

# THE *Kentucky* ACCOUNTANT



BULLETIN OF THE KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOL. I June, July, August 1949 No. 6

## FORD DELIVERS SILVER ANNIVERSARY ADDRESS; GROGAN ELECTED PRESIDENT, SIMPSON SECRETARY

Retiring president Gordon Ford presided over the Society's twenty-fifth annual meeting, held at the Audubon Country Club, Louisville, on Monday evening, June 27, 1949. After reading the names of past Society presidents and asking those who were present to stand, Ford commended them, on behalf of the Society, for their contribution to the advancement of the accounting profession in Kentucky during the past twenty-five years. The 160 persons present then demonstrated their appreciation by spontaneous applause.

President Ford's address outlined the principal activities of the Society during the twelve months of his administration, and stressed the importance of close cooperation and teamwork among members of the profession in building and maintaining public confidence in certified public accountants. The text of his report is reprinted in this issue of the *Kentucky Accountant*. (See p. 6)

Two new directors were elected at the meeting: Sam W. Eckew, a past president, and John E. Brown. Ford and Waller Grogan, secretary-treasurer of the Society during the past year, were re-elected directors.

Immediately following the members' meeting, a meeting of the new Board of Directors was held for the purpose of electing officers for the year 1949-50. By unanimous vote of the directors, Waller Grogan was elected Society president. Other officers elected were: W. R. Williamson, 1st vice-president; Jess C. Paris, 2nd vice-president; and W. Kenneth Simpson, secretary-treasurer.

President Grogan announced that chairmen and members of the various committees would be appointed before the Society's next meeting in September, 1949.

## ACCOUNTANTS FOR COOPERATIVES MEET IN LOUISVILLE

Society President Waller Grogan appeared at luncheon on the opening day of a three-day meeting of the National Society of Accountants for Cooperatives, held at the Brown Hotel in Louisville, August 3, 4 and 5, 1949, and delivered an address of welcome to the seventy-five persons who participated in the convention. Grogan was asked to speak in place of John E. Brown, President of the Louisville Bank for Cooperatives, who had been scheduled to appear but was unable to be on hand.

The three-day session was opened by the group's President, Marvin Bradley, who is Assistant Treasurer of the Indiana Farm Bureau Cooperative Association at Indianapolis. Technical papers and discussions occupied the afternoon of Wednesday, August 3, and also Thursday and Friday mornings. Highlights of the meeting included the Thursday night banquet, with an address by R. L. Farrington, Acting Cooperative Bank Commissioner, Farm Credit Administration, Washington, 25, D.C., and the wind-up luncheon on Friday, with an address by Dr. Karl Butler, president of the American Institute of Cooperation, Washington.

Members listened to suggestions from two attorneys: Eugene Hensel, Columbus, Ohio, presented a paper on "What the Objectives of this Meeting Should Be", and Norton L. Goldsmith, Louisville, spoke on "The Importance of Legal Papers". Hensel became ill at his home and could not deliver his speech in person, but it was admirably presented by G. Byron Kirby, Louisville, a member of the Kentucky Society of Certified Public Accountants and a director of the National Society of Accountants for Cooperatives. Kirby served as meeting arrangements chairman for the 1949 session of this national group, and he and those who assisted him were congratulated many times during the meeting for their fine work.

A number of members led discussions or participated in forums on various subjects, including "Accounting Problems Encountered by Cooperatives", "Operating Losses of Combined Marketing and Purchasing Cooperatives" and "Current Developments in Cooperative Tax Problems". The last-named subject was introduced by Judge Lyman S. Hulbert, of the Office of the Solicitor, U. S. Department of Agriculture, and concluded with a full and free discussion, during which the session was closed to outsiders.

Farmers in nearby areas were informed of the proceeding through broadcasts over radio stations WHAS, WKLO and WGRC both during and after the convention. Press coverage included an advance announcement and a special article on the morning of the second day of the meeting. All who attended were convinced that the purposes and aims of the National Society of Accountants for Cooperatives had been well served by the holding of the 1949 convention at Louisville.



