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John J. Sullivan

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## What an Accountant Should Know about Law\*

BY JOHN J. SULLIVAN

What should an accountant know about law? I shall not attempt to give a complete list of legal topics with which an accountant should have some acquaintance. Any such list must vary in accordance with the particular clients whom any given accountant has occasion to serve. For instance, accountants having much to do with mining companies must know a lot about the peculiarities of mining law involving special problems of exhaustion of the mineral body, and in many instances, special problems relating to mining leases. There is a tremendous field of statutory and judge-made law concerning coal mining alone.

This brings me to mention that we can not approach the law as if it consisted of a definite number of certain rules running in a series, say from No. 1 to No. 10,000,000, both inclusive. The law is like the air we breathe. It permeates everything. It affects all the relations of political, social and business life. These relations are changing constantly and while the law must be kept fairly steady it must also reflect changing conditions and new tendencies.

I would emphasize this thought, for I fear that some accountants get into the way of regarding legal rules as if they were fixed quantities capable of final and absolute determination, the same as a problem in arithmetic. This mistaken way of thinking has led some accountants, and some lawyers also, to urge on their clients the solution of such problems as corporate organization and financing entirely on the basis of the savings in taxes to be effected under the application of existing tax laws. Then, perhaps, hardly is the new enterprise launched when the tax laws are changed and some economic vice in the corporate set-up causes endless trouble, while the supposed advantages from the viewpoint of the taxes have quite vanished.

Therefore, I should divide law into two categories: first, those fundamental principles which are seated on justice and honesty and logic, which must remain constant, and, second, those more or less arbitrary rules and regulations, some reasonable,

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some unreasonable, which a legislature or a state or federal bureau may lay down and are essentially changeable.

Any accountant who would go far in his profession should prize a knowledge of the fundamental legal principles far more than a knowledge of the latest regulations. Needless to say, the technical detail of working out a particular problem may necessitate full recognition of the current regulations, but they should be accepted at their actual transient value and not be given undue weight in formulating a permanent programme which is to govern the affairs of some business concern perhaps long after the existing regulations shall have been swept away.

I lay stress on this thought for it is vital to any truly professional education. It marks the dividing line between the architect and the mere draftsman; between the chemist and the mere analyst who spends his life applying some rule of thumb to the materials brought before him, without any appreciation of the scientific principles which underlie that rule of thumb; between the engineer and the mechanic; between the physician and the masseur.

It is impossible for any one head to learn and memorize all the statutory and departmental rules and regulations that our busy legislatures and other branches of government are forever devising and then altering. It is perhaps a mistake to attempt to load one's memory with a lot of unessential information, just as a banker who must pass on problems of investment and of other matters involving thought and judgment should not waste his time and burden his memory with all the figures of a long interest table.

Starting from this point I suggest that an accountant desiring to increase his knowledge of the law should begin by taking a definite course of legal studies. If, having completed this course, he finds that his thirst is still unquenched he may take up some well written textbooks. In his selection of such textbooks I should warn him against anything which professes to be encyclopædic. There is an old Greek maxim to the effect that the half is greater than the whole. The articles in a legal encyclopædia intend to be exhaustive. The result is that they fail to give proper proportion to the various rules and decisions which they set forth, and the casual lay reader is likely to flounder through a sort of legal everglades without any chart or compass. Sometimes after reading a legal treatise which pur-

ports to be comprehensive one finds that one actually comprehends little or nothing of it. Moreover, some of these treatises are written mechanically by hack writers who have neither special experience nor inspiration. The same caution applies to textbooks. A well ordered work on corporations in a volume or two is more suitable for an accountant who is trying to get a grasp of the principles underlying the corporate structure than a ten-volume work giving indiscriminately all the decisions by all the courts. The ten-volume work may be consulted in an effort to learn the details when a special problem arises, but the shorter work setting forth the true relations of the various parties interested in a corporation, all in their due proportion, is far more useful for reading through and making the information part of one's permanent mental equipment.

Needless to say, when I speak of the smaller work as being sometimes preferable to the larger one, I do not mean to praise every book merely because it is small. There are many small legal textbooks which are of slight value. On the other hand, there are comparatively large works, such as Samuel Williston's books on contracts and sales, which are masterpieces.

In every branch of the law there is likely to be some one work which towers over its fellows and states real principles in that branch of the law accurately, in proper consecutive order and with a due sense of proportion. These are the books to prize and make one's own, not by merely acquiring title to them through a transaction at the bookseller's, but by reading them and letting the brain work as the eye roves over the type.

I remember a law student with whom I prepared for some examinations at law school many years ago. He was a neat penman and lavished large sums of money on the purchase of all the books recommended by our professors. When going over these books he would underline in red ink every line of each page, and, judging by the results of the examinations, I think that he was more occupied with his own lines than with the printed lines which he was expected to study. He had no sense of value or proportion.

In conclusion, may I suggest as a group of important legal subjects worthy of any accountant's study the following: contracts, sales of personal property and real estate, suretyship and guaranty, the settlement of estates, property law, including real estate and personal property, banking law and insurance law. The

immediate value of some of these studies may not be apparent, but the accountant will find them truly instructive. Instruction means building in, and I can not close my remarks better than by repeating what I urged at the outset, that what a really professional accountant should seek is to build up the structure of his mind rather than to busy himself entirely with the passing information such as is gleaned from this afternoon's newspaper and is promptly and properly discarded like the newspaper itself. Even from the purely pecuniary viewpoint, the returns in the long run from acquiring the fundamentals are likely to exceed by far any returns from the learning of transient and petty details.