

COMPANY ACCOUNTING AND FINANCE. By HAN KANG HONG & PANG YANG HOONG. [Singapore: Longman Singapore Publishers Pte. Ltd. 1986. vi + 465 pp. Softcover: \$35.00]

LAW students have traditionally disliked, if not abhorred, numbers and any subjects associated with them. This includes the subject of accounting. In fact, in the year when Basic Accounting was introduced

as a compulsory subject for students of the Law Faculty, many students lamented that they had chosen to study law in order to avoid having to study subjects like Mathematics and Accounting.

Despite the apparent gulf between lawyers and the subject of accounting, there is no denying that a corporate lawyer will find a knowledge of accounting very helpful. The back cover of the book under review contains the following comment : "COMPANY ACCOUNTING AND FINANCE is a subject of significant interest, not to mention, importance, not just to accountants and lawyers ...". The aim of this review is therefore to assess the suitability of this book to a practising lawyer who has little more than a rudimentary knowledge of accounting.

The authors of this book are Accountancy lecturers, the first named of them being the head of the School of Accountancy at the Nanyang Technological Institute. This book is divided into 22 chapters, beginning with a chapter on its scope and objective. The book then covers the specific categories of items found in a balance sheet, namely share capital, long term liabilities, current assets and liabilities and fixed assets. Separate chapters are devoted to the following specialised topics : value added statements, segment reporting, financial statement analysis, inflation accounting, consolidation of accounts, the pooling of interests and purchase methods of accounting for business combinations, business combinations generally, changes in the structure of a company (covering reconstruction, absorption and amalgamation), liquidations, leases, value concepts and securities analysis, cost of capital and capital structure, dividend policy and retained earnings, and foreign currency transactions.

Appendices consisting of forms that have to be filed with the Registry of Companies *e.g.* annual returns, and an example of the audited accounts of a public listed company comprise a total of 69 pages. The index which is 15 pages long is detailed but slightly disappointing in that some entries are not helpful at all *e.g.* "Winding Up — accounting treatment: illustration 1 — p. 356; illustration 2 — p. 356. . . ." The index could have been improved by the listing of the particulars of each illustration.

Statements of Accounting Standards (SAS) which are issued by the Singapore Society of Accountants (SSA) are covered in some detail. These Statements, limiting the possible treatment of various items in an enterprise's financial statements (for example, SAS 15 describes how the different types of leases should be recorded in a balance sheet) are binding on members of the SSA, and failure to adhere to these Statements may lead to disciplinary action against errant members.

In each chapter, the book first describes the main statutory provisions relating to company accounting and finance, then it gives examples of how various transactions would be recorded in the financial statements.

The book is not without shortcomings: Outsiders who rely on a company's accounts for information but are unsure of the reliability of these accounts are assisted by the auditor who adds his professional unbiased opinion as to whether the accounts do or do not give a true and fair view. This book unfortunately does not even explain this

much. This is surprising in view of the fact that 3 pages are devoted to the contents of the Directors' Report. In addition, it is stated that the Companies Act requires that the accounts give a 'true and fair view' but nowhere is there any explanation as to what this phrase means.

The Companies Act states that dividends can only be paid out of profits. Unfortunately, no method of profit ascertainment is laid down. Due to the lack of statutory guidance as to what constitutes profit, it is very likely that the courts will look to the English cases for guidance in this area. The book's lack of coverage of this area is a major omission.

The authors tend to use too many esoteric terms that make it difficult for anyone but an accountant to use the book. Words like 'net present value', 'discounting' and 'going concern' are all examples of words used without adequate explanation. Certain parts of this book also deal with areas of finance which are of little use to lawyers, important though they might be to accountants, for example, the Modigliani-Miller Proposition.

The authors have mentioned Exposure Draft (ED) 27 (exposure drafts are provisional accounting standards which have been issued for discussion purposes) as a useful guideline for converting foreign currency transactions into local currency for the purposes of financial statements. This Exposure Draft was, however, replaced by Statement of Standard Accounting Practice (SSAP) 20 in 1983 (An SSAP is the United Kingdom equivalent of an SAS). An analogous error in a legal textbook would occur where reference is made to a certain bill when that bill had long since become an Act. This error tends to lead the reader to the conclusion that this book was written over a period of time and that when the authors finished their book they forgot to update the chapters that were written earlier.

The omissions pointed out above compromise the usefulness of this book to the lawyer. Despite this criticism, if this book is read slowly and selectively, with the aid of a dictionary of accounting, it will prove useful in giving the practitioner an introduction to the area of company accounting.