and completely.

Mr. John L. Carey, the author of this book, is well qualified to write on the subject of this text by reason of his long association with the American Institute of Accountants, the national professional accounting society, as Secretary, and Editor of its Journal. His book does more than restate the rules of professional conduct; it discusses and explains them in a very real and practical way, illustrating the commentary by reference to recent opinions of the American Institute of Accountants' Committee on Professional Ethics, as well as to similar pronouncements of the S.E.C. and the Treasury Department.

The sixteen rules promulgated by the Institute to govern the professional conduct of its members have been regrouped for consideration in this book according to their purposes and importance.

The first section of the work deals with the rules designed to protect the public interest. The underlying basic concept in this area is that of the independence of the public accountant in reporting objectively, disinterestedly, and without any bias. Under this heading the following subjects are considered: