

THE Kentucky ACCOUNTANT



BULLETIN OF THE KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOL. I

May, 1949

No. 5

WELCOME TO KENTUCKY, SOUTHERN ACCOUNTANTS

We hope that you are as happy to be with us as we are glad to have you here. We have made big plans, under the leadership of your Chairman, our own William Cotton, to join you in earnest discussion of our common problems and opportunities, but we also want to meet and talk with you at every opportunity during your stay about yourselves, your families and your home towns. We hope that the bonds of friendship will draw many more of us closer to you, and you to us, as we learn to know each other, and that you will leave us, when you must, with a firm determination to visit again with the members of the Kentucky Society of Certified Public Accountants and their wives.

On behalf of our members and their wives, I extend to you and your ladies the glad hand of good fellowship. Just make yourselves at home, folks.

Sincerely,
GORDON FORD, President.

SOCIETY ENDORSES ESTABLISHMENT OF TAX SETTLEMENT BOARD

At a meeting at Owensboro on April 29, the Kentucky Society adopted a resolution recording its approval of the Mills bill, which would create an informal Tax Settlement Board. The resolution was adopted after the bill had been explained by Society Secretary W. Waller Grogan. Other speakers at the meeting were: W. Kenneth Simpson, Louisville, whose subject was "Hip Pocket Bookkeeping—The Accountant's Cross Word Puzzle", and the executive secretary, who spoke on "The Institute's Testing Program" in the place of Robert D. Haun, Lexington, who was unable to attend. Text of the Tax Settlement Board resolution follows:

WHEREAS, certified public accountants through their national and state organizations have for many years sought to simplify the Federal tax laws and to reduce the cost of paying taxes, and

WHEREAS, a bill has now been introduced in Congress to bring about, through creation of an independent Tax Settlement Board, prompt and informal adjustment of

disagreements between taxpayers and the Bureau of Internal Revenue, especially those involving amount of tax rather than legal complications, and

WHEREAS, this bill, known as HR 2983 and introduced by Representative Wilbur D. Mills of Arkansas, is deserving of the full support of taxpayers and acceptance by Congress, in that it will serve to minimize the need for court action in safeguarding the interests of taxpayers, particularly small business enterprises and individuals, and

WHEREAS, leaders in the accounting profession have endorsed the proposed Tax Settlement Board as one of the most constructive suggestions in the history of income tax legislation,

NOW THEREFORE BE IT RESOLVED, That the Kentucky Society of Certified Public Accountants hereby strongly endorses establishment of the Tax Settlement Board as serving the public interest, and directs that this resolution be brought to the attention of Kentucky members of Congress and of citizens and business organizations.

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EARLE B. FOWLER, Editor

VOL. I May, 1949 No. 5

The KENTUCKY SOCIETY of
CERTIFIED PUBLIC ACCOUNTANTS

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BOSWELL NAMED TO BOARD

James O. Boswell, Owensboro, has been appointed a member of the State Board of Accountancy by Governor Earle C. Clements, succeeding Espy Bailey, Covington, who recently resigned. Boswell will complete Bailey's unexpired term (to June 22, 1949) and is expected to be reappointed for a full three-year term. He is first vice president of the Kentucky Society of Certified Public Accountants and a partner of Boswell and May, Holland Building, Owensboro.

Boswell's appointment was recommended by the Board of Directors of the Society, who placed his name at the head of the list of three nominees which the Society is required by law to submit to the governor whenever an appointment is to be made. The three nominees were selected at a meeting of the directors on April 28, 1949, at Louisville.

Mr. and Mrs. Boswell reside at 1014 East Nineteenth Street, Owensboro, and their daughter, Mrs. Dorothy Jo Moran, lives in Washington, D. C.

SOCIETY'S FISCAL YEAR CHANGED

At a meeting of the Board of Directors of the Society, held in Louisville on April 28, 1949, consideration was given to a report of the committee on by-laws, submitted by chairman J. B. Brown and committee members J. A. Hunter and L. B. McIntire. The committee recommended that the Society's fiscal year be made to end on May 31, instead of June 30 as previously provided. With the unanimous approval of the directors, the recommendation was reported to the members at Owensboro on April 29, at which time the proposed change in the by-laws was given first reading. Final action was taken at a meeting of members on May 11, duly called with notice of the proposed change in the by-laws, and accordingly the fiscal year of the Society will end on May 31, 1949.