# THE KENTUCKY ACCOUNTANT

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EARLE B. FOWLER, Editor

VOL. I June, July, August, 1949 No. 6

The KENTUCKY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## OFFICERS

Waller Grogan ..... *President*  
W. R. Williamson ..... *First Vice-President*  
Jess C. Paris ..... *Second Vice-President*  
W. Kenneth Simpson ..... *Secretary and Treasurer*  
Earle B. Fowler ..... *Executive Secretary*

## DIRECTORS

James O. Boswell ..... Owensboro  
John E. Brown ..... Louisville  
Charles W. Erskine ..... Louisville  
Sam W. Eskew ..... Louisville  
Gordon Ford ..... Louisville  
Waller Grogan ..... Louisville  
J. Wesley Huss ..... Louisville  
Irvin W. Imhof ..... Louisville  
Jess C. Paris ..... Lexington  
W. Kenneth Simpson ..... Louisville  
Charles M. Wheeler ..... Louisville  
Wilbur R. Williamson ..... Louisville

## CENTRAL KENTUCKY ACCOUNTANTS MEET

During the past year a group of about twenty certified public accountants and staff members from the Bluegrass area have met informally at Lexington for discussions on current problems, W. E. Bromley, secretary of the group, reported recently. Three meetings have been held since last September, with the following persons serving as program chairmen or co-chairmen:

Mrs. Helen H. Fortune  
Benjamin Goldfarb  
Robert D. Haun  
Jess C. Paris  
E. W. Muller  
W. W. Thorp

Subjects discussed have included the following:

The Silverson Plan  
Problems Relating to the Practice of individuals and Small Firms  
Accounting Systems in the Bluegrass Area  
Public Relations

Certified public accountants and their staff members from other sections of the state are invited to attend future meetings of central Kentucky accountants, Bromley said. The next meeting is expected to be held during the month of September, 1949, at Lexington.

## ACTIVITIES OF MEMBERS

HARVEY CARWELL, FRED H. BOWER and W. FRANK ALLEN are partners in the new firm of Cardwell, Bower & Allen, in Louisville. JOHN W. KOERNNER, formerly of the firm of Cardwell & Koerner, has become associated with Christen, Brown, McCroskey & Rufer, Louisville.

GORDON FORD, Louisville, has accepted appointment to the Taxation Committee of the Kentucky Chamber of Commerce for the year 1949-50. EARLE B. FOWLER will serve on the Chamber's Research Committee.

ROBERT W. HARRIS became associated with Brown & Imhof, whose offices are at Louisville, Kentucky, and New Albany, Indiana, on July 1, 1949. Harris was a partner of Escott, Grogan & Co., Louisville, until June 30, 1949. He is a resident of New Albany.

CLAUDE W. HUPP has been elected controller of Glenmore Distilleries, Louisville.

JOHN W. KERCHER is a member of the Board of Directors of Louisville Junior Achievement, an educational program for high school boys and girls.

CLARENCE H. WEBB, Louisville, became a partner in the firm of Welenken & Master, effective July 1, 1949. Webb has been associated with the firm since May, 1948. Prior to that time he was engaged in accounting work for the Federal government.

H. B. WILLIAMS, Louisville, joined Grover G. Greweling in the partnership of Grover C. Greweling & Co., effective July 1, 1949. ARTHUR W. ADAMS, who is going from Louisville to Tampa, Florida, withdrew from the partnership as of June 30, 1949.

## NEW SOCIETY MEMBERS

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

W. Frank Allen.....Louisville  
James C. Cecil, Jr.....O'Bannon  
Hudson Hatcher.....Louisville  
A. J. Lynn.....Louisville  
Everett C. Wood.....Henderson

Arthur L. Ashcraft and Marvin L. Churney, both of Louisville, have been elected to membership in the American Institute of Accountants.

