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American Woman's Society of Certified Public Accountants

American Society of Women Accountants

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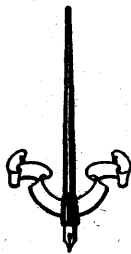
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The WOMAN
C.P.A.



Official Publication

AMERICAN WOMAN'S SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN SOCIETY OF
WOMEN ACCOUNTANTS

A P R I L 1 9 4 5

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The WOMAN C.P.A.

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Editorially Speaking

At this time one of the prime concerns of closing entries on the ledger of Nazism—
all accountants should be to help put the

BUY MORE WAR BONDS

Frances Sadauskas has written for us an interesting article on savings and loan associations. She states therein that these associations are a form of democracy in action. That is true, of course, because they are a form of cooperative enterprise and cooperation is the very essence of democracy. It brings to mind the other forms of cooperative economic enterprises. In the financial field there are credit unions and mutual insurance companies; in marketing, the great cooperative fruit marketing associations, such as the California Fruit Growers Exchange; even in the consumer purchasing field, we find cooperative buying associations. It might appear, at first, that there are few, if any, cooperative enterprises in the realm of production. But in any efficiently run business—be it a retail store, a mine, or a factory—there must be cooperation, not only cooperation between workers and management but among the various levels of management. When both labor and management realize that and attempt to find—objectively and with consideration for the other's viewpoint—a basis for cooperation they will also find mutual esteem.

In association work, also, cooperation is necessary. And this means cooperation of all members in the various enterprises of the society. Bringing it down to our particular societies, cooperation means attendance at meetings, assistance in working up programs, taking part in discussions. Yes, it even means passing along any special knowledge which you may have in regard to business problems to your fellow members, either through chapter discussions or through the pages of *The Woman C.P.A.* The investor in a savings and loan association helps others acquire homes and receives his reward in dividends and interest. By cooperating with and helping your fellow members you will be rewarded in the ideas you receive in return and by the stimulation of your own mental processes.

* * * * *

It is the belief of your editorial staff that the pages of this publication should be open to more of our members than is now possible. We feel that *The Woman C.P.A.* should be the organ of expression for the ideas and opinions of the members of both

societies. We are, therefore, planning a department wherein the opinions of our members on questions of accounting, taxes, economics, the problems of business women, and similar matters can be expressed more concisely and informally than in a long article. In order that the department, itself, may reflect the ideas of the members, we are requesting suggestions in relation to its policy, set-up, and general method of operation. All such suggestions should be sent to Miss Phoebe B. Comer, 1133 North Grant Avenue, Indianapolis, Indiana.

* * * * *

Our War Service Chairman, Elinor Hill of Clifton, N. J., has asked that we remind all our readers about the coming War Loan. She writes:

"The 7th War Loan Drive starts May 14 and ends June 30th. The over-all quota is 14 billion dollars, half of which is to be purchased by individuals. American women are urged to put their small change into war stamps to be converted into bonds during the 7th War Loan Drive.

"American women accountants have an excellent opportunity to boost War Bond sales by recommending bonds as investments to clients and personnel in clients' offices. All members of AWSCPA and ASWA can and should participate to the best of their abilities in furthering the sale of War Bonds."

We wish to second Miss Hill's request and we are sure we shall have the unanimous agreement of our members. At the same time we want to call to your minds again that other great war need—blood donations. If you haven't done so lately, won't you make an appointment with your Red Cross Chapter soon. Blood plasma is urgently needed to save the lives of our wounded fighting men.

* * * * *

We regret to announce that the pressure of her professional duties has made it necessary for Miss Alberta Crary to resign as Tax Editor. Her successor will be announced in the next issue. In the meantime, the thanks of both societies is extended to Miss Crary for her work in the past, and we hope she will continue to be a contributor to *The Woman C.P.A.*

Coast-to-Coast

HELOISE BROWN, C.P.A., *Houston Texas*

ATLANTA

Mr. Russell G. Baker, Past President of the National Association of Cost Accountants, was the very interesting speaker at the March meeting of the Atlanta Chapter of ASWA. Mr. Baker, who is President of The Atlanta Laundries, discussed *Internal Control*.

Mr. D. M. Doster, Manager of the Tax Division of the Trust Company of Georgia, addressed the March study-class. Realizing the vast importance of taxes, Mr. Doster selected *Individual Taxes* as his subject.

Ethleen Lassetter, Vice-President of AWSCPA, ably presented a technical discussion on the *Responsibility of the Bank Auditor in Regard to Trust Administration* before the Atlanta Conference of the National Association of Bank Auditors and Comptrollers on March 16.

The Atlanta Chapter welcomes Mrs. Dorothy I. Eden, Miss Martha Fling, Mrs. Gertrude Harris, Miss Emma Hunter and Miss Martha Johnson as new members in their chapter.

CHICAGO

Real Estate Taxation in Cook County, Illinois, was the subject discussed by Robert Kratovil, Attorney for the Chicago Title and Trust Company, at a recent meeting of the Chicago Chapter of the American Society of Women Accountants.

