

# THE Kentucky ACCOUNTANT



BULLETIN OF THE KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOL. I

APRIL, 1949

No. 4

## ACCOUNTANTS ON PROGRAM AT MEETING OF KENTUCKY STATE BAR ASSOCIATION

At the 1949 Annual Meeting of the Kentucky State Bar Association, held at Louisville on April 6 and 7, 1949, Kentucky lawyers heard panel discussions on subjects of interest to members of their profession. A panel which discussed "Planning an Estate" on Wednesday afternoon, April 6, included E. Ellis Sutton, Lexington manager for Cotton & Eskew, certified public accountants. A panel on the morning of April 7 discussed "The 1948 Income Tax Act" with the help of Society member Robert Haun, also of Lexington.

In addition to Sutton, those who served on the panel which discussed "Planning an Estates" were Moderator Bart Brown, Louisville, W. Baxter Harrison, Covington, and R. Lee Blackwell, also of Louisville. The panel on "The 1948 Income Tax Act" consisted of Moderator Maurice S. Culp, Lexington, Charles S. Adams, Covington, William B. Gess, also of Lexington, and Haun.

Reference to the relationship between lawyers and accountants in the development of a sound estate plan was made by R. Lee Blackwell, Louisville attorney, who said, "Lawyers and accountants are today becoming more and more interdependent."

## TAX SETTLEMENT BOARD PROPOSED FOR INFORMAL SETTLEMENT OF TAX DISPUTES

President Percival Brundage of the American Institute of Accountants recently wrote all members of the Institute calling attention to a bill introduced in Congress to establish a Tax Settlement Board. The Institute's executive committee and committee on federal taxation consider this a constructive proposal which should prove to be of great benefit to taxpayers and the government, and this viewpoint has been supported by the *Wall Street Journal*, which said recently:

"Due to the growing complexities of tax law the creation of a regular court giving its entire attention to tax problems should be a distinct addition to our judiciary. But it is more important that the small taxpayer should have a tribunal where it will not cost him more to fight a tax dispute than to pay the amount claimed."

The public has a real stake in the creation of the proposed Board, Brundage pointed out. In a letter to Kentucky Society President Gordon Ford he said, "This bill should appeal to all taxpayers, if they understand it; it would not only make the settlement of tax controversies quicker and less expensive, but the existence of the proposed Tax Settlement Board would have a wholesome influence on the whole mechanism of tax administration."

## SOCIETY TO MEET AT OWENSBORO APRIL 29

At the invitation of Director J. O. Boswell, the Society will hold its April meeting at the Owensboro Country Club on Friday, April 29, 1949. Members who wish to play golf at the Club during the afternoon will be welcome. Dinner will be served at 6:30 P.M., and the ensuing program will feature talks by several members of the Society on subjects of interest to the profession.

SOUTHERN STATES ACCOUNTANTS CONFERENCE  
May 29-June 1, Brown Hotel, Louisville



# THE KENTUCKY ACCOUNTANT

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VOL. I April, 1949 No. 4

The KENTUCKY SOCIETY of  
CERTIFIED PUBLIC ACCOUNTANTS

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### STATE BOARD RULE ON COMPETITIVE BIDDING

After consulting leaders of the accounting profession in Kentucky, the State Board of Accountancy recently adopted Rule 13 of its official Code of Ethics in the following revised form:

(13) A public accountant shall not submit a competitive bid for professional engagements in Kentucky. A public accountant, licensed under Kentucky law shall not in any other state, territory, or the District of Columbia, submit a bid for professional services, if the submission of such bid would constitute a violation of any rule of the recognized society of certified public accountants or the official board of accountancy in such other state, territory or district. A competitive bid for professional engagements is defined as: An offer made to a person or organization not a regular client to perform a specified service for a specified sum, with the knowledge that a similar offer is or offers are being solicited of another public accountant or other public accountants. The fact that a public accountant is

solicited to make an offer to perform a service for a stipulated fee by a person or organization which is not already a client of the public accountant so solicited is indicative that similar offers are being solicited, and it shall be incumbent upon the public accountant to reasonably assure himself to the contrary by direct question to the solicitor before making an offer to perform such services for a stipulated fee.