## ROSTER OF MEMBERS

May 31, 1949

### RESIDENT MEMBERS

William J. Acker	Earle B. Fowler	John C. Meredith	James C. Warren
Louis E. Ackerson	Anthony K. Frerman	Robert Miller	Irvin L. Wasserman
Edward T. Alexander	George S. Fritz	V. G. Monroe	Vernon Fay Watson
Arthur L. Ashcraft	Ray E. Gayheart	Paul V. Morris	Harry Welenken
Arthur W. Adams	Harold W. Glore	Roy G. Mosher	W. J. Wells
David L. Authenrieth	William J. Glover	Ellsworth W. Muller	Joseph R. Wermeister
Espy Bailey	Benjamin J. Goldfarb	A. J. Nauman	William S. Wetterer
George Barnes	Austin G. Gresham	James N. Neel	U. S. Whalin
L. C. Barnett	Grover C. Greweling	Lowell Nichols	Charles M. Wheeler
Lovell C. Beal	W. W. Grogan	Samuel Clay Otis	Harold B. Williams, Jr.
Walter F. Behler	Curtis E. Guffey	J. C. Paris	F. G. Williams
Sylvain K. Bernstein	P. Willett Hagan	John S. Petot, Sr.	Wilbur R. Williamson
L. I. Boone	Robert S. Hall	John S. Petot, Jr.	Horace D. Woodcock
James O. Boswell	Paul F. Halloran	Charles B. Pipes	L. C. J. Yeager
Harry W. Bottorf	William F. Hammack	Ishmael Planck	NON-RESIDENT MEMBERS
E. A. Bowden	Orville D. Harris	John A. Reisz	Fred H. Allen
Fred H. Bower	Robert W. Harris	Charles O. Rice	Charles J. Anderson
U. G. Briscoe	Robert D. Haun	Richard D. Riney	A. Luke Brown*
Walter E. Bromley	Carl J. Heeb	Louis T. Roth	C. H. Burris
Herbert Lee Brown	John C. Heffner	Henry T. Rowland	Robert Kenton Conrad
J. Bernard Brown	E. W. Heller	A. Davis Rufer	E. Theodore Couch
John E. Brown	William A. Hifner, Jr.	Robert W. Romer	William P. Crouch
G. Stuart Bruder	Herbert O. Hincks	Clement F. Schildt	Forrest Dalton
Joseph R. Cannatti	George W. Howard, Jr.	Edward S. Schroering	Harold A. Downing
Harvey Cardwell	Oliver O. Howard	Ralph H. Schuette	E. W. Gouwens
Albert Christen	Robert K. Hughes	Thad J. Schuler	M. Guy Hardin
Marvin L. Churney	J. A. Hunter	W. D. Selby	J. Bruce Hayden
Russell R. Circle	J. Wesley Huss	Hughes V. Sewell	William W. Jackson
Robert L. Collins	Irvin W. Imhof	William M. Shawler	J. Garland Kimbrough
Milton H. S. Cooper	Joseph P. Jones, Jr.	W. K. Simpson	K. W. Kohtala
John E. Corder	A. M. Kellerman	Estil W. Smith	Harold I. Lippincott
William Cotton	John W. Kercher, Jr.	Edward G. Sommer	Earl I. McArthur
M. B. Damron	G. Byron Kirby	Louis S. Sorbo	W. Foster McKenney
Gabriel T. Davis	John W. Koerner	Joseph A. Steltenpohl	W. R. Meredith
J. G. Denhardt, Jr.	Robert B. Lancaster	Joseph A. Stocker	Herman A. Nichols
J. H. Dierson	Robert B. Lancaster	Kenneth W. Stringer	J. T. Noland
George A. Dodson, Jr.	Baylor Landrum, Jr.	E. C. Tatgenhorst	Knox B. Phagan
Frank J. Dooley	Virgil P. Lary	Harrar W. Taylor	R. S. Prosser
Thomas H. Dowell	William H. Leavell	Guy Reese Thomas	Lawson L. Putnam
Norbert F. Elbert	Morris A. Lee	Richard H. Thomas	Paul F. Seiger
Charles W. Erskine	Irvin L. Levitan	Albert C. Thompson	Allen K. Smythe
C. R. Escott	Lawrence Long	Charles L. Thompson	Charles W. Swormstedt
Sam W. Eskew	Bernard J. Luker	Robert J. Titzl	B. L. Thurman, Jr.
Henry S. Fish	Maurice Luker	E. F. Thorburn	Benjamin F. Wilson
Gordon Ford	John D. Lynch	Duard N. Thurman	Edward C. Wirotzious
Mrs. H. H. Fortune	F. Edward MacDonald	Bradley O. Turner	Alvin E. Woolsey
	Moses Master	W. Walter Thorp	Charlton C. Wright
	F. L. May	Frank VanOverbeke, Jr.	
	William J. Mayer	Clarence A. Veatch	
	G. Lane McCroskey	Clough C. Venable	
	Stanley P. McGee	Richard E. Vollertsen	
	L. B. McIntire	Warren G. VonRoenn	
	M. B. McMullen		
	John C. McNeil		
	James R. Meany		
		Max Waldman	
		Wallace Wallen	



STATE BOARD OF ACCOUNTANCY OF KENTUCKY

John S. Petot, President; J. O. Boswell, Member; L. C. J. Yeager, Sec'y-Treas.

NINE NEW CPA'S: On July 22, 1949, the results of the May, 1949, certified Public accountant examinations were announced.

The following were granted certificates, and may now style themselves "certified public accountants":

- Stanley H. Bergmann.....Louisville
- John S. Gant.....Louisville
- Honshell K. Johnston.....Ashland
- Emmett W. Kottke.....Louisville
- Paul H. Lambert.....Louisville
- Curtis D. Pittman.....Louisville
- Sylvan Samuels.....Louisville
- Lewis A. Schloemer.....Louisville
- Marc Stuart, Jr.....Louisville

Johnston, Pittman, Samuels and Stuart were already registered by the Board as public accountants, and are now entitled to use the prefix "certified" before their titles. Twenty-one other candidates received passing grades in one or more, but less than all, of the four examination subjects.

ANNUAL ELECTION: At a meeting of the Board on June 27, 1949, John S. Petot was elected President and L. C. J. Yeager was re-elected Secretary-Treasurer, each for a term of one year.

