1923

System of accounts and reports for building and loan associations

George G. Scott

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System of Accounts and Reports

FOR

BUILDING AND LOAN ASSOCIATIONS

ADDRESS OF
GEORGE G. SCOTT, C. P. A.
Before North Carolina Building and Loan League
Twentieth Annual Meeting
ALBEMARLE, N. C.
June 19, 20, 21, 1923
System of Accounts and Reports

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System of Accounts
and Reports

FOR

Building and Loan
Associations

By

Geo. G. Scott, C. P. A.
Chart of Accounts

LENDER
of
Accounts

BALANCE SHEET
Assets and liabilities

PROFIT & LOSS
Accounts

STOCKHOLDERS
Accounts

Assets Accounts
Liabilities Accounts
Expenses Accounts
Income Accounts
Debit Balances
Credit Balances
System of Accounts and Reports for Building 
and Loan Associations

By Geo. G. Scott, C. P. A.

The underlying principles of an adequate system of accounts for building and loan associations does not differ from that of any other business operated for profit. The adequacy of the system is largely determined by the science and intelligence of the classification of the accounts and the completeness and accuracy of the recorded transactions.

The entire system of accounts are divided into three distinct groups or divisions as shown in the chart and are as follows:

First Group—Balance Sheet accounts, or the asset and liability accounts.

Second Group—Profit and Loss accounts or the expense and income accounts.

Third Group—Net Worth accounts, or the shareholder's accounts.

These groups are further divided into subsidiary classifications consisting of the following:

1. Asset Accounts.
2. Liability Accounts.
3. Expense Accounts.
4. Income Accounts.
5. Debit balances of shareholder's accounts.
6. Credit balances of shareholder's accounts.

The foregoing chart of the accounts of building and loan associations is so arranged as to exhibit an intelligent view of the functional relationship of the divisions and classifications.

The first group of accounts in the chart, consists of the accounts representing the assets of the association, and the accounts that represent the liabilities. The difference be-
between the aggregate amount of the assets and the total amount of the liabilities, represents an excess of assets over liabilities, or conversely an excess of liabilities over assets, which would mean either a surplus or a deficit, as the case may be.

This difference, would be the same amount as the difference between the aggregate debits and aggregate credits of the other two groups.

The second group of the chart is designated as the profit and loss accounts, or income and expense accounts, consisting of the classification of expense accounts, which are debit balances, and the classification of the income accounts which are credit balances. The difference between the aggregate income accounts and the aggregate expense accounts represent the amount of the profits earned, or the loss sustained in operations. This group of accounts is a very important one, for the reason they make up the statement that will show the earnings of the association covering the year.

This group of accounts are usually closed once each year for the purpose of determining the amount of profits earned, into what is called a “Profit and Loss Account” and the amount of net earnings shown is then transferred to the “Surplus” account, in the process of closing the books.

The third group of accounts shown in the chart are the net worth accounts or the accounts belonging to the stockholders. These accounts are divided into two subdivisions—those that show debit balances and those that show credit balances. After the net earnings have been transferred from the profit and loss division to this group, the difference between the aggregate credit balances and aggregate debit balances will represent the net worth of the association, which amount is required to balance the assets and liabilities.

This explanation of the divisions and groups is given in order to present an intelligent view of the functional relationship of the accounts and to indicate the kind of books and records necessary to preserve the relationship in an adequate system of accounting.
Books and Records

The building and loan associations of the state consist of the smaller, medium and larger associations. While the principles and general classification of accounts are the same for the small and medium size as is for the larger ones, there is necessarily a distinction in the books required for small associations from those required by the larger associations.

It is not necessary to have the same sort of detailed system for the small associations as is necessarily required for the larger associations.