The March meeting of this chapter was a very interesting one with members sharing personal experiences on tax matters before the Internal Revenue Department. The evening concluded with pictures of Mexico and the Grand Canyon being shown through the courtesy of the Southern Pacific Railroad of Mexico and the Santa Fe Railroad Company.

The Chicago Chapter of AWSCPA held a business meeting at the Central YMCA on Monday, March 26th. Means of cooperating with activities sponsored by the national officers were discussed. Plans were made for a joint meeting with the Chicago Chapter of ASWA in honor of the Illinois women who passed 1944 CPA examinations and also in honor of new members of the Chicago Chapter ASWA. Among the honored guests will be Miss Helen McGillicuddy

of Chicago, winner of the silver medal in the November, 1944, examination. Gold and silver medals are awarded by the Illinois Society of Certified Public Accountants to the persons writing the highest ranking papers in each examination. Miss McGillicuddy is the fourth woman to win such an award.

DETROIT

The sympathy of both societies is extended to Mrs. Hazel Scott on the death of her husband.

CLEVELAND

As the newest ASWA chapter, Cleveland has made a fine start under the leadership of Marion Frye. They have scheduled very constructive programs and already their membership matches that of other chapters.

Mr. Russell Weisman was the guest speaker at the March dinner meeting. Mr. Weisman is an Economist of national repute, Chief editorial writer of the Cleveland Plain Dealer, and a Professor of Economics and Banking at Western Reserve University.

GRAND RAPIDS

Mr. William E. Kirschgessner, Field Manager of the Federal Social Security Board in Grand Rapids, was the guest speaker at the March meeting of the Grand Rapids Chapter. Mr. Kirschgessner discussed many phases of the Social Security Law at this meeting.

Mr. Robert S. Tubbs, former Prosecuting Attorney in Grand Rapids, was the interesting speaker at the April meeting. *The General Real Estate Law* was the subject discussed by Mr. Tubbs.

New members in the Grand Rapids Chapter are Olive Bonter, Phyllis Haan, Caroline Hendricks, and Johanna Spruit.

Julia Norse discussed *Accounting* and Helen Gleason spoke on *Office Management* over radio station WLAV during February. This was the third in a series of programs sponsored by the Kent County Women's Occupations Committee at the request of the Girl Reserve Department of the YWCA. The objective of this series was to inform the high school girls of the opportunities for women in the various professions and business fields.

LOS ANGELES

South of the Border with Disney—an account of Walt Disney's experiences in South America while gathering material for his picture "Saludos Amigos" was one of the motion pictures in sound and color shown at the March meeting of the Los Angeles Chapter of ASWA by the Southern California Council of Inter-American Affairs. The second picture shown during the evening was *The Amazon Awakens*, an interesting film of the famous Amazon River.

INDIANAPOLIS

A recent meeting of the Indianapolis Chapter had as guest speaker Judge Mark W. Rhoads of the Marion County Juvenile Court who spoke on the *Problems of Youth and Family*. The cause of child delinquency, as stated by Judge Rhoads, is to a great extent due to the lack of proper home training and desirable environment. Special emphasis was placed on the formative period in a child's life from the time he is seven until he reaches the age of twelve. All our hopes and plans for the future America are centered around the children of today for they are the men and women of tomorrow.

Marion F. Gallup, Superintendent of the Indiana Women's Prison, was the speaker at the March meeting of this chapter. Miss Gallup discussed *Life's Balance Sheet*.

SPOKANE

At the request of many of the members of the Spokane Chapter, Mr. C. C. Rowan addressed their chapter for the second time at a meeting held recently at the Desert Hotel. Mr. Rowan is one of Spokane's outstanding attorneys and discussed various phases of the *Wage and Hour Law*.

NEW MEMBERS

AWSCPA welcomes as new members:

Miss Marjorie Vivian Guthat of Oak Park, Illinois, who holds a C.P.A. certificate from the State of Ohio. Miss Guthat is a member of Phi Chi Theta, Chicago Credit Women's Club and the Chicago Chapter of the American Society of Women Accountants. She took her accounting training at Northwestern University.

Miss Edith Moore of Chattanooga, Tennessee. Miss Moore has a C.P.A. certificate in the state of Tennessee and is a member

of the Tennessee Society of Certified Public Accountants. She studied accounting at the University of Chattanooga, International Accountants Society, Inc., and LaSalle Extension University.

Miss A. Elizabeth Peck, who is a member of the firm of Ready, Rea and Peck in Meridian, Mississippi. Miss Peck holds a C.P.A. certificate in Mississippi and has a B.A. degree from Wesleyan College.

Mrs. Jeanne Reardon Schrock of Denver, Colorado, who holds a C.P.A. certificate from the state of Oklahoma. She has a B.S. degree in Business Administration from the University of Oklahoma. Mrs. Schrock is with the firm of Montgomery Smith, C.P.A. in Denver.