REGULATIONS REVISED: Regulations of the Board have been adopted in revised form and filed with the Secretary of State, to be incorporated in the Kentucky Administrative Code. The following changes and additions deserve special mention:

- With reference to educational qualifications of candidates for examination, provision is made for recognition by the Board of graduation from a college whose credits are recognized by the University of Kentucky or the University of Louisville.
- With reference to experience qualifications of candidates for examination, the Board recognizes as qualifying experience employment in specified positions with the U. S. Treasury Department or with the Kentucky Department of Revenue.
- Failure of a candidate to sit for three consecutive examinations may deprive him of his right to re-examination, but he may make a new application.
- Specific provision is made for public accounting practice in Kentucky by licensees of other state boards, subject to regulation.

PERMIT CARDS have been mailed to all licensees who have paid their 1949-50 permit fee. If yours has not arrived, contact the Board office at once.

MERIT RATING HARD TO KEEP?

The Kentucky unemployment insurance tax which your client pays may be reduced to zero if his employment history is good enough. Now that more claims are being filed, there is danger that improper claims will be paid from the reserve fund standing in his name.

Remind your client to scrutinize carefully every notice he receives that a claim has been filed against his reserve. Failure to protest invalid claims promptly may cost him future taxes which might have been minimized.

DOES THIS SHOE FIT YOU?

By J. A. HUNTER, Chairman

Committee on Cooperation with Bankers and other Credit Grantors

On the basis of a survey made by the "Committee on Cooperation with Public Accountants" of the Southeastern Chapter of Robert Morris Associates, a number of important features lacking in audit reports has been compiled. The missing data is, mainly, with respect to information deemed of value to the credit man. Although Kentucky is not included in the Southeastern Chapter of the Robert Morris Associates, it cannot be assumed that the audit reports prepared by Certified Public Accountants of Kentucky are free from the complaints and criticisms reported by the Southeastern Chapter. The complete summary referred to cannot be reprinted, for lack of space in this issue but the more important matters in the summary have been selected, somewhat condensed, and presented here so that we who are practicing accountancy in Kentucky may critically view our own audit reports in the light of the deficiencies observed by our friends — the credit men — in audit reports generally.

Some of the lacking data and matters complained of include:

1. Aging of receivables, with a more or less detailed outline of prevalent selling terms.
2. A summary of the month-end balances of the following pertinent accounts throughout the year, viz., cash, trade receivables, inventories, (if practicable) and notes payable.
3. Failure to give method of valuing inventory; to make test-checks and to show pricing-out policy.
4. Repayment schedule of "long-term" indebtedness; whether the debt creates a lien on any asset and whether or not the salient provisions of any long-term indebtedness have been complied with.
5. Failure to give adequate disclosure of hypothecated assets and secured liabilities.

6. Many audits do not separate notes payable to banks from notes payable to others and do not adequately indicate which notes are secured, nor the maturities.

7. Aging of accounts payable should become a standard practice.

8. Par value of capital stock shares in rarely shown and is frequently useful information.

9. Failure to reconcile surplus, or net worth — particularly with partnerships.

10. Contingent liabilities in respect to purchase commitments, unfilled sales orders, construction commitments, leases, guarantees, etc., and failure to show either a book profit or loss potential on commitments made for future delivery.

11. A schedule of all insurance in force at statement date.

12. Report should show income tax liability in detail and comment as to whether all periods to date have been checked by the United States tax examiners.

13. Many reports cover audits of a limited scope. This is probably due in a large measure to the fact that the firm or corporation being audited requested only a balance sheet audit. Furthermore, many unaudited or uncertified reports are prepared. Accountants could sell a better job to the business man by informing him that such unaudited reports serve no useful purpose at his bank and, to the contrary, the less limited an audit assignment is, the more valuable it will be to him and to his credit grantors.

The Annual Report of the Commissioner of Internal Revenue, 1948, 240 pages, paper bound, 45c, may be secured from the Superintendent of Documents, Washington 25, D. C. Contains detailed statements on changes in the tax laws; operations and duties of the different Internal Revenue offices; statistics on audits, claims and litigations; and other pertinent subjects.

Suggestions for amending Kentucky's constitution should be sent to James W. Stites, Chairman, Kentucky Constitution Review Commission, Kentucky Home Life Building, Louisville 2, Kentucky. Don't fail to pass your ideas along. The members of the Commission, who serve without pay, will welcome your help.



## SILVER ANNIVERSARY . . . Report of the Retiring President

by Gordon Ford

This is the Twenty-fifth Annual Meeting, the Silver Anniversary meeting of the Kentucky Society of Certified Public Accountants. A great deal has been accomplished and the profession has advanced substantially in these 25 years. We are greatly indebted to these past presidents. I would like to read their names, together with the years that they served.

