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## Correspondence: Accountants and the Law

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## Correspondence

### ACCOUNTANTS AND THE LAW

*Editor, The Journal of Accountancy:*

SIR: I believe that you should be complimented for having acquired for publication the article by Harold Dudley Greeley, *The accountant's duty to uncover questions of law*. The time is propitious to bring this matter forcibly to the attention of the profession. In my experience in public accounting, extending over fourteen years, I have found the knowledge of law of paramount importance to the accountant. In ordinary audits these points arise, even though the auditor may not be aware of them. For example, accountants practising in New York frequently find officers who are also stockholders owing money to the corporation or having drawing accounts on the books of the corporations. It behooves the accountant in this case to call the attention of his client to section 59, article 6, of the stock corporation law (as amended in 1923) stating:

"No loan of moneys shall be made by any stock corporation, except a moneyed corporation, or by any officer thereof out of its funds to any stockholder therein, or shall any such corporation or officer discount any note or other evidence of debt, or receive the same in payment of any instalment or any part thereof due or to become due on any stock in such corporation, or receive or discount any note, or other evidence of debt, to enable any stockholder to withdraw any part of the money paid in by him on his stock."

Moreover, the rules of evidence have now become prerequisite to practice before the United States board of tax appeals.

I commend Mr. Greeley's idea of fixing fees on the principle of "quantum meruit" in preference to per-diem rates. I have followed this principle for the last few years although it was not possible, in every instance, to eliminate the per-diem basis.

There are, of course, limitations to the accountant's use of his legal knowledge. Mr. Greeley properly expounds these limitations and the practitioner should carefully read this phase of his elucidating article.

Yours truly,

HENRY VARAY.

New York, July 7, 1925.