* * * * *

We have received a notice from Betty Jean Lucas, national secretary of the American Society of Women Accountants, that her new address is 511-512 Ziegler Building, Spokane, Washington. Please note that change in any correspondence addressed to her.

And, just as a reminder, the chairmen of the various national committees are as follows (you might have some suggestions or help for them):

AWSCPA: Publicity—Ethleen Lasseter, Atlanta, Georgia; Coordination with ASWA—Helen Weil, Milwaukee, Wisconsin; Research—Grace S. Keats, Chicago, Illinois; Membership—Margaret E. Lauer, New Orleans, Louisiana; Public Relations—Jennie M. Palen, New York City; War Service—Elinor Jane Hill, Clifton, New Jersey; Year Book—Ruth Clark, Los Angeles, California.

ASWA: Public Relations—Marjorie Mitchell, Detroit, Michigan; Research—Mabel Brillhart, Chicago, Illinois; Finance and Budget—Helen J. Maddex, San Francisco, California; Publicity—Betty Jean Lucas, Spokane, Washington; Programs—Edith Berger, Seattle, Washington; Legislative—Evelyn Forsyth, Grand Rapids, Michigan; Membership—Mabel Jane Hamilton, Indianapolis, Indiana; Educational—Susie Sudderth, Atlanta, Georgia.

Frances Helen Sadauskas is a product of both the City and the University of Chicago. She received an A. B. degree from the University at the age of 19, having majored in Latin and Greek with a view to teaching languages. Immediately after graduation she secured a temporary "bread and butter" position in a real estate office and with her first taste of bookkeeping she forgot about her language teaching aspirations. She enrolled in the Walton School of Commerce evening school, where she received a B.S.A. degree in 1942. She had been doing accounting work in the meantime and for the past seven years has been on the staff of J. P. Varkala & Company, a public accounting firm. Her interest in savings and loan associations is a practical one for she has served on the Board of Directors of the Chicago Savings and Loan Association for approximately six years. Miss Sadauskas is a member of the Chicago Chapter of the American Society of Women Accountants and is at present serving the Chapter as 2nd Vice-President and Program Chairman.



Savings and Loan Associations

By FRANCES SADAUSKAS, Chicago, Illinois

It is surprising how many persons, even among accountants, will think of a bank or short-term loan company,—the type that advertises "money on your signature"—when mention is made of a savings and loan association.

It is also surprising that the examiners who create the questions for CPA examinations do not include questions regularly on savings and loan associations as they do on other financial institutions.

According to the statistical data compiled by the United States Savings and Loan League, there were 6,511 associations in the country at the close of 1943, having assets in excess of \$6,593,283,234.

Undoubtedly, the savings and loan association today is such a definite, permanent and vital part of our lives that all should be apprised of its characteristics. Possibly the simplest and best definition is embodied right in the statutes; the Building, Loan and Homestead Act of Illinois describes it as an association organized "for the purpose of assisting its members to accumulate and invest their savings . . . to be loaned among its members."

The idea is an old one, having existed in

Europe in varied form. The first association chartered in America in 1831 was patterned after such organizations in England.

The one item that is specifically peculiar to savings and loan associations, and which places them in a class different from banks or other financial institutions, is the membership feature. The very act of opening an account, no matter how small or large, automatically makes one a shareholding member of the association, the number of shares determined by the class of savings, the bylaws and/or the statutes. As a shareholder, one has the right to attend the annual or special shareholders' meetings, to vote on business matters, to elect the directors and to be elected a director.

Originally, when, through the accumulation of the members' savings, the association's treasury became sufficiently large to make loans, the money was offered in open meeting and, quoting from Illinois law, "... the member who shall bid the highest premium for the preference or priority of loan, shall be entitled to a loan of one hundred dollars for each share held by said member. . ."

However, as treasuries grew to substantial

amounts and monies were generally loaned and borrowed at more or less standard rates, the laws were amended to allow a savings and loan association ". . . to dispense with the offering of its money for bids in open meeting and in lieu thereof," as the Illinois Act reads, "loan its money at a rate of interest, or interest and premium, to be fixed by the directors, deciding the preference or priority of the right to a loan by the priority of the approved application therefor of its shareholders."

This opened the way for non-members to apply for loans and, if their applications were approved, they subscribed to as many shares as their loans required, one share per each hundred dollars of loan. Thus they became "borrowing" members and acquired the same voting powers as "saving" members.

Such loans, however, are strictly limited to mortgage loans on real property and they must comprise first liens on the property and fall within prescribed percentages of the valuation of the property in accordance with the bylaws of the association, the statutes of the respective states, and the rules and regulations of the Federal Home Loan Bank Board. Some of the chief purposes for which the loans are made are to purchase, build, remodel or rehabilitate a home or to refinance a burdensome old mortgage.

The need to approve or reject applications for loans, made it necessary for the directors to appraise the property which was to be mortgaged, to pass opinion on the borrower's ability to make repayments regularly and to decide if the making of the loan would be a sound way of investing the money of the saving members. Some associations continue to have appraising committees from among their own directors, while others turn to professional appraisers for such service.