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

It has been my pleasure to serve as the 25th president, and I have enjoyed serving this past year. I would now like to give you a report of the principal activities during these past 12 months.

I would like first to report that the relationship among the members of the profession, the goodwill felt toward fellow

practitioners, is at an all time high. This is a sign of progress. I feel sure that those of us who have been practicing only a few years can see that real progress has been made in recent years. This is due partly to attendance at meetings and knowing our fellow practitioners better.

Public relations and public service are subjects that many Certified Public Accountants have been concerned with in recent years. The American Institute of Accountants has devoted quite a lot of attention to it. There has been the question of advertising our services, getting the public acquainted with what we do. I, for one, have felt that this is something that cannot be accomplished quickly, but is the result of constant thought over the years. Looking back, several items deserve mention to show that some progress has been made during the past year in bringing our profession before the public. Mr. Robert Haun and Mr. Ellis Sutton appeared on the program of the Bar Association annual meeting; I have been recently appointed a member of the Taxation Committee of the Kentucky Chamber of Commerce; Mr. J. B. Brown appeared on the program of the Kentucky Retail Lumber Dealers Association annual meeting; John W. Kercher made a nice talk and received good publicity for his part on the program of the Municipal Finance Officers Association; L. C. J. Yeager spoke to a group of students interested in accounting at the Bowling Green College of Commerce in regard to the activities of the State Board. Several members made talks before district meetings of the Kentucky Bankers Association throughout the state; Maurice Luker was appointed a member\* of Mayor Farn-

## SILVER ANNIVERSARY—Continued

ley's Committee to study the matter of pensions for police and firemen; John S. Petot, Jr. has devoted a great deal of time to the smoothness of administration of the City of Louisville Occupational Tax; Albert Christen spoke to Kentucky Association of County Fairs; also about 10 radio stations throughout the State cooperated in presenting a 15-minute transcribed radio program on income taxes, sponsored by the Society. There have been other public relations activities, I am sure, which I have failed to list.

An effort has been made to have good meetings every month. Some members feel that we should have technical discussions while others believe that subjects of general public interest are more appropriate. This year we have tried to have both. The first meeting of the fiscal year was held on September 8. Mr. Wallace M. Davis, Executive Vice-President, Citizens Fidelity Bank & Trust Co., spoke. On October 14, George S. Olive, C.P.A., past president of American Institute of Accountants, was our speaker. A few years ago nearly all Society members were in Louisville, but this is not as true now, so early in this year, we decided that as at this time several of our members are located throughout the state, it would be advisable to hold two meetings out in the State. Accordingly with the help of our Lexington members, a successful meeting was held there on November 5, directed primarily to people in the Eastern part of the State. Mr. Merle E. Robertson, President, Liberty National Bank & Trust Company, spoke to us on November 23. December 10 was the annual Christmas Party and dance at the Pendennis Club. Hon. H. Clyde Reeves, Kentucky Commissioner of Revenue, gave an interesting talk on January 18. Mr. Ben Brumleve, Secretary of the Louisville Sinking Fund, explained Louisville's new occupational tax on February 16. On March 17, Federal Judge Shackelford Miller, Jr., discussed recent tax cases and procedure. On April 29 under the direction of First Vice-President J. O. Boswell, we had an interesting and successful meeting in Owensboro, primarily for members and guests in Western

Kentucky, completing the announced plan of having two meetings outside of Louisville this year. A planning meeting was held on May 11, in connection with the program of the Southern States Accountants Conference.

One of the outstanding accomplishments of the Society this year was the working out of a satisfactory agreement with the Louisville Bar Association. This was accomplished through the untiring efforts of our committee in cooperation with the Bar, of which Mr. Sam W. Eskew is chairman and C. R. Escott and James C. Warren are members. This is truly a substantial contribution to the profession and has received widespread recognition, especially from the American Institute of Accountants. Several other states have asked about it and are using it as a guide. This agreement is the first of its kind in the United States, so far as I know. In reaching an agreement, on this matter, we all recognize that the only justification for the existence of either of the two professions is the public interest. While the agreement is not perfect, it is a reasonable and satisfactory statement, which evidences a real appreciation by members of each profession of the problems of the other. I believe it will definitely encourage continued cooperation between the two professions, in the interest of the public.