## The President's Message

As the accounting profession has prospered and progressed, the importance of maintaining high standards of professional ethics among its members has become more and more apparent. At the same time the imposition of professional ethics upon individual members has become less and less necessary. There is a simple reason for this minimizing of disciplinary measures as the profession has grown. In my opinion this voluntary acceptance of rules of ethics is evidence of the maturity of accountants as a professional group.

The essence of ethical conduct is nothing more nor less than the golden rule. Independent public accountants have learned that if we do unto others as we would have them do unto us, success is bound to follow in the long run. This, of course, is true not only in the accounting profession, but also in any other social activity.

John L. Carey's work on "The Ethics of the Accounting Profession" has done much to clarify the thinking of certified public accountants on this vital subject. To those who try sincerely to see themselves as others see them in the conduct of their accounting practice have come to look upon Carey's book as "the Emily Post of Accounting." On this basis I earnestly recommend this book to students interested in public accounting and younger members of the profession.

\* \* \* \*

Preliminary discussions and arrangements are being made for a two-day Accounting Institute for Certified Public Accountants, staff men and others interested in accounting to be held in 1950 in conjunction with the University of Kentucky College of Commerce. For many years Ohio University and several other colleges and universities have held similar institutes. A widespread interest has been expressed in these meetings, where outstanding persons have lectured on various subjects of interest to the profession. This can be compared to "refresher courses" attended annually by doctors, teachers and others to learn about new things that are coming along.

SOUTHERN STATES ACCOUNTANTS CONFERENCE

May 29-June 1, Brown Hotel, Louisville

## PLANS LAID FOR TEN-STATE CONFERENCE OF CERTIFIED PUBLIC ACCOUNTANTS

Representatives of the Southern States Accountants Conference met with representatives of the Kentucky Society of Certified Public Accountants on Monday, April 11, at the Brown Hotel in Louisville to work out detailed plans for the 1949 session of the Conference, to be held at Louisville on May 29, 30, 31 and June 1. Conference Chairman William Cotton, Louisville, outlined for the group a tentative program of technical sessions, discussion meetings and entertainment which was given enthusiastic approval.

To assist in making the 1949 Conference the most entertaining, constructive meeting ever held by this ten-state group, Chairman Cotton appointed several members of the Kentucky Society to head special committees on Conference activities. Committee chairmen appointed were:

Albert Christen.....Registration  
C. R. Escott.....Entertainment  
W. K. Simpson.....Coordination  
J. Wesley Huss.....Attendance

Other members of the Society will be called upon for assistance before the meeting is held, Cotton explained.

Featured on the program will be American Institute of Accountants President Percival Brundage, Executive Director John L. Carey and other nationally known representatives of the profession. Publicity for the Conference will be handled by Frank Gale, the Institute's Assistant Director of Public Information, who was present at the Louisville planning session.

More than 100 certified public accountants from other states have already indicated their intention of attending the Conference, and many of them intend to bring their wives, Cotton said. Daily social activities for the ladies will make this a memorable occasion for them, he explained. Picturesque booklets and maps of Kentucky have been mailed to all who indicated that they intend to come. A tentative program of the fun, festivities and serious business planned for the four-day meeting appears on pages 4 and 5 of this issue.