Repayments on the loans are made according to one of several plans, namely, the Direct Reduction plan, the Share Purchase plan, which is a variation of the sinking fund method, the FHA plan and occasionally the Straight Mortgage plan.

It was the latter, the Straight Mortgage plan, generally used by most financial institutions, which was the cause of numerous foreclosures in depression years. The mortgagor was obliged to pay interest faithfully on the due dates, while the principal was payable in a lump sum at the expiration of the loan term. This resulted in repeated renewals of the mortgage, with the added

expense of renewed costs, for somehow it was always impossible for most mortgagors to save enough to repay the principal.

The Share Purchase plan, used by savings and loan associations from their very inception, was a great step in alleviating the difficulties in the repayment of mortgages. After the consummation of a loan, interest had to be paid periodically, but, at the same time, reasonable additional payments had to be made either monthly or so much in each series (usually a three-month period) into a savings account, which was pledged as collateral security for the loan. The amount being accumulated through such savings was further increased by the profits apportioned thereto at the regular profit distribution periods. As soon as such savings plus the profits were sufficient to repay the principal, the transaction was cleared on the books through vouchers and journal entries, or through the cashbook, and the proper release papers were executed.

Incidentally, the effective interest rate on Share Purchase loans is the stated interest less the profits apportioned to the pledged share account.

The Direct Reduction plan is probably the most popular today and the best liked. A definite, stipulated payment is made each month, comparable to rent payments, and is applied, in part, to cover the month's interest charges and, the balance, as a reduction of the loan. Each succeeding month the interest charges are computed on the remaining balances, which results in continuously decreasing interest charges and increasing repayments of the loan.

Since the Direct Reduction plan allows larger payments to be made than stipulated, in quicker reduction of the principal, if the borrower so desire, many a family has been able to secure a home through this method without undue privation and to repay a goodly-sized mortgage in possibly twelve, ten, seven years or less.

Payments on FHA loans are monthly payments similar to the Direct Reduction plan. However, they are computed to cover not only the monthly interest charges and a portion of the principal, but also an approximate one-twelfth of the annual real estate taxes and insurance premium.

Pursuant to the Servicemen's Readjustment Act of 1944, savings and loan associations are starting also to make "G.I." loans.

Repayments will follow a monthly basis on the order of FHA loans.

Although mortgage loans represent the main item of the assets of a savings and loan association, some balance sheets still carry "share loans." Not wanting to disturb his savings, a member may borrow money, pledging his savings account shares as collateral, and then repay such share loan, plus interest, whenever convenient. However, at the present time, such share loans are subject to the limitations under Federal Regulation "W."

Other asset items on the balance sheet of a savings and loan association may include any or all of the following:

Accruals of Interest and Premiums on any or all types of loans just mentioned.

Real Estate in Judgment and Foreclosure which occurs in extreme cases of delinquency in the repayment of mortgage loans.

Real Estate Owned, taken over only in extreme cases of delinquency and held only until sold, with effort made to sell as quickly as possible.

Real Estate Sold on Contract.

Accrued Interest on Contracts.

Advances for Taxes and Insurance on any or all types of mortgage loans and on real estate contracts.

Investment in Federal Home Loan Bank Stock required of insured associations and of non-insured associations wishing membership in the Federal Home Loan Bank System for privilege of borrowing money therefrom, etc.

Investment in U. S. Bonds and Treasury Certificates initiated in recent war years, since the government needed money and the associations had surplus funds because of scarcity of mortgage loans.

Other Investments as shares of other insured savings and loan associations.

Cash on Hand and in Banks.

Office Building.

Furniture and Fixtures.

Deferred Charges.

Installments on Shares Due and Unpaid.

Accounts Receivable.

Rents Receivable, either from real estate owned and operated during interim until sold, or rents from space in office building.

F. H. A. Notes

This list is by no means exhaustive, but, in our opinion, suggestive enough.

The main item on the liabilities side will be the savings accounts of the shareholders, shown in one aggregate sum or detailed as

to classes, perhaps, as follows:

Installments on Mortgage Pledged Shares.

Installments on Serial Investment Shares.

Installments Paid in Advance.

Installments Due and Unpaid (contra entry to similar caption on assets side).

Optional Payment Shares.

Bonus Thrift Shares.

Prepaid Shares.

Paid-Up Shares.

Matured Shares Awaiting Payment.

No one association will necessarily carry all of these classes, but only whatever its bylaws and/or state statutes provide.

It is not the intention of this article to go into lengthy detail and, therefore, the technical differences between all of the classes will not be discussed here. However, it is an interesting fact, which should be mentioned, that the Serial Investment and Mortgage Pledged Shares were the most popular type of shares in the early years of all savings and loan associations. This class induced regular and systematic saving, for in subscribing to this type of shares, one pledged to invest a stated amount in each series, payable in installments over the series period, which usually was three months. Nowadays the trend seems to be toward Optional Payment Shares and Paid-Up shares. At least, that is the writer's opinion based on information secured through audits of savings and loan associations in northern Illinois.