For many years, the matter of the establishment of a full time office and executive secretary for the Society had been discussed. All agreed that it was the only way to have any real activities of the Society. Few of us are in position to devote all of the necessary time and attention to accomplish much, as the duties of making a living must have first call on our time. Accordingly, for results it is best to have someone on a fee basis to supervise the Society's many activities, while we go about our regular work. The establishment of the office and executive secretary had not been feasible in the past, due to the small number of members, lack of money and other factors. It developed that we possibly could establish an office jointly with the State Board of Accountancy, thus being able to have the office and executive secretary, but have the expense shared by



**SILVER ANNIVERSARY—Continued**

the State Board. Even on this basis the Society, from regular dues, could not afford its share of the expense, so at the beginning of the fiscal year, I approached the firms in Louisville and asked for a voluntary contribution of \$120.00 each as supplementary financing to take care of the executive office for a one-year trial period. The cooperation and enthusiasm was 100% and we received a voluntary contribution of \$120.00 each from the following firms: Brown & Imhof; Christen, Brown, McCroskey & Rufer; Cotton & Eskew; Ernst & Ernst; Escott, Grogan & Co.; Lybrand, Ross Bros. & Montgomery; John S. Petot & Co.; Humphrey Robinson & Co.; Waldman, Levitan & Wheeler; Welenken, Master & Erskine; and Yeager, Ford & Warren. Since the executive office was to be on a trial basis for one year, I liked the method of financing of special contributions from these firms, rather than a raise in dues or a general assessment on the membership. I would like to say here, that I believe the office is a real success and definitely should be continued. Also I would like to say that Earle Fowler has proved invaluable to the accounting profession in Kentucky. I believe you all will agree with me that we should continue this program and give it our support.

We must recognize that the cost of the Society must not get out of bounds, yet we must make a reasonable contribution to carry on the Society's obligations and advance the accounting profession. Since the one-year trial period for the office will be up on September 1, I would like to make the suggestion that it be continued on a permanent basis and that a different plan of financing be considered. Supplementary financing can be by increased dues or by a voluntary contribution by each firm of Certified Public Accountants and individuals practicing in Kentucky. There are advantages and disadvantages to each plan. The American Institute of Accountants is in the process of adopting a voluntary contribution plan. It has been approved by council. I do not favor an increase in dues at this time as it is likely to discourage younger members.

The voluntary contribution plan places the expense generally on those who benefit most: the practicing individuals and firms. I would like to request that the office and executive secretary be placed on a permanent basis. I would like to suggest to the new administration which will be elected tonight and to each of you the adoption of the supplementary financing plan whereby each firm and individual practitioner make a voluntary contribution of \$5.00 for each partner and staff accountant in each organization. For instance, a firm with five partners and 20 staff accountants would make a voluntary contribution of \$125.00: An individual with one associate \$10.00, etc. This requires no action tonight; I only make this recommendation to the new board of directors. We have estimated that this would produce \$1,250.00

The membership of the Society has greatly expanded in recent years and it has become more and more necessary that the affairs of the Society be generally administered by the Board. Accordingly, to insure full representation, I would like to recommend to the incoming administration that the Board be increased from 12 to 15 members and that an Executive Committee be provided, composed of the officers.

The establishment of the monthly magazine of the Society, The Kentucky Accountant, was the real delight to me during my administration. I am proud of this. Earle Fowler is the editor and deserves a great deal of praise. Enthusiastic comment has been heard in all quarters. This is another public relations item. About 1,000 copies are mailed out each month to Society members, to public accountants in Kentucky, colleges, banks, newspapers and others. The magazine is one of the many obligations of the Society to its membership. It is a means of education and understanding, a tool for the accomplishment of the purposes of the Society. I believe it will tend to unite the profession for growth and development. The back page of the magazine has been sold for advertising and the amount received takes care of more than two-thirds of the monthly expense of printing and

**SILVER ANNIVERSARY—Continued**

mailing. We hope that you will contribute to the development of this magazine by sending in news items, case studies about your work and other information which will be of interest to your fellow practitioners.

The outstanding thing the Society ever has undertaken was the Southern States Accountants Conference held in Louisville at the Brown Hotel on May 29, 30, 31 and June 1. Kentucky was host to the ten States in the Conference. Mr. William Cotton was President and Chairman of this Conference, and it was a complete success. We are indebted to Mr. Cotton for such a fine, successful conference. Everything went as scheduled and those in attendance from other states were generous with praise. Several members of the Society, including Albert Christen, John Brown, C. R. Escott, W. K. Simpson, J. Wesley Huss, M. B. McMullen and many others contributed substantially to this success. The entire cost of this to the Society was only \$489.69.

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. 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 ideas that are coming along. This promises to be of great interest to all.

From the Treasurer's report you can see that the Society is solvent and has a surplus of approximately of \$2,000.00. During the year, the by-laws were amended, changing the fiscal year to May 31. This was so the officers could prepare financial statements for the fiscal year for presentation at the annual meeting. Since there are now more activities, the basis of accounting has been changed from the cash basis to the accrual basis to prevent overlapping of items.