Purpose of the change was to permit the outgoing officers of the Society to make a complete report of their stewardship at the annual meeting, which must be held in June of each year. As an incidental effect of the change, members dues for the coming year will be payable on or before June 1, 1949.

Other actions taken by the directors at the meeting on April 28 included: (1) Authorization of officers to proceed to work out plans for an Institute on Accounting, to be conducted under the joint auspices of the Society and the University of Kentucky in 1950, (2) forfeiture of the membership of a member delinquent in the payment of his dues beyond the period permitted in the by-laws, (3) Authorization of Treasurer to take steps toward securing the payment of dues or forfeiture of membership by four other members, (4) acceptance of the resignations of two members no longer in public practice, and (5) adoption of a resolution providing for the submission to the Governor of Kentucky of a list of three persons qualified for membership on the State Board of Accountancy (See col. 1).

CALIFORNIA, HERE WE COME!

After our Southern States Accountants Conference, the next big event for certified public accountants of the nation will be the 1949 Annual Meeting of the American Institute of Accountants. Members of the Kentucky Society and our guests for the Southern States Conference have received a special invitation from California, contained in a letter from Arthur M. Sargent, Secretary of the California Society of Certified Public Accountants, to Gordon Ford, President of the Kentucky Society. The letter follows:

Dear Mr. Ford:

Certified public accountants everywhere are well aware that the dates October 30 through November 3 are significant, because that is the time of the American Institute of Accountants' 1949 Annual Meeting at the Biltmore Hotel in Los Angeles, California.

Those who come from other parts of the country to attend this meeting will enjoy the trip whether they come by the Institute's special train, other rail service, plane or automobile, and certified public accountants of the West are looking forward to this opportunity to visit with and entertain friends in the accounting profession from the South, East and Midwest.

Not only has a program of excellent technical sessions been planned, but attention has been given to entertainment and sight-seeing. Only too often those who journey far from home to attend meetings find no opportunity provided for seeing local points of interest. With this in mind, business and technical sessions have been scheduled for the first three days only and the fourth day of the meeting, Thursday, November 3, has been left entirely free for sightseeing. Visitors may select one of several tours about Los Angeles and the surrounding area, conducted in chartered buses.

We believe that those who attend this important meeting, *October 30 through November 3 in Los Angeles*, will be amply repaid, not only through professional stimulation and personal enjoyment but through the opportunity they will find to make closer contact with and to take a more active part in the affairs and activities of the American Institute of Accountants.

Sincerely yours,

ARTHUR M. SARGENT
Secretary

California Society of
Certified Public Accountants.

AGREEMENT WITH BAR GETS NATION-WIDE ATTENTION

A "Taxation Report" sent to Executive Members by the Research Institute of America under date of April 28 included a summary of the provisions of the agreement between the Kentucky Society and the Louisville Bar Association on the establishment of practice committees to review questions involving the overlapping of law and accounting work. After reporting that an agreement had been reached and referring to the provisions affecting preparation of income and estate tax returns, RIA observed, "The agreement doesn't go into the key question of who may give tax advice, aside from the preparation of returns. That's the issue in N. Y. *Bercu* case. Apparently, in Kentucky the question will be left to the Practice Committees".

A TRUE PROFESSION

An interesting sidelight on the recognition which is accorded to certified public accountants as true professional men is contained in an article by Carter M. Judah in *Travel USA*, May 1949. On the subject of "An Education Program for Travel Personnel", Judah writes that ". . . the trial-and-error method of learning on the job results in acquired information which is pertinent only to the immediate job. To obtain real professional status . . . specialization should be augmented by a broad knowledge of all phases of the field."

Judah then points out that "Physicians, lawyers and certified public accountants may specialize in certain phases of their professions. Because of a broad background of study and training, however, such specialists are also thoroughly grounded in the fundamentals of their respective vocations."

Training and experience requirements for sitting for the certified public accountant examinations may seem severe, and the examination itself is a grueling ordeal, but the maintenance of education and experience requirements and careful attention to the drafting of the CPA examinations have made possible the development of a true profession in the accounting field.

STATE BOARD ITEMS

• The Spring, 1949, examinations of the State Board Accountancy of Kentucky were held at the Henry Clay Hotel in Louisville on May 18, 19 and 20. Seventy-six candidates appeared at the examinations during the three day period. Examinations were conducted by the members of the board, John S. Petot, Sr., Louisville, President, L. C. J. Yeager, Louisville, Secretary, and J. O. Boswell, Owensboro, with the assistance of the executive secretary. Results of the examination are expected to be available shortly after July 1.