One very obvious reason for the change in the type of investment seems to be that in the case of Paid-Up Shares, the saving member invests a certain sum of money, receiving a certificate therefor, and then enjoys the freedom of having nothing else to do about it except to cash the dividend check mailed to him every semi-annual period, or whatever the profit distribution period may be.

In the Optional Payment class, the dividends are posted into the savings passbook and become part of the dues' capital, which means the share-holder can see how his savings are growing, pleasantly augmented by the periodical distribution of the association's profits.

The profits divided to and reserved for the Serial Installment Shares, both the investment and the pledged shares, are carried only as a general ledger figure, usually not being posted into the passbooks, but a schedule being carried by the association showing the profits accumulated per share for each

series, to be paid upon maturity of the series or upon withdrawal before maturity and then subject to certain fines or penalties if the dues were not fully paid to date or had not been invested for a prescribed period.

Several methods of profit distribution are in use, such as the Partnership, the Rice and the Dexter methods. As a base, all use the dues or installments that should have been paid in, as per the pledge or certificate, plus an equated portion of the installments that should have been paid in during the period concerned.

The Partnership and Rice methods merge the prior years' profits into a pool with the current available profits and make a redistribution each period at the current rate applicable retroactively for all the years that the respective series of shares have been in force. This means that if profits had been distributed in early years at the rate of 4%, those who withdrew in the preceding years, took their 4% dividends; while now, if the current year's operations were at a deficit and the accumulated profits were proportionately diminished, resulting in a 3% dividend, the present shareholders would receive, upon maturity or withdrawal, the lower earnings for all their years of membership.

The Dexter method does not disturb previous distributions and provides for compound profit distribution to Serial Shares, which is more equitable in view of the fact that Optional Shares usually receive compound profits by virtue of the dividends apportioned thereto becoming part of the dues' capital.

All three methods named assume a certain available sum of dollars and cents to be distributed and thence they proceed to determine the gain per dollar of earning power per series and finally the gain per share. This, however, is definitely outmoded.

With today's efficient accounting systems, budgets and close-to-accurate Estimated Statements of Profit and Loss, the modern association is able to declare in advance the dividend rate or rates equitable to all classes of shares in respect of their certificate requirements or limitations, bearing in mind that, of the profits earned, only a reasonable portion may be distributed to the shareholders and that a sufficient part of the profits must be retained for purposes of adding to necessary specific reserves and building up general reserves.

The simplest and most workable formula

for present day computation of profit distribution to Serial shares, according to a modified Dexter plan, is as follows:

Total Value per Share, which includes installments plus profits accumulated to the beginning of the current period

Plus

One-half the Dues that should have been paid per share during the current period, which thus gives the base value per share to be

Multiplied By

The Current Dividend Rate, as declared by the Board of Directors, which product should then be

Added To

The Total Profits Per Share carried at the beginning of the period to arrive at the total profits per share at the end of the period and this amount

Multiplied By

The Total Number of Shares in the series so as to determine the total profits per series,—this to be done, by series, for all series in force to arrive at the aggregate total of profits that should be set aside for Serial Installment Shares.

Is it any wonder that the personnel of savings and loan associations is not encouraging members to subscribe to this class of shares? Yet, it is unfortunate because, as stated before, this class induced regular, systematic saving and was really the root for savings and loan association growth.

The profits apportioned to Paid-Up shares are usually carried as "Dividends Payable" on the balance sheet, apart from the other "Profits Divided" accounts.

Other liability accounts on the balance sheet may include:

Advances from Federal Home Loan Bank or from other banks.

Accrued Interest on Advances.

Amount Due Federal Reserve Bank for war bonds sold to the public, which is an innovation in savings and loan association activities since World War II.

Taxes Accrued and Unpaid.

Accounts Payable.

Loans in Process, offsetting mortgage loans made by the amount that has not been paid out to the borrower for such reasons as awaiting the clearance of title, awaiting proper waivers of lien in case of construc-

tion loans, or amounts retained to cover possible litigation.

Escrow Advances for Taxes or Insurance.

Deferred Credit accounts might be carried to show unearned profits on contracts, income collected in advance, or unearned discount on F.H.A. Notes.

Specific Reserve accounts may be set up for uncollected interest, real estate taxes not due, or for valuation of specific real estate or other assets.

General Reserve accounts may include:

Contingent Reserve.

Federal Insurance Reserve in cases where the accounts are insured by the Federal Savings and Loan Insurance Corporation.

Other Special Reserves.

Finally, there will be a surplus account, usually called "Undivided Profits," which is limited by state statutes and other regulations to a certain percentage of assets or shareholders' investment.

The general reserve accounts, also, have to meet with certain requirements as per state statutes and rules and regulations of the Insuring corporation.

The income and expense accounts may readily be implied from the nature of the asset and liability accounts, with other accounts to be added for the actual operating expenses.

