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no-par stock. The Delaware law seems to allow extreme latitude in respect to no-par stock.

The final chapter gives conclusions on the subject, and is a concise summary of the most important principles elucidated in detail in the body of the treatise. The book is supplemented with excerpts from the statutes of various states, which affords excellent reference to their provisions.

"Don'ts" for Finance Companies

By E. E. Bergmann, New York Thirty-ninth Street Office

WITH the undertaking of each new engagement, the accountant starts out in the hope that the assignment will be one in which his technical and practical knowledge may prove to be of material aid to the client. But too often the engagement seems to be lacking in subject-matter which may be explored and developed with advantage to the client, and without too great an expense of time.

An engagement covering an examination of the accounts of a finance company, to which the writer was assigned, proved to be Utopian with respect to such opportunity, inasmuch as it disclosed practices and policies which almost precluded the company from the possibility of being able to operate profitably, even though the accounting methods were practically ideal.

Among these practices were a number which are summarized briefly herein, and which truly can be called a list of "don'ts" for finance companies.

The company, first of all, agreed to finance the distributors of certain manufacturing companies without recourse to the distributors, or to the companies. This practice led to the acquisition, through repossessions, of used equipment for which the finance company could find no ready market.

Second, the company advanced large sums to certain distributors on their notes which were to be liquidated in equal monthly payments. These notes were secured only by collateral purchase agreements. This plan of financing gave the distributor a great leeway in making sales without regard to the credit risk of the purchaser. It is only reasonable to suppose that in some instances a dealer, seeing the impossibility of meeting coming instalments on his notes, would be tempted to make sufficient sales, without due regard for the credit risk, to enable him to obtain funds through down payments with which to satisfy his current indebtedness, and then to gamble more or less on the future, knowing that if he could pay his current debts he could secure further financing.

Third, the company allowed dealers to make collections from the purchasers, instead of having the purchasers remit direct to the finance company. This opened up several dangerous possibilities, chief among which was the withholding of collections by dealers.

Fourth, the finance company, in accepting new business, financed many dealers at remote points far from the control of the field force. Such dealers could withhold collections at will and could otherwise transact their business in such manner as to cause large monetary losses to the finance company.

A finance company generally works on a slender margin of profit and must use every safeguard against possible losses. In making audits of finance companies, the accountant would do well to analyze thoroughly, and consider carefully, the fundamental policies and practices employed by the company in making loans, bearing in mind the points brought forth in this article as dangers to be guarded against in warding off huge potential losses.