The following named books and records may be used in an adequate system of accounts for the larger associations:

General Ledger—The general ledger may be a bound volume or a loose leaf ledger. It is for the purpose of carrying all of the accounts including the asset and liability accounts, the income and expense accounts, and the net worth accounts. The general ledger will carry only the control accounts of the Loans, Stock, and Profit and Loss accounts.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Interest on Loan</td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
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<tr>
<td>2</td>
<td>Balances</td>
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<td>3</td>
<td>Stationary</td>
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<td>4</td>
<td>Rent</td>
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<td>5</td>
<td>Taxes</td>
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<td>6</td>
<td>Advertising</td>
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<td>7</td>
<td>Telephone-Tel</td>
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<td>8</td>
<td>Office Supplies</td>
<td></td>
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<td>9</td>
<td>Auditing</td>
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<tr>
<td>10</td>
<td>Attorney Fees</td>
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<tr>
<td>11</td>
<td>Recording Fees</td>
<td></td>
<td></td>
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<tr>
<td>12</td>
<td>Appraisal Fees</td>
<td></td>
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</tbody>
</table>

Profit and Loss Ledger—The profit and loss ledger may be a separate ledger and a distinct form as shown by the cut which has found favor wherever used. At the end of each month a tabulation
of the expenses and the income is made and journalized on the journal and posted in the profit and loss ledger. The totals being posted to the general ledger account of control. The principal advantage of this form of profit and loss ledger is, that one page is only required for an entire year for expenses and one page for the income.

**Register of Receipts**—It is advisable in case of the larger associations to have a separate record of receipts and a separate record of disbursements. This book is a bound volume properly ruled to take care of the classifications of the receipts. The daily totals from the "Daily Report of Receipts" are entered each day. At the end of the month, the classified totals from this register is journalized on the Journal and posted to the respective ledger accounts.
Building and Loan Associations

Daily Receipts Report—This is found to be very advantageous for the larger associations. It is a padded form of ruled sheets with columns provided for the classification of receipts. The totals are posted to the Register of Receipts at the close of each day. The installments are posted to the accounts in the Individual Dues Book.

Installment or Dues Book—This is a loose leaf book which all associations are familiar for the purpose of keeping the accounts of installment stockholders. Some associations, instead of using this form, use the "Burrough's Posting Machine Account System." This consists of loose leaves and the postings are done by a special posting adding machine.

This system of keeping the installment accounts has proven very satisfactory on account of the rapidity and accuracy of the work of posting, and also, should an error be made in posting, the machine indicates the error.
System of Accounts and Reports for

Stock Register—The stock register is a book properly ruled for registering the applications for subscriptions to stock. This may not be deemed essential, but in order to have complete records of the business, it has been found advantageous.

<table>
<thead>
<tr>
<th>Date</th>
<th>No.</th>
<th>Name</th>
<th>Shares</th>
<th>Stock</th>
<th>Instrument</th>
<th>Paid-up</th>
<th>Remarks</th>
</tr>
</thead>
</table>

Application for Stock Subscriptions—While very few associations use application forms for recording the applications for stock subscription, it may be found to be advantageous. This blank provides for the number of shares and the series applied for. It states that the subscriber will abide by the rules and regulations of the association. It states the amount of entrance fees paid and the amount of the first payment on the stock and such other information as may be necessary. The blank is perforated in order to bind on a binder in numerical or chronological order.
**Voucher Register**—In case of having **two separate books or records** for the receipts and the disbursements, it is then necessary to have a Voucher Record for recording all vouchers issued representing disbursements. The classified monthly totals are journalized at the close of each month on the Journal and then posted to the respective accounts.

**Voucher Blanks**—The voucher blanks provide for a detail description of the disbursement, the account to which the disbursement shall be charged and such other information for reference and auditing purposes.

<table>
<thead>
<tr>
<th>Date</th>
<th>To Whom</th>
<th>Voucher No</th>
<th>Total Amount</th>
<th>Classification</th>
<th>Individual Ledger postings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
System of Accounts and Reports for

Loan Register or Loan Ledger—The Loan Register is a very important record for purposes of registering all granted loans, with such information as is required for reference and auditing purposes. In some cases a ledger for keeping an account of each loan is preferred.

Application Blanks for Loans—Every association whether small or large should have and use loan application blanks for the applicant to fill out and sign. The blank provides for the amount of the loan desired, the description of property to secure said loan, also the purpose of the loan.