As to the audit procedure to be followed by accountants engaged in auditing savings and loan associations, the best sources of information are the instructions and bulletins issued by the offices of the Auditor of Public Accounts of the respective states wherein the associations are chartered, the rules and regulations of the Federal Home Loan Bank Board, as well as the publications of the American Institute of Accountants.

The work of both, the public accountant making the audit and the accountant working full time in an office of a savings and loan association, is interesting and alive!

The savings and loan association today takes part in every phase of modern life.

It helps people save money. It helps people acquire and maintain a home, and in this respect, alone, the spread of savings and loan associations has been of immeasurable importance in the building of this great country. There has probably never been quoted a slogan more true than that adopted by the savings and loan movement,—“Home ownership is the best safeguard of democracy and liberty.”

The savings and loan association helps with the war effort by investing its own funds in government securities and by acting as an agent of the United States Treasury in the sale of bonds to the public.

With the introduction of “G.I.” loans, the savings and loan association will help the veteran in the postwar period.

Subscription to its shares is not the rare privilege of the few, but, in most states, open to all: men, women, married or single, children, corporations, trustees, executors, administrators, guardians and other fiduciaries. Only a few states are left where the laws have been slow in opening this opportunity of sound investment to all their constituents.

To know a little about a savings and loan association leads one to make an effort to learn all and to understand its purpose and operation thoroughly, and then one becomes its member. Next, one aspires to directorship. Finally, if one is a public accountant and is interested in auditing a savings and loan association, the choice is heartbreaking: auditor or director, for one may not be both, according to the accepted definition of an “independent” public accountant.

However, one MAY be a member!—and as such it is indeed gratifying to invest a dollar and know that at the same time that you are building an egg-nest fund for yourself, your dollar is helping another family, possibly another accountant, to acquire a nest, a home.

A savings and loan association is a symbol of progress in any community.

What's New in Reading

By HELEN M. HETH, *Detroit, Michigan*

ADMINISTRATION

as Presented in Current Periodicals

The 1945 Spring Number of the *Harvard Business Review* stresses the importance of administration. The editorial foreword summarizes the theme of this issue: "Administration: there, in one word, may be the key to success or failure in the nation's attempt to maintain a high level of activity in postwar business. No matter what the importance of the other elements of the business structure, progress and prosperity cannot be built without good management in individual enterprises; low productivity, labor unrest, financial breakdown—failure of one sort or another—will be the inevitable consequence of poor management." Six out of nine articles discuss management, from the chairman of the board of directors to a foreman in the shop. Solomon M. Schwarz, authority on Russian affairs, has first place with a description of "The Industrial Enterprise in Russia." The Russian industrial system's own plan of production and finance and "complete business accounting rights" are presented in a concise outline.

John S. Tomajan, President of Washburn Company, in "But Who Is to Lead the Leader" constructs a definition of leadership based on the author's personal experiences. The make-up and responsibilities of a board of directors and the executive officers of a corporation are discussed by Gerald Swope, former president of the General Electric Company, in "Some Aspects of Corporate Management." Mr. Swope emphasizes the necessity of knowing the business and the individuals who are actually conducting the affairs of the business. Dan Throop Smith, Associate Professor of Finance and Taxation, Harvard Business School, determines in "Education for Administration" which of the elements of good administration may be learned and how such elements may be taught.

"Administering the Union Agreement," by Benjamin M. Selekman, Associate Professor of Harvard Business School, places on management the task of recognizing the "steward's job as a thankless one" and on the union the task of appreciating the "diffi-

culties of the foreman's position." Mr. Selekman states that one-half of the people in private industry are members of a union. The position of the foreman is further discussed by Fritz J. Roethlisberger in "The Foreman: Master and Victim of Double Talk."

Other recent issues of business magazines have given space to the subject of administration. In *American Business* for March, 1945, William A. M. Garry depicts the Edward G. Budd Manufacturing Company's school of executives in an article called "This School Teaches Management." The cut-down in turnover of executives is shown to be the result of such training. Frank Cushman has spent some 25 years conducting foreman and executive training programs. In the March, 1945 issue of *Supervision*, he lists specific responsibilities of supervisors. The title of this article is "Know Your Man—Why and How." The place of the foreman and the best way to utilize his position is brought out in "Let the Foreman Manage," by Ellsworth S. Grant, in the *Personnel Journal* for March, 1945.

Strikes are one of the most timely problems of management. The editors of *Modern Industry* made an extensive survey of industrial plants in the Detroit area and present their conclusions in "Why War Workers Strike" in the March, 1945 number of that magazine. A part of their findings is expressed in, "There are fewer stoppages in those plants where supervisory employees are treated fairly and where top management's acceptance of unionization has been communicated down the line. In such plants, foremen trained in industrial relations, know the union contract as well as the shop steward knows it. Above all, they know and correctly administer company policy—minimizing possible conflict at its source of origin in the shop."

Forbes Magazine has just completed a series of six articles on "The Art of Being Boss" which they intend to publish in pamphlet form.

All in all, business writers appear to have developed an increased consciousness of the problems and responsibilities of management in relation to personnel.