## STATE BOARD ITEMS

• On April 18, deadline for receipt of applications for the May, 1949, certified public accountant examinations, sixteen completed applications had been filed with the Board by applicants desiring to sit for the examinations for the first time. On or before May 9th each applicant will be notified whether or not he qualifies as a candidate for examination. All qualified applicants, including 72 candidates who qualified for previous examinations, will be notified of the time and place of the examination and will be requested to send a certified check or cashier's check for their examination fee if they intend to sit. The examinations will be held at the Henry Clay Hotel, Louisville, on Wednesday, Thursday and Friday, May 18, 19 and 20, 1949. Examinations will be divided into sections as follows:

Wednesday afternoon.....  
.....Accounting Practice, Part I  
Thursday morning.....Theory of Accounts  
Thursday afternoon.....  
.....Accounting Practice, Part II  
Friday morning.....Commercial Law  
Friday afternoon.....Auditing

• At an informal hearing held by the State Board of Accountancy on April 18, a public accountant who had disregarded the provisions of Kentucky law and held himself out as a "registered public and tax accountant" was directed to familiarize himself with the law and to limit his title, on his card, letterhead, office door, building directory, etc., to "public accountant," this being the title which he is privileged to use by virtue of his registration with the Board. Upon being thus advised, the registrant promptly agreed to desist from holding himself out as a "registered public and tax accountant."

SOUTHERN STATES ACCOUNTANTS CONFERENCE

May 29-June 1, Brown Hotel, Louisville



## SOUTHERN STATES ACCOUNTANTS CONFERENCE

Brown Hotel, Louisville, Kentucky

May 29—June 1, 1949

## TENTATIVE PROGRAM

- SUNDAY, May 29**  
3:30-4:00 p.m. Registration  
"Let's Talk it Over"—Panel Discussion by members attending.  
Radio Station WHAS.
- 7:00 p.m. Reception and Tea
- MONDAY, May 30**  
8:00-9:00 a.m. Registration all day  
"Get-Together" Breakfast—Informal—no program
- 9:30 a.m.-12:00 m. *Opening General Session*  
Presiding: William Cotton, CPA, Louisville, Chairman of the Conference  
Invocation  
Welcome to Louisville, by Mayor Charles Farnsley  
Response to Mayor's Welcome Address—Arthur C. Upleger, CPA,  
Waco, Texas  
Brief recess  
*Technical Session*  
Presiding: William H. Borland, CPA, Birmingham, President, Alabama  
Society of CPA's  
Address: "Recent Developments in Accounting and Auditing," Carman  
G. Blough, CPA, New York, Director of Research, American  
Institute of Accountants  
General Discussion  
Adjournment
- 12:30-2:15 p.m. *Conference Public Luncheon*  
Presiding: Walter Theis, CPA, Pine Bluff, Arkansas, President, Arkansas  
Society of CPA's  
Introduction of Speaker: W. A. Hifner, Jr., CPA, Lexington, Ky.,  
President Emeritus, Kentucky Society CPA's  
Address by Percival F. Brundage, CPA, New York, President, American  
Institute of Accountants
- 2:30-5:00 p.m. *Technical Session*  
Presiding: Robert M. Morgan, CPA, Miami, President, Florida Institute  
of Accountants  
Address: "Services and Reports other than Regular Audit Work, In-  
cluding Interim Reports and Certificates," James I. Keller, Jr., CPA,  
Miami  
General Discussion  
Recess  
*Technical Session, continued*  
Presiding: Theodore S. Mauldin, CPA, Albany, President, Georgia  
Society of CPA's  
Address: "Tax Practice Problems of the Medium-Sized Office," Hal  
Canary, CPA, Memphis  
Address: "Problems of Administration of the Medium-Sized Office,"  
Ross T. Warner, CPA, Tulsa  
General discussion on above two subjects  
Adjournment
- 7:00-9:00 p.m. Cocktail Supper  
(As guests of the Kentucky Society of CPA's)

SOUTHERN STATES ACCOUNTANTS CONFERENCE

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**TUESDAY, May 31**  
8:00-9:00 a.m.  
8:00-9:00 a.m.  
9:30 a.m.-12:00 m.