• Future examinations of the Board will be held on the following dates (These dates are fixed by the American Institute of Accountants, and are adhered to by all States which use the Institute uniform examinations):

FALL 1949	
Nov. 16-18	
SPRING 1950	FALL 1950
May 17-19	Nov. 8-10
SPRING 1951	FALL 1951
May 16-18	Nov. 7-9
SPRING 1952	FALL 1952
May 14-16	Nov. 5-7

• On or about June 1, 1949, statements will be mailed to all licensees calling for the payment of permit fees for the year July 1, 1949-June 30, 1950. The fee for renewal of your permit to practice is \$5.00, which must be paid on or before July 1. If payment is not received at the office of the State Board of Accountancy on or before that date, the reinstatement fee of \$10.00 will be charged. The Register of the State Board of Accountancy, which will go to press in July, will contain the names of all licensees holding permits to practice for the year 1949-50, as shown by the records at the close of business July 1, 1949. Be sure to pay your renewal fee of \$5.00 on or before July 1, so that your name can be listed in the Register.

THREE NEW FIRMS REGISTERED

- The State Board of Accountancy announces the registration of three newly formed partnerships for the practice of public accounting:
- MORRIS AND HARDESTY, Public Accountants have opened an office at 1111 Heyburn Building, Louisville. Partners are Paul V. Morris, C.P.A., and Charles H. Hardesty, Public Accountant.
- QUEENAN AND QUEENAN, Public Accountants, will be located at 1004 Washington Building, Louisville. Partners are James F. Queenan and Charles B. Queenan, Public Accountants.
- JAMES T. VALENTINE & CO., Public Accountants, will maintain offices in the Vaughan Building, Louisville. Partners are James T. Valentine and Norman C. Kline.

WHAT SHOULD I STUDY

Many who have qualified to sit for the certified public accountant examinations realize that the obtaining of the necessary combination of education and experience is no guarantee that they will pass the examination immediately. They realize that some specialized study is necessary, and they frequently ask, "Where should I begin?"

As an aid to those who would like to become well-grounded in the fundamental subjects which are covered in the uniform examinations prepared by the American Institute of Accountants we present, on the opposite page, an "Analysis of Content of C.P.A. Examinations", taken from the October, 1948, issue of the News Bulletin of the Massachusetts Society of Certified Public Accountants.

The first four subjects, ranked in order of the most intensive coverage, during the past eight years were:

1. Cost Accounting
2. Fixed Assets
3. Working Papers and Financial Statements
4. Municipal and Institutional Accounting

The need for study will vary in individual cases, according to the type of experience gained by the candidate, etc., but any of them may profit by a careful review of the "Analysis".

* * * *

FOOTNOTE

In a reported ruling, 1948-20-12932, it was held that "where a joint Federal income tax return is filed by husband and wife, the payment of the entire tax liability by one spouse does not result in a transfer which is subject to gift tax".

(From the Mississippi Certified Public Accountant, Vol. II, No. 3, Winter, 1949).

ANALYSIS OF CONTENT OF C. P. A. EXAMINATIONS

Subject	June, 1917 to Jan. 1, 1940		Jan. 1, 1940 to July 1, 1948	
	No.	Pct.	No.	Pct.
Working Papers and Financial Statements.....	29	5.08	22	9.82
Corporate Accounts	41	7.18	11	4.91
Actuarial Science	39	6.83	0	.00
Cash and Receivables	4	.70	5	2.23
Inventories	20	3.50	16	7.14
Cost Accounting	36	6.30	26	11.61
Consignments	5	.88	3	1.34
Installment Sales	5	.88	2	.89
Fixed Assets	48	8.40	24	10.72
Investments	9	1.58	3	1.34
Liabilities	29	5.08	9	4.01
Funds and Reserves	15	2.63	8	3.57
Adjustment of Books and Statements	12	2.10	4	1.79
Comparative Statements and Analyses	11	1.93	6	2.68
Application of Funds	11	1.93	4	1.79
Partnerships	39	6.83	7	3.12
Joint Ventures	5	.88	1	.45
Insurance	11	1.93	3	1.34
Receivership Accounting	14	2.45	6	2.68
Branch Office Accounting	5	.88	0	.00
Consolidated Statements	45	7.88	10	4.46
Mergers and Reorganizations	29	5.08	4	1.79
Foreign Exchange	16	2.80	0	.00
Probate Accounting	13	2.27	6	2.68
Budgetary Accounting	7	1.22	1	.45
Municipal and Institutional Accounting	18	3.15	20	8.93
Tax and Bonus	11	1.93	0	.00
Income Taxes	12	2.10	7	3.12
Other	32	5.60	16	7.14
Totals	571	100.00	224	100.00

The above table, analyzing the content of the Institute examinations for the two periods indicated, was taken from the October, 1948 issue of News Bulletin of the Massachusetts Society.

