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THE mental laggard is as a rule devoid of initiative. It apparently hurts him to think; at least he finds it disagreeable. He follows the crowd and does what everyone else is doing.

The thoughtless man is only one step removed from the mental laggard. He goes along doing his work mechanically; following form and getting results such as they are.

The slave to tradition is of the same family. New thoughts may rise in his mind, but they are whipped back and perish without fruition. He fears to take a new step lest it be out of harmony with established custom.

Tradition is often the rock on which progress comes to grief. It rears its head like some mighty force which will not be denied. It encompasses society, business, and finance. There is scarcely a field of activity which does not feel its power. In a way this is highly desirable. A basis is thereby afforded which serves as a guide. And who can gainsay the value of a guide?

But to follow blindly in the footsteps of tradition is unsafe and unsound. Such procedure is bound to make for trouble. It is sure to bring results which are unsatisfactory if not worse. It is a check to initiative and hinders healthy growth.

There is no field perhaps where tradition is a greater hindrance, except when properly treated, than in accountancy. There is no activity in which more attention needs to be given to cutting the cloth to the specifications of the suit. Every individual who is engaged in accounting work has to be alert to the needs of the situation before him. A knowledge of principles and practice is not enough. They must be intelligently applied to the case under consideration if most effective results are to be obtained. Because a certain engagement has been handled in the same way for fifteen years is no reason why it should be so handled the sixteenth time if the conditions relating to it have changed.

Cases are numerous where machine or department rates have, in systems of cost finding, been established and used from year to year without change. Blank papers in place of securities are reported to have been passed by twenty-four successive bank examiners because the first examiner had sealed the packages and it did not occur to any of the others during a period of ten years to scoff at tradition, break the seals and examine the contents. Following in the footsteps of tradition in this case made possible embezzlements aggregating three or four hundred thousand dollars.

The treasurer of a large and well-known manufacturing corporation was permitted to have in his possession from time to time over a period of several years large numbers of notes signed in blank by other officials whose signatures were necessary to make them effective. When signed by the treasurer they obligated the corporation for hundreds of thousands of dollars. Because the practice had been established and in existence for years it was long after someone should have thought of it that the president of the corporation suddenly awoke to the opportunity which the treasurer had of obtaining money on the notes and putting the money in his pocket. This situation was corrected by placing the notes in the custody of the auditor who issued them, after registration, to the treasurer.

Taking payroll receipts for years and years from several hundred office employes illustrates again the slavery to tradition. In this case thousands of dollars of unnecessary expense for paper and time of employes in preparing the receipts would have been saved by dispensing with a practice which had grown up with the company. No one thought to suggest the abolition of the practice because the matter had always been handled that way.

An accountant who got the idea into his head that certain wording in audit reports should never be changed and copied the wording from a report of the year previous even though the current facts and figures did not fit the wording, is another case of following in the footsteps of tradition. And the incident would be ludicrous if it were not so serious.

Lest the impression be gained from the illustrations cited that progress means frequent changes, it should be pointed out that such impression is not intended to be conveyed. The habit of making changes merely for the sake thereof is as destructive as following along in the same old rut. Changes are in order when they result in improvement or when they serve to make the result express the facts in the case.

The successful accountant is one who, ever mindful of what has gone before, sizes up the situation in the light of the present and with his eye to the future does the thing in which he is engaged in the most efficient way under the circumstances. A competent accountant with a bright, active mind, concentrating on the work before him, will not hesitate to side-step tradition when by so doing he can best serve his clients.

Non-Par Value Stock from an Accounting Point of View

THE original purpose back of the law providing for issue of stock without par value seems to have been to remove any expression or impression of a fixed value attaching to such shares; this for such benefit or effect as it might have in the affairs of corporations and their relations with those who contribute capital to corporate enterprises.

A note of paternalism is sounded by some writers who, in attempting to explain the reasons for the law, credit the law-makers with a desire to protect the investor who buys a share of stock at a fixed price of $100 and looks upon the disbursement as a loan to a corporation which amount he expects to be able to recover whenever he so desires.

Whether or not this somewhat laudable motive was in the mind of the law-framer may never be known, but the effect of the law is to stamp the transaction as a proprietary venture and so far as it concerns the investor to put him on notice to inquire as to the value of his share.

The law has a distinct advantage for directors who desire to be honest and straightforward since it relieves them of the necessity of becoming parties to a fiction which has often been misleading. This fiction has in the past been particularly true in cases involving patents, copyrights, good-will, contracts, mines, etc., where there is usually more or less difficulty in fixing the value of such acquisitions.

Under a law providing for common stock without par value, the situation and procedure appear immediately to be much simplified. The common shareholder, regardless of what he may have paid for his stock, becomes entitled to such proportion of the net assets, after deducting the value of any preferred shares outstanding, as the number of his shares bears to the total number of common shares outstanding. The aggregate value, or the equity of the common shareholders, is determined by the excess of assets over liabilities and preferred shares. The value