It also provides that the Secretary and Treasurer furnish certain information as to the number of shares the applicant has, what series, and whether the payments are made promptly, also the taxable value of the property offered for security. A provision is made for the report of the Attorney examining the title. Also a provision is made for the report of the Loan Committee.

Minute Book—The minute book is also an important record that should be properly maintained. All of the proceedings of the meetings of the stockholders, the Directors, and the Committees should be correctly recorded. The minutes of the proceedings of all of the meetings should be signed by both the Secretary and the chairman when approved.
The books and records described in the foregoing may be required by the larger associations. In case of the smaller associations, some of these books may be consolidated.

Some associations prefer to have one record for the receipts, disbursements and journal entries, known as the "Columnar Cash Journal." Some of the smaller associations only keep a cash journal and minute book. They keep no ledger of accounts. Such is not a system of accounts, it is nothing more than a cash book. It matters not how small the association may be, the following books are necessary:

1. Ledger of Accounts.
4. Loan Register.
5. Application for loans.

Rules for Apportionment of Surplus and Determination of the Percentage Rate of Earnings

There is one special phase in building and loan accounting that is distinctly characteristic and that is the accounting process of dividing the surplus of the association for the purpose of determining the book value of the shares or the maturity of the series.

It is well known that the fundamental theory of the business of a building and loan association, is to sell its stock on the installment plan, and when the total paid in installments together with the amount of earnings belonging to the share equal the par value of the stock, the stock is matured and the amount of the par value returned to the shareholder.

The building and loan plan in this State is known as the "Partnership Plan." That is, the installments paid in on account of stock subscriptions mutually participate in the earnings upon a partnership basis.

The installments of a share of stock under the weekly plan of 25 cents per week or $1 per month represent as many ages as there are payments, also every series represents as
many ages as there are series. This situation makes it necessary to bring all of the installments of the various ages to a common equalized value, in order to determine the percentage and to apportion the surplus on a mutual partnership basis. It is done by an accounting process known as arithmetical progression.

The following are some of the rules for equalizing the value of the installments for purposes of dividing the entire amount of surplus:

**RULE NO. 1**

*(Known as the Average Method)*

1. ADD "ONE" TO THE TOTAL AGE OF THE SHARE. (The "one" is added because the installments are paid in one period in advance. If the installments were paid at the end of the week, or the month, instead of adding "one" it would have to be deducted, because the installments were paid one period late. On the other hand, if the rules required the installments to be paid on the middle of the week or the middle of the month, then "one" would neither be added or deducted.)

2. DIVIDE BY TWO. (This is done for the purpose of averaging the number of payments.)

3. MULTIPLY BY THE AGE IN YEARS. (This is done for the purpose of equalizing the average payments to an annual basis.)

4. MULTIPLY BY 25 cents (if weekly payment) OR $1.00 (if monthly payment). (This converts the payments into dollars and cents, and means, such an amount paid into the association at the beginning of the year, would earn the same amount of profits as did the total installments of the share.)

**RULE NO. 2**

1. MULTIPLY THE TOTAL PAYMENTS OF THE SHARE BY ONE-HALF OF THE PAYMENTS. (This is for the purpose of ascertaining the sum of the accumulated payments.)

2. ADD THE MULTIPLIER. (This is done because the payments are made one period in advance.)

3. DIVIDE BY 208 IF A WEEKLY PLAN OF 25 CENT PER WEEK, or DIVIDE BY 12 IF THE PLAN IS $1.00 PER MONTH. (The result is the equalized or participating capital of the share which means, such amount paid to the association at beginning of year would earn the same amount of profits as was earned by the total installments of the share.)
RULE NO. 3

1. MULTIPLY THE NUMBER OF PAYMENTS BY ONE-HALF OF THE NUMBER OF PAYMENTS.
2. ADD THE MULTIPLIER.
3. MULTIPLY BY .00421/2 IF THE PAYMENTS ARE OF THE WEEKLY PLAN OF 25 CENTS PER WEEK, OR IF THE PAYMENTS ARE UPON THE PLAN OF $1.00 PER MONTH, MULTIPLY BY .083⅓.