ACCOUNTING FOR DEPARTMENT STORES AND SPECIALTY STORES

A Review By Kenneth W. Stringer

STANDARD EXPENSE ACCOUNTING MANUAL, Controllers Congress—NRDGA, New York, 1948—\$12.50.

Published by the Controllers' Congress—National Retail Dry Goods Association, the standard expense accounting manual has been widely accepted for over 25 years. The purpose of the Manual is to provide a basis for reliable comparison and interpretation of operating data through uniform classification of accounts.

The two basic methods of classification provided are by nature of expense and by function. Fourteen natural divisions are provided in the following order: Payroll, Rentals, Advertising, Taxes, Interest, Supplies, Service Purchased, Unclassified, Traveling, Communications, Repairs, Insurance, Depreciation, and Professional Services. The five functional groups are: Administrative, Occupancy, Publicity, Buying, and Selling.

Charts of accounts and explanation of the items to be charged to each account are included. Flexibility of accounts is added by providing progressively expanding classifications for small, medium, and large stores with two intermediate classifications between each. An added feature of value for day to day use is a 45 page alphabetical index of typical expense items showing the account to be charged for each.

The Manual includes a suggested form for operating statements to reflect overall store operations. This form is a comparative statement showing operations for the month and season to date, this year and last year, in amounts and percent of net sales. The comparison by six-month seasons instead of by years reflects the seasonal aspect of the trade.

Two plans for preparation of departmental operating statements are presented with a discussion of the merits of each. The two plans are described as the Net Profit Plan and the Contribution Plan, and differ only as to the presentation of indirect expenses. Under the Net Profit Plan the direct and prorated indirect expenses of each selling department are combined to show total departmental expense and net profit. Under the Contribution Plan the direct expense of each selling department is deducted from the gross margin to show the department's "contribution" to the store's overall operations. An alternate plan is offered which combines both of the other plans by showing for each department the gross margin, direct expenses, departmental contribution,

prorated indirect expenses, and operating profit or loss. It appears that the alternate plan is the most informative and should resolve all arguments as to the relative merits of either of the separate plans.

One section of the Manual is devoted to the distribution of indirect expenses to the selling departments. The use of departmental sales as the basis for distributing all indirect expenses is criticized as being arbitrary and inaccurate. Instead it is recommended that each expense account or related group of accounts be considered separately and a distribution basis established which bears definite relation to the incidence of the expense. Suggested bases appropriate for each class of expense are included.

The Manual recommends that the distribution of indirect expenses be made on a memorandum or work sheet basis only and that the basic classification by natural divisions and functional groups be maintained intact in the accounts. It is further suggested that this distribution be made semi-annually rather than monthly, thus preventing the detail work from becoming prohibitive. A thorough distribution semi-annually is considered of more value than arbitrary distributions monthly.

The Manual reflects the composite experience of department and specialty store accountants over a long period of years and should provide useful reference material for Society members having problems in this field.

* * * *

RESEARCH RESULTS AT HARVARD

Four books published by the Division of Research of the Harvard Business School should be of particular interest to accountants. They are:

1. COMPANY ANNUAL REPORTS TO STOCKHOLDERS, EMPLOYEES AND THE PUBLIC, by Thomas H. Sanders. (\$3.75)
2. THE MANAGEMENT OF MARKETING COSTS, by James W. Culliton. (\$2.50)
3. THE EFFECT OF FEDERAL TAXES ON GROWING ENTERPRISES, by J. Keith Butters and John Lintner. (\$3.00)
4. RECORDS FOR THE CONTROL OF GROWING MANUFACTURING ENTERPRISES, by Paul F. Lawler (\$1.00)

These books may be secured by writing to the Division of Research, Harvard Business School, Soldiers Field, Boston 63, Massachusetts.

ACTIVITIES OF MEMBERS

• GEORGE A. DODSON, Lexington, became a partner in the firm of U. G. Briscoe & Co., effective April 1, 1949. WILLIAM J. ACKER withdrew from the partnership on March 31, 1949.

• J. BRUCE HAYDEN, St. Louis, Missouri, has returned to work after an illness of several months.