A bill providing for a new Tax Settlement Board has been introduced in Congress by Representative Mills of Arkansas. This bill has the whole-hearted support of the American Institute of Accountants. The Institute feels that this is a constructive proposal which should prove to be of great benefit to taxpayers and the government. It is important that the small taxpayer have

a tribunal where it will not cost him more to fight a tax dispute than to pay the amount claimed. 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 be a wholesome influence on the whole mechanism of tax administration. Mr. Waller Grogan explained this bill at the Owensboro meeting on April 29, and a resolution was adopted endorsing the establishment of the Tax Settlement Board.

It was my pleasure to attend the annual meeting of the American Institute of Accountants held in Chicago last fall. Also, together with Mr. Sam Eskew, member of council, I attended the spring council meeting held in May at the Grove Park Inn, Asheville, North Carolina.

Mr. J. O. Boswell was appointed in May to fill the unexpired term of Mr. Espy Bailey on the State Board of Accountancy. Mr. Bailey's term expired June 22. On June 22, Governor Clements, at the Society's request, appointed Mr. Boswell for a full three year term, expiring June 22, 1952.

We record with regret and deep feeling of personal loss the death of member E. B. Fontaine, during the year.

We are indebted to our committees for the diligence and unselfish devotion of many members who have served the Society so competently during the months in which I have been privileged to serve. I wish to acknowledge the debt, and on behalf of the Society, express appreciation and sincere thanks.

I want to thank you all for being so nice to me. There has been kindness and help from all. I will retire as president tonight. I want to express my sincere appreciation of the opportunity and privilege of serving as your president. It has been a wonderful experience.

I want to leave one thought with you, the efforts of the Society merit and should receive the support of every CPA in Kentucky. There should be no free-riders. Every member owes and should make a contribution to the advancement of his profession. Attendance of meetings is a small matter, but it gives endorsement to the program and promotes cordial relationship among accountants. There is a great deal to be gained by meeting with your fellow practitioners. In fact, attendance at meetings is the smallest obligation of a member to the Society. Good relationship among Certified Public Accountants is, and always will be, vital to the progress of our profession.



## A BOOK FOR THE AMBITIOUS

A review by

ROBERT J. TITZL

AUDITING by Thomas W. Byrnes, K. Lanneau Baker and C. Aubrey Smith, edited by Roy B. Kester; New York; Ronald Press Company, 1948, 798 pages, \$6.00.

The authors state in the preface that the objective of the volume is to equip the student with a practical knowledge of present-day auditing procedures and techniques. Because of its unusual method of presentation and its well-rounded content, the book does a very creditable job in that direction.

The authors have introduced into the text a goodly number of illustrative "cases," a device never before seen by this reviewer in any textbook on auditing. These cases serve to point up and dramatize the textual matter, make for much more interesting reading and enable the practicing junior or semi-senior to make comparisons with actual situations he may have encountered. We humorously note, however, that the wealth of illustrations presented may give the student the mistaken impression that the public accountant spends practically all of his time discovering dishonest, thieving employees and uncovering the manipulations of company officers intent upon falsifying their statements. Unfortunately perhaps, a public accountant's life is not usually so "Sam Spade-ish."

The emphasis is on the "proof" techniques of the auditor, rather than on the decisions in accounting theory that he has to make, since it is assumed that the reader or student will have a knowledge of accounting principles. It is believed that this emphasis is one of the good features of the book; one which makes it valuable as a teaching guide for seniors and good reading material for ambitious juniors and progressing semi-seniors.

It was this reviewer's impression that few of the footnote references were of recent date, and it seemed that little reference

was made to either the Accounting Research Bulletins or to the Statements on Auditing Procedure published by American Institute of Accountants. Short shrift — one sentence, in fact — was given to Accounting Research Bulletin No. 30 which recommends classification of prepaid expenses as a current asset. While we can understand the impracticability of discussing every one of the bulletins, we do believe that the authors should have emphasized the need of a practicing public accountant to keep abreast of current thought by reference to these and other like publications.

In the chapter on *Accounts Payable*, the statement is made that it is now generally accepted practice to request positive confirmations from creditors whose accounts have been active during the period under review. An interesting statement, in view of the recent discussions in *The Journal of Accountancy* which indicate that auditors are *not* in accord as to the necessity of this procedure. (J. of A., July, Sept., Oct., Nov., '48).

However, any criticisms which can be made are minor when compared to the real value of the book which lies in the excellent coverage of its subject matter and its able presentation. This volume would be a useful addition to the library of every practicing public accountant.

## NEW BOOKS ARE APPRECIATED

\*MONTGOMERY'S AUDITING, 7th ed; Montgomery, Lenhart and Jennings; Ronald Press; New York, 1949. (Donated to the Society library by courtesy of past president Paul F. Halloran).