RULE NO. 4

(For Series)

1. ADD ONE TO TOTAL NUMBER OF PAYMENTS OF A SHARE AND DIVIDE BY TWO.
2. MULTIPLY BY THE TOTAL INSTALLMENTS DUE TO BE PAID IN ON ALL OF THE SHARES IN THE SERIES.
3. DIVIDE BY 52 IF WEEKLY PLAN, OR DIVIDE BY 12 IF MONTHLY PLAN. (This will give the participating or equalized value of the entire series.)

Rules for Determining the Percentage of Earnings Covering the Year

It is very important to know what rate of profits the association is earning, or what percentage rate it earned for the year. The equalization is somewhat different from the equalization for purpose of dividing the entire surplus.

The rule is as follows:

1. Add to the sum of the installments paid in of all the series, and the total paid up stock, at the beginning of the year, the equalized value of all payments made during the year. This will give the equalization for dividing into the total net earnings for the year for purposes of determining the rate.
The following is given to show the equalized capital for purpose of determining the rate of earnings:

CLOSE OF BUSINESS DECEMBER 31, 1922

<table>
<thead>
<tr>
<th>Series</th>
<th>Age in weeks</th>
<th>Shares</th>
<th>Equalized Capital for dividing the entire surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>104</td>
<td>200</td>
<td>$5,300.00</td>
</tr>
<tr>
<td>2</td>
<td>78</td>
<td>300</td>
<td>4,443.60</td>
</tr>
<tr>
<td>3</td>
<td>52</td>
<td>100</td>
<td>662.50</td>
</tr>
<tr>
<td>4</td>
<td>26</td>
<td>500</td>
<td>843.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1100</td>
<td>$11,249.60</td>
</tr>
</tbody>
</table>

PARTICIPATING CAPITAL OF ABOVE FOR PURPOSE OF DETERMINING THE RATE OF EARNINGS

Total paid in at January 1st, 1922 .................................................. $3,243.60
600 shares that paid in 52 payments each equalized........ 3,975.00
500 shares that paid in 26 payments equalized................ 843.50

TOTAL EQUALIZED CAPITAL ............................................................... $8,062.10

From the above illustration, the equalized capital for purposes of dividing the entire surplus amounts to $11,249.60 and the equalized capital for purposes of determining the rate of earnings for the year amounts to $8,062.10.

By dividing the entire surplus of the association by the $11,249.60 would give the percentage of apportionment, and by dividing the amount the association earned for the year by $8,062.10 would give the rate of earnings the association earned during the year.

System of Reports and Financial Statements

If an association has a complete and adequate system of accounts and properly maintains same, its financial statements may be prepared with little difficulty and requiring a minimum amount of clerical work. On the other hand, if the association does not have an adequate system, the financial statements properly prepared will require a maximum of clerical work.

The books of an association should be in all cases so kept, and the system of such adequacy, that at the end of each week or month, proper and intelligent statements may be readily prepared.
The following chart exhibits an intelligent view of the various statements required to present a correct view of the financial condition of a building and loan association:

**Chart of Reports**

- **INSURANCE Commissioner**
- **Board of Directors**
- **Sec'y & Treasurer**
  - **Balance Sheet**
  - **Profit and Loss**
  - **Analysis of Surplus**
    - Schedules
    - Percentage of Profits and Losses
    - Apportionment of Surplus
The principal financial statements of a building and loan association consist of three separate and distinct exhibits:

First—Balance Sheet of the Assets and Liabilities.
Second—Profit and Loss account.
Third—Analysis of the surplus.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Year 1921</th>
<th>Year 1922</th>
<th>Liabilities</th>
<th>Year 1921</th>
<th>Year 1922</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on Hand</td>
<td>2460</td>
<td>3240</td>
<td>Intangible Stock</td>
<td>900</td>
<td>1000</td>
</tr>
<tr>
<td>Mortgage Stock Loan</td>
<td>12000</td>
<td>15000</td>
<td>Paid-up Stock</td>
<td>1000</td>
<td>1200</td>
</tr>
<tr>
<td>Farm Land &amp; Buildings</td>
<td>8000</td>
<td>10000</td>
<td>Building Fund</td>
<td>3000</td>
<td>2000</td>
</tr>
<tr>
<td>Installments in Arrears</td>
<td>5000</td>
<td>6000</td>
<td>Notes Payable</td>
<td>8000</td>
<td>10000</td>
</tr>
<tr>
<td>Interest Arrears</td>
<td>2000</td>
<td>3000</td>
<td>Surplus</td>
<td>4000</td>
<td>5000</td>
</tr>
<tr>
<td>Interest Received</td>
<td>3000</td>
<td>4000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>34760</td>
<td>48000</td>
<td></td>
<td>7100</td>
<td>9200</td>
</tr>
</tbody>
</table>

The balance sheet should be made up in a comparative manner as shown by the illustration. This sample covers the years 1921 and 1922, and shows the percentages of each class of the assets and each class of the liabilities for comparative purposes. It shows that the total loans for the year 1921 was .96908 of the total assets, as against .97437 for the year 1922. It shows that the surplus for the year 1921 was .04804 of the total assets as against .05888 for the year 1922.
The cut below illustrates the method a Profit and Loss account should be prepared. This is also a comparative statement covering two years, showing both the amounts and percentages.

The profit and loss statement of a building and loan association is one of the most important statements.

When it is prepared comparatively showing the percentages, an analysis of operations is presented that is of unusual value. The statement shows that the net earnings were at a rate of .056266 for the year 1921 and .061737 for the year 1922. These percentages may differ entirely from the percentage used in dividing the entire surplus of the association. It is possible for an association to earn profits at a rate of 6 ½% and the percentage of the entire profits would be only 6%. It is possible for an association to mature a series one week too early, or collect one payment too much, which would affect the surplus and not affect the annual earnings.

It is for this reason that care should be exercised in ascertaining the exact date for maturing the series. There should be neither a profit or a loss in the maturity of a series.
The third statement which completes the financial statements of a building and loan association is the statement of the surplus account. This statement is also comparative and shows the balance at the beginning of the year, the profits for the year added thereto, and the deductions, leaving the balance at the end of the year, which is the required amount to balance the balance sheet of assets and liabilities.

It is seen that the three statements, namely the balance sheet, profit and loss and surplus account, comprise the three principal financial statements. Each ties into the other making an accounting check of the proof of the books being in balance.

These principal statements may be supported by the following, in order to make a complete supported statement of both the operations and financial condition of the association:

Balance Sheet Schedules.
Statement of the Equalization of the Capital for purpose of determining the rate of earnings.
Statement of the equalization of the capital for purpose of determining the book value of the shares.

<table>
<thead>
<tr>
<th>Changes</th>
<th>Year 1941</th>
<th>Year 1942</th>
<th>Credits</th>
<th>Year 1941</th>
<th>Year 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits on Withdrawals</td>
<td>1831.00</td>
<td>3932.00</td>
<td>Balances at beginning</td>
<td>2673.44</td>
<td>4420.58</td>
</tr>
<tr>
<td>Profits on Paid-in Stock</td>
<td>4394.50</td>
<td>5861.50</td>
<td>of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profits on Paid-up Stock</td>
<td>20716.35</td>
<td>22230.32</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total Charges</td>
<td>26901.85</td>
<td>33533.82</td>
<td></td>
<td>41381.04</td>
<td>51788.79</td>
</tr>
<tr>
<td>Balance Ending</td>
<td>168105.09</td>
<td>200372.81</td>
<td>9747.99</td>
<td>168105.09</td>
<td>200372.81</td>
</tr>
</tbody>
</table>
These statements are in accord with modern procedures of accounting and present an analysis of the operations as well as a correct view of the financial condition.

It is seen that the surplus and earnings are based upon the credits made by the revenues belonging to the period, whether collected or uncollected, and the charges represent the expenses and deductions, whether or not such charges have been paid in cash, that belong to the period.

Under the principles of proper and correct accounting, books of account should be kept, so as to exhibit a correct view of the condition, regardless of whether or not the transactions affecting the accounts represent the outgo or the income of cash.