CONTRACT TERMINATION

There are a group of interesting articles on war contract termination in the January, 1945, issue of *The Accounting Review* published by the American Accounting Association. These articles explain the part played in contract termination settlements by the public accountant, by the Government accountant, and by the contractor and his employees.

WOMEN AT WORK

The employment of many women in war plants created a new problem for management. Many plants recognized the need for closer contact between employer and employee and provided counselors to assist

employees having individual troubles. Thelma Swank Astrow, Director of Counseling, Consolidated Vultee Aircraft Corporation, tells of the plan of employee relations followed by that company in her article, "Counseling Gives Women the Advice They Need," which appears in the March, 1945 issue of *Factory Management and Maintenance*.

In the *Management Review* for March, 1945, Frieda S. Miller, Director, Women's Bureau, U. S. Department of Labor, summarizes statistics on employment of women before and after Pearl Harbor and makes a prediction as to the employment of women in the future. "Postwar Prospects for Women Workers" is the title of the article.

Tax News

MARY C. GILDEA, *Chicago, Illinois*

WAR RISK CONTRIBUTIONS TO UNEMPLOYMENT FUNDS

Because unemployment compensation taxes have been in effect for some time and most of us have become accustomed to a set routine in connection with them, we may forget that there are constant changes being made in these laws. Within the past few months amendments of various kinds to unemployment compensation laws have been introduced into the legislatures of 40 states. There have been many changes since these laws were first written and the post-war period will probably bring many more.

In fact, some of the amendments of the past year or two were brought about by consideration of the post-war reconversion period. Many businessmen, as well as statesmen and economists, have wondered if the compensation provisions of the various State laws would be able to meet the problem of reconversion unemployment and also if the reserves in the State funds would be sufficient for the benefit payments which might be required. As a result of this thinking, a number of states have provided for "war risk" contributions. The theory of these contributions is that those industries which have expanded due to the speeded up production of wartime, whether the war production factor is direct or indirect, will probably be the industries in which there will be the greatest amount of unemployment due to reconversion and, therefore, they should bear an extra

load in building up reserves for post-war unemployment benefits.

The manner in which these war risk contributions are being computed in various States is shown in the following summary:

Alabama—The war risk contributions are effective for a period of three years—from April 1, 1943 to March 31, 1946 and are assessed against "excess wages." Excess wages for any 12-month period starting April 1st are determined by the amount of the payroll which is in excess either (a) of the employer's average payroll for the four preceding calendar years or (b) of 200% of his average payroll for the first two of the four preceding calendar years. On any such excess, the employer must pay a tax at the rate of 2.7%, but the first \$100,000.00 of any taxable payroll is totally exempt from this special tax.

Florida—Excess wages in Florida are based on the amount over 200% of the employer's 1939 payroll or, if he had no payroll in 1939, the first payroll year subsequent thereto. The rate on such excess payroll is 2.7% and the rate on the amount below such excess is the rate determined under the merit rating provisions. The law was effective July 1, 1943, and applies to any year when the balance in the fund as of December 31st does not equal the number of insured workers multiplied by \$65.00.

Illinois—A comparison of an employer's 1940 payroll with his payroll for the preced-

ing calendar year determines the liability of an Illinois employer to war risk contributions. Since the law was effective July 1, 1943, this meant that for 1943 liability the comparison was between 1940 payrolls and 1942 payrolls; for 1944 the comparison was between 1940 payrolls and 1943 payrolls; and so on. If the comparison shows an increase of 100% but less than 150%, the rate shall not be less than 2%; if the comparison shows an increase of more than 150%, the rate shall not be less than 2.7%. If the merit rating rates are higher than the rates determined (i.e. 2% or 2.7%), the merit rating provisions apply. If the merit rating rates are lower, the merit rates apply to the first \$100,000.00 of the payroll and the war risk rates to the balance. Since the law became effective July 1, 1943, it did not apply to the first six months of 1943 and only \$50,000.00 of the last six months was exempted from the war risk rates.

Iowa—Between July 1, 1943 and December 31, 1945, contributions will be assessed at rates varying from 2.7% to 5% on that part of an employer's annual payroll which exceeds his 1940 payroll by 100% or more. The rates are determined in accordance with the employer's reserve percentage in somewhat the same way as the determination of rates for merit rating provisions. The war risk rates, however, do not apply to an employer whose annual payroll is less than \$30,000.00.

Maryland—If an employer's total annual payroll in the calendar year immediately preceding the taxable year exceeded 150% of his 1940 payroll, his rate cannot be less than 2.7% despite merit rating provisions.

Minnesota—Employers liable for war risk contributions are those who—

1. Have become subject to the unemployment compensation law since 1940 and who have a total payroll for any calendar quarter between January 1, 1942 and June 30, 1945 in excess of \$50,000.00; or

2. Were subject to the law during 1940 and who have had a total payroll for any quarter between January 1, 1942 and June 30, 1945 in excess of \$50,000.00 which has increased 100% or more over and above the normal payroll for the corresponding quarter of 1940.

