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Accounting Charges

BY FRED'K. GEO. COLLEY, C.P.A.

In that admirable recent addition to the literature of accountancy, MONTGOMERY'S *Auditing, Theory and Practice*, Chapter VI, there are several paragraphs relative to accountants' fees. As a profession we deplore the accountancy-correspondence-course advertising, which tends to exaggerate the compensation of professional accountants. To quote from Mr. MONTGOMERY'S book: "The implication in these advertisements that there is some fixed scale of fees which an accountant can charge is more or less correct, and it is unfortunate that such is the case, for it tends to place the profession on a par with day laborers."

We point to the physician and the lawyer to whose professional standards we aspire. While the average physician bases his fees on a certain minimum for residence calls or office calls, he nevertheless has some regard for the nature and circumstances of the case in rendering his bill. Also the physician or surgeon of widely demonstrated skill and ability has in mind not only the nature of the services rendered but the financial ability of the patient. He is not entirely illogical in assuming that the mending of the broken leg of the millionaire is worth more than the same service rendered for a hod carrier. Everyone has heard of cases of large fees charged by members of the legal profession, based not upon time consumed, but upon the nature and value of such services to the client.

In the accountants' profession it has unfortunately become the rather general idea that we must look for per diem rates from big and little, regardless of the importance of the service, whether it be the formal audit of a small retail store or an examination of a group of manufacturing concerns preparatory to the launching of millions of dollars of securities on the market, involving questions requiring the exercise of the most expert professional skill and ability with the backing of long experience. Mr. MONTGOMERY says, "Under present conditions per diem rates yield the greatest compensation." The per diem

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rates of the best known firms of accountants enjoying the largest practice are well known to be as follows:

	Per diem
Principals	\$50.00
Senior accountants	25.00
Assistants	15.00
Juniors	10.00
Stenographic and clerical	5.00

The author referred to quotes evidence given several years ago in an inquiry into the actual rates charged by accountants, which evidence does not materially conflict with the above stated scale of charges. It is, however, stated that "a maximum of \$250 per day is known to have been charged for a few days' service." The writer knows of one case where a fee of \$15,000 was charged and collected by a certain firm of New York certified public accountants for approximately two days' work of one accountant, and the client who paid it was entirely willing to do so.

Undoubtedly the tendency is contrary to uniformity in accountants' charges, and the capable accountant of established reputation will in the future endeavor to avoid any fixed scale of charges. Nevertheless there is a large body of accountants to whom it is all important that, regardless of the nature of the work, or the importance of the client, a certain minimum scale shall be established, below which no reputable member of the profession will quote under any circumstances. All certified public accountants profess to refrain from bidding in competition with one another; in the face of which it is notorious that the principal of one well-known firm of accountants has openly stated his willingness to accept any engagement for one-half of any fee or rate quoted by another prominent New York firm. Such an attitude is beyond discussion. The maintenance of a reasonable minimum, consistent with the *average* certified public accountant's professional education, skill, ability and experience, is of vital importance, and few, either client or accountant, will say that the above stated scale of per diem charges is not a fair minimum.

In this connection it is of importance to consider what is an accountant's "day," for which these charges are made. Some firms have established eight working hours, others seven, seven and one-half, and still others "the client's office hours, long or

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short." Some accountants charge the client for all hours over eight per day—and pay their staff for overtime. Some do not. The question remains, "What is a day?"

Furthermore, some engagements are taken on a per diem basis, "plus expenses." What are "expenses"? There is a wide difference between the "expenses" charged by various accountants. For instance, some firms include all railroad fares, sleeping and chair car charges and hotel bills (and what is the reasonable limit of an accountant's hotel bill?). Other accountants allow no petty or personal expenses to their staff, such as carfares, clothes pressing, shoe polishing, etc., nor luncheon, on the ground that these are personal expenses and not additional disbursements due to absence from home in the service of the client. Other accountants place a per diem limit to the expenses of their staff, varying according to the place where the engagement is executed.

The purpose of this article is not to dispose of these questions, but rather to excite discussion through the columns of the JOURNAL, the course and effect of which may be of general interest to readers:

- (a) What should constitute an accountant's day?
- (b) Should the client be charged for overtime, and should an accountant's staff be paid for it?
- (d) What "expenses" should an accountant charge to his client?