Paid-Up Stock

For the past few years there appears to be a tendency for building and loan associations to sell “paid-up stock” or “prepaid stock.” There are several methods used for the sale of this character of stock. One particular association of the State adopted a method of selling “dividend-bearing stock” of the par value of $100 for $90 cash and paying interest quarterly at the rate of 5% per annum on the $90, and the remainder of the earnings accruing to this stock is credited until the unpaid earnings amount to $10, then the stock matures.

Other associations have adopted the method of selling stock of this character of the par value of $100 for $100 cash and pay a dividend on same at the rate of 5% per annum, payable semi-annually. Some of the associations have another method of selling this class of stock at $72.50 per share of $100 par value and it matures with the regular installment series. If the association matures its stock in 333 weeks, that would mean that the prepaid amount would be $11 less than the installment shares paid in, or at a discount of $11 which is amortized over the life of the maturity period.

There is considerable danger in selling too much of the dividend-bearing stock or that class of paid-up stock which
System of Accounts and Reports for cash dividends are paid. The paid up stock should not exceed 50% of the amount of the installment stock.

To make a healthy demand for this class of stock, the association must maintain a position of being able to pay it off at any time demanded, also to pay the promised or expected dividends promptly. Where an association has an excessive amount of this character of stock, it necessarily requires the association to keep on hand a certain percentage of cash as a reserve for the redemption of the stock, based upon the law of averages, which tends to make the situation expensive.

**Profits on Withdrawals**

Very few if any associations keep an account of the profits made on the withdrawal of stock. Very few if any, return all of the accrued profits to those withdrawing their stock. Therefore, in all cases of withdrawals where the accrued profits are not returned, there is a profit earned by withdrawals, representing the difference between the amount of accrued profits and the amount of profits withdrawn.

Some associations do not pay any of the profits on withdrawals, others pay a certain percentage.

It would be advisable for the League to adopt a uniform scale of profits to be paid on withdrawals and each association in turn adopt such standard.

An account should be maintained showing the actual profits made by withdrawals, also an account should be kept of any profit made or any loss sustained in the maturity of a series.

In some cases associations have matured a series with one or more insufficient payments, or have collected one or more excessive payments. In such cases, a profit or a loss would be made or sustained and an account should be kept of such profits or such losses.

**Standard Rate of 6%**

We have had in this State more than 35 years experience which has given us sufficient knowledge and data for stand-
ardizing the time for maturing a share. The advantage of
having the maturity dates standardized for maturing the
shares of the installment stock of building and loan associa-
tions may be summed up as follows:

If the time for maturing shares of installment stock could
be legalized say on a basis of 6%, all shares of all of the
associations would mature on the same basis, which would
not give some associations an advertising advantage over
others.

A law requiring such a standardization, would require
every association to first set aside out of gross profits such
portion as would equal 6% of the equalized capital for the
shareholders and the remainder of profits to be used by the
association for expenses, instead of the present law, requir-
ing the association to first pay the expenses and the remain-
der to go to the shareholders.

Such legal standardizations, would tend to make such
associations as now appear to be earning less than 6% net
to reduce expenses and make such changes as are necessary
to leave an amount of profits necessary to mature the shares
upon the 6% basis.

Such a law would tend to increase the confidence of the
public in the smaller associations. If an association is not
earning net 6% it can not possibly expect to attract and
retain the confidence of the public to the extent of making
the association successful.

It is surprising to know that it is often found, that the
management of an association is ignorant of the exact rate
of profits the association is earning. This is largely due to
an inadequate system of accounting, or lack of knowledge
of determining the rate of profits.

The records of the successful associations show that the
gross profits will run around 7½% and the operating ex-
penses about 1% to 1½%, leaving at least 6% net profits for
the shareholders, so by standardizing the rate of maturity upon
a 6% basis would not be a detriment but on the other hand.
it is contended by some of those who have given the subject
attention, that it would reduce failures, by placing some of the associations upon a more business-like basis, it would stimulate the growth by increasing the confidence of the public and strengthen the smaller and younger associations by placing their maturities upon the same basis as the larger ones.