\*A HALF CENTURY OF ACCOUNTING; F. W. Lafrentz & Co.; (privately printed) John B. Watkins Company; New York, 1949. (Donated, with the compliments of the author, to the library of the Kentucky Society of Certified Public Accountants.)

SOUTHERN STATES  
ACCOUNTANTS CONFERENCE TO  
MEET IN 1950 AT EDGEWATER  
PARK, MISSISSIPPI

Those who attended the Southern States Accountants Conference at Louisville, which ended June 1, will be glad to learn that next year's Conference is now definitely scheduled for June 4, 5, 6 and 7, 1950, at the Edgewater Gulf Hotel, Edgewater Park, Mississippi. The Mississippi and Alabama Societies of certified public accountants, which are jointly sponsoring the mid-century Conference, have announced that they intend to try to outdo 1949 Chairman William Cotton and the Kentucky Society in program and entertainment events, but they admit that it will be hard even to equal Kentucky's performances.

Looking back at the 1949 Louisville Conference, we members of the Kentucky Society may well be proud of Chairman William Cotton, who planned the program and presided at the opening session; President Gordon Ford, who presided so smoothly and graciously at the dinner which closed the Conference; Albert Christen, who operated the registration headquarters and many others who worked hard to make the Conference the huge success which it was. We are grateful to President Percival Brundage of the American Institute of Accountants and other Institute representatives whose participation added to the greatness of the occasion. Most of all we cherish the memory of the friendly, smiling folks who visited us.

We hope to see them all again in 1950 at Edgewater Park, Mississippi—if not sooner.

## ANY INDIANA CLIENTS?

Members who have clients subject to the Indiana gross income tax should prepare themselves to answer questions about the increase in gross income tax rates which became effective July 1.

AMERICAN ACCOUNTING  
ASSOCIATION CONVENTION ANN  
ARBOR MICHIGAN—September 8 and 9

A two-day program packed with solid speakers on timely topics has been arranged by the American Accounting Association for its 1949 convention at Ann Arbor, Michigan. Sessions will be held in the Rackham building on the University of Michigan campus. Wives are invited, for the first time in the Association's history. For further information write to Robert L. Dixon, President, American Accounting Association, University of Michigan, Ann Arbor, Michigan.

TOP NEW YORK COURT AFFIRMS  
DECISION AGAINST BERCU

The application of the New York County Lawyers' Association to punish for contempt and to enjoin the unlawful practice of the law by Bernard Bercu, a New York certified public accountant, has now been finally acted on by the Court of Appeals of the State of New York. The top court affirmed, without opinion, the decision of the appellate division rendered in April, 1949, by which Bercu was fined \$50.00 and enjoined from giving advice on tax matters to persons other than those by whom he is engaged to do accounting work or to prepare tax returns.

This decision has been widely headlined as one "against" accountants. It is true that the New York State Society of Certified Public Accountants and the American Institute of Accountants both submitted briefs on appeal to the Court of Appeals, after the opinion of the Appellate Division was handed down. However, the facts in this case were somewhat in dispute, thus hindering a clear-cut review of the public interest in securing tax advice from certified public accountants.

A close examination of the decision reveals (1) that it does not prohibit preparation of tax returns by public accountants, and (2) that it recognizes the right of public accountants holding a "Treasury card" to represent clients before the Treasury Department in tax matters. Thus, New York public accountants are only denied the right (1) to hold themselves out to the public as "tax specialists" (or the equivalent) and (2) to give tax advice to a client for whom they do not accounting work or for whom they do not prepare tax returns.

Louisville CPA's and public accountants will have only an academic interest in the Bercu case, since all inter-professional problems arising in Kentucky's metropolis will be ironed out by practice committees of lawyers and accountants, in accordance with the agreement worked out last spring by representatives of the Louisville Bar Association and the Kentucky Society of Certified Public Accountants. It is noteworthy, however, that Rule 9 of the Official Code of Ethics of the State Board of Accountancy (which applies alike to certified public accountants and public accountants licensed by the Board) specifically restricts directory listings of licensees "to the proper classification—"Public Accountants" or "Certified Public Accountants" as the case may be." Such classifications as "Income Tax Accountants," "Income Tax Consultants" and the like are not permitted.

Rule 9 appears in the 1948 REGISTER of the State Board of Accountancy of Kentucky, and will be reprinted in the 1949 REGISTER, to be issued next month.



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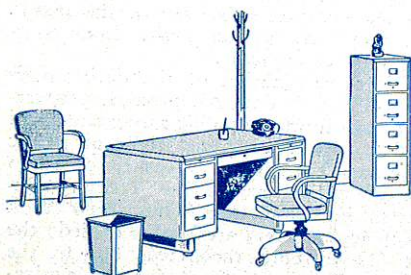
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