Registration all day  
"Get-Together Breakfast"—Informal—no program  
*Official Breakfast Meeting, Conference Committee*  
*Technical Session*  
Presiding: Robert B. Hawthorn, CPA, Baton Rouge, President, Society  
of Louisiana CPA's  
Address: "The Responsibility the Accountant Feels to the Reader of  
his Report," T. Dwight Williams, CPA, Oklahoma City, Oklahoma,  
Past President, American Institute of Accountants  
Address: "The Reliance Placed on the Audit Report by one of its most  
Constant Readers—The Banker," Wallace Davis, Vice President,  
Citizens Fidelity Bank & Trust Company, Louisville  
Brief Recess  
*Technical Session*  
Presiding: Robert W. Hartford, CPA, Jackson, President, Mississippi  
Society of CPA's  
Address: "Effect of Auditing Procedure Statement No. 23 on the  
Accountant's Opinion," Marquis G. Eaton, CPA, San Antonio  
Discussion covering the three above subjects.  
Adjournment. Afternoon free for optional trip to My Old Kentucky  
Home, Golf, etc. Dinner at Audubon Country Club

**WEDNESDAY, June 1**

8:00-9:00 a.m.  
9:30-11:00 a.m.

"Get-Together Breakfast"—Informal—no program  
*Technical Session*  
Presiding: Vincent M. Kelly, CPA, Tulsa, President, Oklahoma Society  
of CPA's  
Address: "Lawyer-Accountant Relationships and their Implications for  
the Accounting Profession," John L. Carey, Executive Director,  
American Institute of Accountants  
Address: "The Kentucky Plan of Cooperation with Lawyers," Sam W.  
Eskew, CPA, Louisville  
Address: "CPA Understanding with Lawyers in Alabama," H. O.  
Thomas, CPA, Birmingham  
Address: "Mississippi's Experience in Public Relations," Thomas R.  
Ward, CPA, Meridian, Miss.  
General Discussion  
Brief Recess  
*Special Discussion re H.R. 2983—Tax Settlement Board*  
Presiding: Harry D. Hopson, CPA, Houston, President, Texas Society  
of CPA's  
Brief Explanation of Proposed Tax Settlement Board and Introduction  
of Resolution by Waller Grogan, CPA, Louisville  
Discussion of Resolution  
Vote on Resolution  
Adjournment

11:10 a.m.-12:00 m. *Conference Public Luncheon*  
Presiding: James W. Allen, CPA, Nashville, President, Tennessee Society  
of CPA's  
Address by T. Coleman Andrews, CPA, Richmond, Virginia, Vice  
President, American Institute of Accountants  
Adjournment  
Afternoon for optional trips to points of interest in Louisville and  
vicinity: Churchill Downs, inspection trip through a distillery,  
visit to race horse farms, or other local spots of interest.

7:30 p.m. *Dinner Dance*  
Presiding: Gordon Ford, CPA, Louisville, President, Kentucky Society  
of CPA's  
Entertainment program but no address  
Closing remarks by the chairman

SOUTHERN STATES ACCOUNTANTS CONFERENCE

May 29-June 1, Brown Hotel, Louisville



MEMBERS OF STATE BOARD OF ACCOUNTANCY

Since First Accountancy Act Passed (1916)

NAME	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	
J. R. Mayes	X	X	X																															
E. C. Conley	X	X	X																															
Raymond E. Klein	X	X	X	X																														
Bernard Bernstein				X	X	X	X	X																										
J. W. R. Bradford				X	X	X	X	X	X																									
James Youtsey				X	X	X	X	X	X																									
W. A. Hifner				X	X	X	X	X	X	X																								
Sam W. Eskew				X	X	X	X	X	X	X																								
M. B. McMullen				X	X	X	X	X	X	X																								
W. J. Ryan, Sr.				X	X	X	X	X	X	X																								
J. S. Petot, Sr.				X	X	X	X	X	X	X																								
Robert Miller				X	X	X	X	X	X	X																								
Wm. Cotton				X	X	X	X	X	X	X																								
Waller Grogan				X	X	X	X	X	X	X																								
Espy Bailey				X	X	X	X	X	X	X																								
L. C. J. Yeager				X	X	X	X	X	X	X																								

SOUTHERN STATES ACCOUNTANTS CONFERENCE

May 29-June 1, Brown Hotel, Louisville

DIRECTORS HOLD SPECIAL MEETING

At a special meeting of the Board of Directors of the Kentucky Society on Tuesday, April 5th in Louisville, Southern States Accountants Conference Chairman William Cotton reported that early returns indicated that probable attendance at the Conference in Louisville May 29-June 1 would be in excess of 250 persons. The directors pledged their cooperation in making this the biggest event of the year for Kentucky members of the profession.