The war risk contributions are assessed at the rate of 3% and are in addition to the

normal contributions required. However, these employers who were subject to the law during 1940 pay the 3% only on that part of the payroll which is over and above 200% of the payroll for the corresponding quarter of 1940.

Missouri—The Missouri law is effective between July 1, 1943 and June 30, 1945, and uses as a base the average of 1939, 1940 and 1941 payrolls. On that portion of the payroll which exceeds such average by 50% or more, the employer's rate is 3.6%. If an employer cannot determine such an average because he did not have an annual payroll for each of the years 1939, 1940 and 1941, his rate is set at 3.6%. However, the Commission may establish an average annual payroll for such an employer, and if the employer's payroll had not increased more than 50%, only that part of the payroll in excess of the established average annual payroll would be taxable at 3.6%. A special credit of \$100.00 is allowed against the amount of the increased contributions resulting from these war risk provisions.

Ohio—War risk contributions are determined in much the same manner as are benefit experience rates. The date on which the computations are made is September 30th and the liability of the employer is determined by the following tests:

1. Does his total contributions for all past periods less all charges to his account equal or exceed 9% of his average annual payroll, based on an average of his last three annual payrolls; and

2. Did his most recent annual payroll exceed by 50% or more the average annual payroll used in computing his first modified contribution rate under the experience rating provisions?

If the answer to the first question is no and the answer to the second one is yes, the employer has an increase in rate for war risk contributions. These increases are added to his contribution rate and range from .1% to 1%, depending on the percentage of increase in the employer's payroll and the percentage by which all past contributions less all charges to his account exceed his average annual payroll. In no case, however, are such rates in excess of 3.5%.

If the employer's current annual payroll exceeds by 50% or more his taxable payroll for the first four consecutive calendar quar-

ters in which he had employment, his rate shall be increased but the amount of such increase ranges from .6% to 1%, based on the percentage of increase in his payroll.

All the increased rates cease to be in effect after December 31, 1945.

Oklahoma—Any employer whose annual taxable payroll for 1943, or any year thereafter, is in excess of 300% of the least of his annual taxable payrolls for the three preceding calendar years, shall not have a rate less than 2.7%.

Wisconsin—War risk contribution rates in Wisconsin apply to employers with payrolls of \$30,000.00 or over where—

1. The payrolls exceed by 50% or more the payrolls for the year 1940; or
2. They become newly subject to the Act after 1942.

The maximum rate for such war risk contributions was 4% for the first six months after July 1, 1943, and 5% thereafter. In addition to all other contributions, each employer is required to contribute at the rate of .5% of his payroll between July 1, 1943 and December 31, 1945, or until the total of all payrolls covered by the Wisconsin unemployment compensation law falls below \$200,000,000.00. These contributions are credited to a special "post-war reserve," since Wisconsin's unemployment funds are in industry reserves.

DIVIDENDS

In the November, 1944, issue of *The Journal of Accountancy* there is a report by the Committee on Federal Taxation of the American Institute of Accountants. This report contains the Committee's recommendations relative to post-war taxation and one of its important recommendations is the elimination of double taxation on corporate dividends.

Corporate income is subject to income and excess profits taxes before deduction of dividends; dividends paid out of such income are subject to taxation in the hands of the recipients thereof. Consequently, the income which the dividends represent is taxed twice, a situation which is both inequitable and economically unsound.

Many tax writers have considered this

question of double taxation of dividends and have suggested various ways of overcoming it. The American Institute of Accountants report suggests two methods. Under the first method the stockholder would report the dividends as income but would receive a credit against his tax to offset the tax paid by the corporation on its income; there would be no adjustment on the corporation tax return. Deduction of dividends paid from taxable corporate income is the second method proposed.

No positive recommendation for either method is made by the Committee, but a supplemental report presents the views of the members in support of each. There are, of course, many technical problems involved in both proposals. The first would require finding an equitable method of determining the amount of the tax credit to be allowed the stockholder receiving the dividend without complicating too greatly the computation of individual income taxes.

If the corporation is to be given credit for the dividends paid to stockholders, certain limitations as to what constitutes distributable dividends will, of course, have to be made. This, however, should not be particularly difficult in view of the large body of material regarding dividends which has already accumulated in the tax law.

Advocates of the individual credit method argue that the corporate credit method results in corporation taxes becoming, in essence, taxes on undistributed profits and they recall (evidently with apprehension) the difficulties which arose in connection with the 1936-1937 surtax on undistributed profits. In answer to that argument, those proposing the corporate credit method state that there are important differences between their suggestions and the 1936-1937 surtax.

The writer is heartily in accord with the idea that double taxation of dividends must be eliminated and that it is a problem which merits the close study and consideration of every accountant, lawyer, businessman and legislator. We are not, at this time, advocating any particular method of accomplishing this result but we believe that whatever method is adopted should be one which is fundamentally sound despite variation in tax rates either for individuals or for corporations.

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