

Accounting in Law Practice. By Willard J. Graham and Wilbur G. Katz. Chicago: Callahan and Co., 1932. Pp. 444. \$6.00.

For a long time it has been apparent to those engaged in the practice of the law that an understanding of the fundamentals of the customary method of recording financial transactions and of the analysis of such records is essential to the practicing lawyer. This one volume work is a distinct addition to the lawyer's working library. It is even more valuable to the law student bent on entering the (now generally considered) lucrative practice of corporation law. I am bold enough to say that many accountants would profit from a study of the first few chapters of the book. The style is simple and intelligible and the index is excellent. It may be read as a whole for a comprehensive but simple statement of accounting or consulted for information on a specific question.

The work commences with a short but cogent statement of the functions of bookkeeping and accounting, followed by a discussion of the balance sheet and profit and loss statement. The theory of the double entry system of bookkeeping is then explained. By this arrangement the reader is made familiar with the results to be accomplished by the use of the mechanics of bookkeeping before his attention is engaged by the mechanics themselves. The methods used in recording specific financial transactions, the preparation of balance sheets and profit and loss statements, and a general but competent discussion of Federal income tax is followed by a very illuminating chapter on analysis of balance sheets and profit and loss statements. Holding company accounting and the preparation of consolidated balance sheets and profit and loss statements are treated at some length. Two chapters are devoted to fiduciaries, including executors, administrators, trusts and receivers. There is also a chapter on law office accounting which is a reprint (with permission of course) of an article by John L. Harvey.

The text is quite profusely illustrated by the entries, statements, accounts and procedure under discussion so that practical application may be visualized. In addition at the end of many of the chapters problems are presented for solution by the student and solution given.

References to opinions of reviewing courts are necessarily limited in number, but have the virtue of sustaining the text in support of which they are cited.

While the authors have very carefully explained that bookkeeping and accounting respectively concern themselves with the recording of financial transactions and checking and analyzing of the records, in several instances they have fallen into the very common error of considering the record as of more importance than the actual transaction. This is particularly apparent in the discussion of reserves for dividends and for special purposes and in connection with the division of cash items, segregated only by book entries. The setting up of a reserve for a specific purpose or the division on the books of cash for short time and long time purposes does not as a matter of law effectively segregate the particular assets for the particular purpose. Something more than a bookkeeping entry is necessary to accomplish the desired result.

The explanation of the debit and credit mechanics is worthy of special mention. There may be more than one theory on which the debit and credit system can be explained. The one advanced is entirely understandable once the authors' definitions of 'debit' as the left side and 'credit' as the right side are accepted.

The recognition of the differences in law between receivers appointed in different classes of cases would have added to the value of the book. The powers and duties of

receivers appointed in foreclosure cases and of those appointed in general equity suits and bankruptcy differ considerably, and the methods of recording transactions by such receivers should differ with the legal situation. Depreciation, for instance, properly should be recorded on the books of a receiver in a general equity suit, whereas in a foreclosure it should not. In this connection I differ with the authors on their statement that the usual practice in receiverships is to disregard the corporate books.

It is probably a carping attitude to refer to the few instances of alleged errors, and the reviewer mentions them very humbly in the hope that he is right, giving full credit to the authors for the knowledge that enabled him to recognize the errors if they be such.

From the point of view of the practicing attorney a discussion of the admissibility, as evidence, of audits, accountants' compilations and summaries, the competency of accountants' appraisals of accounts receivable and similar assets would have been helpful. At least one reviewer has complained of the authors' failure to discuss substantive rights and legal consequences of acts which it is the bookkeeper's duty to record and the accountant's duty to analyze. I think one of the outstanding merits of the book is the consistency with which the authors refrain from embarking on any discussion of the material with which accountants work but which is not a matter of accounting.

DAVID LEVINSON*

* Member of the Illinois Bar.