• The annual midyear meeting of the Council of the American Institute of Accountants was held at Grove Park Inn, Asheville, N. C., May 2-5, 1949. Attending from Kentucky were SAM W. ESKEW, member elected from Kentucky, and GORDON FORD, member ex officio as President of the Kentucky Society of Certified Public Accountants.

NEW SOCIETY MEMBERS

The following have been admitted to membership in the Kentucky Society of Certified Public Accountants:

Walter F. Behler.....	Covington
Marvin L. Churney.....	Louisville
Milton H. S. Cooper.....	Louisville
George A. Dodson.....	Lexington
W. Walter Thorp.....	Lexington
Warren G. Von Roenn.....	Louisville

DELAYED REPORT

Space did not permit us to report in the April issue the date and time of four broadcasts included in the series recently sponsored by the Society. They were as follows:

Bowling Green, WKCT, March 13, 1949, 3:00 P.M.
Middlesboro, YMIK, March 8, 1949, 8:30 P.M.
Paducah, WKYB, March 9, 1949, 5:45 P.M.
Pikeville, WLSI, March 12, 1949, 5:45 P.M.

The Society appreciates the fine work done by members who arranged broadcasts in their towns, and is sincerely grateful to the co-operating stations for the time given.

SELECTED "DON'TS"

from the scrapbook of J. B. Brown

Don't turn in a time report. Your job is too important for useless details and you will be sure to retain the client's good will if he never gets a bill.

Don't use the waste basket or ashtray. This is professionally unethical and creates a bad impression on the clients.

Don't fail to bring a new gripe to the office every day. This is the best way to dispel your mental alertness.

Don't make a record of expense. Someone might discover it and add something on the client's bill . . . Anyway if you know the ropes you can always get another advance without making an accounting.

Don't fail to be late for your appointments. Create a good impression by arriving late with an air of importance.

Don't go on out-of-town work. The client might be located in a dry country. Anyway you may have pledged your regular attendance to the poker club.

Don't put work papers in the proper place in client's file. Work papers are of no importance and it is not good sportsmanship to allow them to be found without an extensive search.

Don't finish any job completely. Be considerate of the other fellow and leave something for him to do.

Don't get all of the information required while out on the job. It is a friendly gesture and always creates a good impression to review the same records numerous times after the client thinks you have finished the work.

Don't fail to discuss everything you are doing with those who are not familiar with your assignments. This will enable you to spend more time on each job and is always educational to the other fellow.

Don't follow the prior procedure on any job. Changes will make your work difficult to check and you will have the opportunity of explaining the changes you have made.

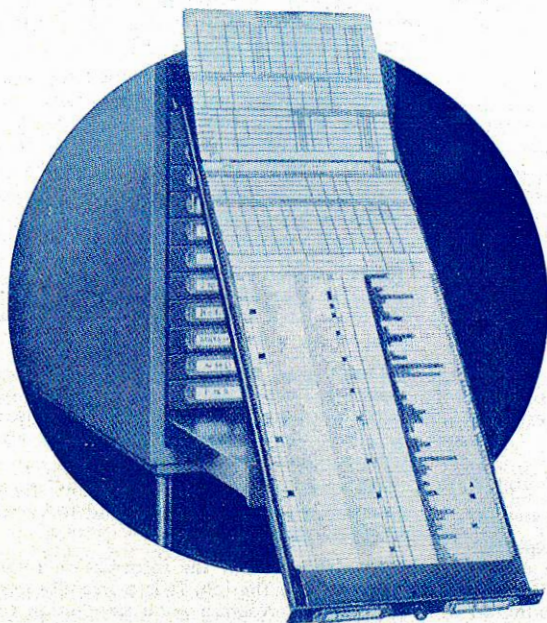
Don't lose your time preparing for the C.P.A. examination. Play politics with a member of the Board, or ask your employer to lobby for you.

Don't solicit business from any company while a competitor is a stockholder, director or partner. It is, however, always advantageous to agree to buy stock while negotiating for the accounting work.

Don't answer the telephone promptly. The operator's time is of no value and the client always enjoys a long wait.

"YOU" Depend on VISIBLE RECORDS

When Driving Your Car



As the speedometer, ammeter, gas and oil gauges on your car *visibly* aid your driving—so, too, will Acme Visible Records supply you with the facts that permit instant control of every phase of your business. If your present records do not give you all the facts you need—instantly, at-a-glance—consult an Acme System representative.

*There is a time-saving Acme Visible Record System
for every record and every business*

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