**Building and Loan Manual**

There is a need for a Building and Loan manual, and the North Carolina Building and Loan League should take immediate steps to provide a manual for the use of the associations.

A committee selected for the purpose of preparing a manual could devise one of such character that it would be of unusual value to every association in the State.

The manual would cover the organization of an association by giving all details necessary in the organization. It would give all of the general information as to the conduct of the business, the books and records necessary, how to maintain the books of account, how reports should be prepared, how the profits should be apportioned, also give in substance all of the laws, rules and regulations, and all necessary information covering every phase of building and loan work.

**Audits**

A large percentage of the associations have their books and records audited annually by certified public accountants.

There are some however, who do not have their books audited regularly every year, and some who have their books examined by bookkeepers, committees or other persons who are not certified accountants.

The books and records of every association should be audited at least once each year, and such work should be conducted by a certified public accountant.

There are many reasons why the books of associations should be audited by certified public accountants who are experienced in building and loan work.
The auditing profession has developed beyond the mere ability to prove the clerical accuracy of the books. The services of a certified public accountant are now required in many cases for not only his knowledge of the science of accounts or his ability to verify the books, but his general ability and qualifications as an efficiency expert and analyst in the matter of preparing cost statements and analyzing the business for the purpose of showing the defects, if any, as well as giving constructive advice and suggestions.

There have been cases, where associations have been steered from the brink of bankruptcy and failure by having the services of a certified public accountant. There have been other cases where associations were earning a rate of less than 6% and did not know it, which was pointed out in the analysis made by the accountant, that resulted in certain corrections of the causes discovered which converted a rate of less than 6% to a rate of more than 6½%.

It is this sort of service that characterizes the work of a certified public accountant that can not be expected to be rendered by others or by any other method.

The independence of the certified public accountant, and his responsibility to his profession, make him the architect of his reputation and are characteristics of his service that should not be undervalued.

Again it would be unsatisfactory to some of the associations if they were not allowed to have something to say in the selection of the accountant to audit their books, not because they expect to control or direct the accountant in his work, but sufficient experience shows that the most satisfactory service is rendered where the association is permitted to select the certified public accountant to handle their work.

The books of the associations should be required by law to be audited at least annually by certified public accountants, and each association be permitted to select the accountant with approval of the Insurance Commissioner to conduct the audit.
Of the many questions and suggestions that have been before the League for consideration, none are more important than the following:

1st—The preparation and adoption of a BUILDING AND LOAN ASSOCIATION MANUAL, containing complete detail of the method of organization, general rules for conducting the business, charts and graphs and description of the books and records for a uniform system of accounts, how to prepare reports and such other information in detail as will make the manual a valuable reference record.

2d—The recommendation of a standard percentage rate for maturities of the shares of the associations.

3d—An amendment to the laws, requiring all associations to have their books audited at least once each year by certified public accountants.

4th—Uniform or standard rate of profits to be returned on withdrawals.

**TABLE OF PERCENTAGES FOR MATURITIES**

**WEEKLY PAYMENTS OF 25 CENTS:**

- .06938 per cent. matures shares with 328 payments.
- .06801 per cent. matures shares with 329 payments.
- .06664 per cent. matures shares with 330 payments.
- .06530 per cent. matures shares with 331 payments.
- .06396 per cent. matures shares with 332 payments.
- .06264 per cent. matures shares with 333 payments.
- .06134 per cent. matures shares with 334 payments.
- .06005 per cent. matures shares with 335 payments.
- .05878 per cent. matures shares with 336 payments.

**MONTHLY PAYMENTS OF $1.00:**

- .09190 per cent. matures shares with 77 payments.
- .08568 per cent. matures shares with 78 payments.
- .07974 per cent. matures shares with 79 payments.
- .07407 per cent. matures shares with 80 payments.
- .06865 per cent. matures shares with 81 payments.
- .06347 per cent. matures shares with 82 payments.
- .05851 per cent. matures shares with 83 payments.
- .05378 per cent. matures shares with 84 payments.