Irvin L. Levitan, Education Committee Chairman, reported that steps had been taken to inaugurate a professional testing program at one or more of the universities in the state, utilizing tests made available by the American Institute of Accountants. He and committee members Robert D. Haun and John Lynch were commended for their efforts in this direction.

At the next meeting of the Board of Directors it is expected that action will be taken naming three candidates for member of the State Board of Accountancy, to take the position vacated by Espy Bailey, Covington, who resigned recently due to the pressure of business activities. Bailey, whose resignation was viewed with regret by directors and all members of the Society, has served on the Board since 1941.

PRESIDENTS OF THE KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

1924-1948

Election held in:	President
1924	W. A. Hifner, Jr.
1925	M. B. McMullen
1926	M. B. McMullen
1927	W. A. Hifner, Jr.
1928	Sam W. Eskew
1929	J. Bernard Brown
1930	William Cotton
1931	O. S. Meldrum
1932	Irvin W. Imhof
1933	Harvey D. Cardwell
1934	Bradley O. Turner
1935	A. J. Nauman
1936	Robert Miller
1937	Kenneth White
1938	Eugene M. Heimerdinger
1939	C. R. Escott
1940	L. I. Boone
1941	L. C. J. Yeager
1942	Robert Miller
1943	Charles M. Wheeler
1944	Robert N. Dennis
1945	Maurice Luker
1946	Paul Halloran
1947	Austin Gresham
1948	Gordon Ford

COMPETITIVE BIDDING

Competitive bidding for work by certified public accountants has a tendency to bring down their fees to the bare subsistence level, since the bids are based on those of the least scrupulous practitioners, and it also has a tendency to discourage work of the most painstaking character, since in the struggle to avoid losing money, it is necessary to curtail the scope of the work. Thus it can be seen that the practice is harmful both to the public and to the profession.

This does not mean that a prospective client may not properly inquire and be furnished with an estimate as to the probable cost of the services under discussion. Such an estimate is not competitive bidding unless another accountant has made a similar estimate on the same work.

Some public bodies are required by their laws to seek competitive bids for audits. How can an accountant predetermine the probable price of such audits? The extent of the work for any audit depends largely upon the judgment of the accountant. Detailed specifications of the work to be done do not assure a good audit. A competent accountant, after beginning an engagement, may find many things in the specifications which are unnecessary, and many procedures not mentioned therein which should be applied. If an accountant, after beginning an engagement, should find the specifications to be inadequate, he certainly would apply such additional procedures to those laid down in the specifications as he considered necessary by the requirements of adequate performance.

What treatment then should an accountant accord a request for a bid? The answer is clear. He should refuse to submit a bid. If all certified public accountants would follow this procedure, the practice of competitive bidding would soon wither away.

Published in the News Bulletin of the Massachusetts Society of C.P.A.'s, Inc.

ACTIVITIES OF MEMBERS

- HENRY T. ROWLAND, formerly on the staff of Christen, Brown, McCroskey & Rufer, announces that he opened his office for the practice of accounting at 1106 Kentucky Home Life Building on April 1.
- CHARLES W. ERSKINE, formerly of Welenken, Master & Erskine, will establish his office for the practice of accounting at a location to be announced later.
- HARRY WELENKEN and MOSES MASTER will continue to maintain offices in the Louisville Trust Building, practicing as Welenken and Master.
- E. C. TATGENHORST announces the discontinuance of the Louisville office of Haskins and Sells, on April 15.

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