

The

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Accountant

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The Kentucky Society of Certified Public Accountants

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NUMBER 6

*Members Approve PR Dues Increase,
AICPA Sponsors National PR Conference*P
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In April, ballots were mailed to all members for voting on a proposed dues increase with the revenue generated to be used solely for a special public relations program involving institutional advertising.

The ballots were tabulated by members of the Accounting Principles and Auditing Procedures Committee on May 13, 1977 and the results were:

	<u>Votes</u>	<u>%</u>
Yes	586	70
No	<u>256</u>	<u>30</u>
	842	100

The increase in dues will be reflected on the dues statements being prepared now. In the meantime, Society PR Committee Chairman *Susan Ware*, Executive Director *Ben Gratzner* and *John Craft*, Chairman of the PR Committee last year and the individual who got this whole ball rolling, will attend a National PR Conference sponsored by the AICPA in Chicago on July 14-15, 1977. At this conference the AICPA will present their program on institutional advertising which they are making available to the state societies. The PR Committee will evaluate the AICPA program and recommend that we utilize it or stay with the program which was developed by last year's committee.



Ann Holt Moffatt

The theme for this year is public relations. Attention is being focused on the accounting profession from many angles. Within the profession, our activities are so many and so varied that it is difficult to be informed.

Present emphasis is on "public interest." Our challenge is to communicate and demonstrate that our activities, individually and as a profession, are in the public interest.

As a profession, we have maintained a low-profile in public relations. Many misconceptions about accountants, accounting, and auditing have developed. Recent business failures and the revelation of illegal business transactions have focused attention on us. This awareness, together with the common misconception that an audit is a guarantee of complete accuracy, has led to the assumption that we are somehow responsible for these deeds.

Presently, Congress and various agencies are studying and investigating the operations of the accounting profession. The most voluminous and best publicized is the Metcalf Staff Study. The Justice Department and the Federal Trade Commission are also presently investigating the profession.

Newspapers tend to report controversy. The mistakes, errors, and failures make news, but the work done correctly is minimized or overlooked. Due to the nature of the studies and investigations, the conclusions are critical. Indeed, the purpose of the studies is to identify deficiencies. No attempt is made to document our contributions and our efforts to improve our known deficiencies.

We do have a good record as a profession. We are well-trained, reasonably well-informed and conscientious. We devote time and money to continuing education. We devote unknown hours to public service in eleemosynary organizations. We are, in fact, independent. We maintain confidentiality. Generally, we are responsible citizens concerned with the public welfare, the economy, and the environment.

It is now necessary for us to communicate to the public our qualifications and sincerity. To fail to present the positive aspects of our profession would be a disservice to the public. As the Kentucky Society, we are undertaking a public

(Continued, page 5, columns 1 & 2)

IN MEMORIAM

David L. Authenrieth

Retired

Individual Practitioner

Louisville

Deceased, April 21, 1977

IN MEMORIAM

Stanley P. McGee

Retired

Humphrey Robinson & Co.

Louisville

Deceased May 22, 1977

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**THE KENTUCKY SOCIETY
 OF CERTIFIED
 PUBLIC ACCOUNTANTS**

310 West Liberty, Louisville, Ky. 40202

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Louisville Area - Alfred K. Carpenter

Northern Ky. - Norman A. Button

West Ky. - Thomas L. Smith

Committee On Computers Conducting Survey

Earlier this month, the Computers and Information Systems Committee issued a questionnaire to all firm principals.

The subject matter was the Committee's plan to sponsor a Kentucky Computer Users Information Exchange.

If you are firm principal and did not receive a questionnaire, please call or write the Society office. And please return the questionnaire as soon as possible.

Accounting Principles And Auditing Procedures

A Conceptual Framework for Accountancy

W. W. Ecton, Committee Member

No one can, nor should, argue that the seemingly endless stream of AICPA, FASB and CASB pronouncements are not necessary or worthwhile. One can, and now should, argue, however, that the absence of a fundamental basis (conceptual framework in today's parlance) for the development of accounting principles may well have permitted inconsistencies, illogical reasoning and even unsound practices, all well-intended and for the sake of uniformity to be sure, to be introduced into what we continue to call generally accepted accounting principles.

This article is intended to serve two purposes. The first purpose is to remind all accountants of the history of the development of accounting through to its present state as a means of emphasizing the importance of the second purpose, which is to point out the responsibility of each of us to be knowledgeable about and express ourselves on the FASB's "conceptual framework project." Because, assuming the task is ever completed and the results adopted, that framework will provide the standards by which all present and future accounting principles will be tested.

Today's history lesson begins with a review of the period from 1939 to 1953, a period during which 42 Accounting Research Bulletins were issued. ARB #43 restated and revised the first 42, and before the "Final Edition" could be printed and distributed in 1961, nine more had been issued. Exit the Committee on Accounting Procedures and enter the Accounting Principles Board.

The APB was going to "do things right this time." Accounting Research Studies were to be conducted so that the resulting conclusions and promulgations could be shown to be soundly based. Accounting Research Studies #1 (The Basic Postulates of Accounting) and #3 (A Tentative Set of Broad Accounting Principles for Business Enterprises) were even thought by some to represent a start on the development of a conceptual framework. It would be grossly unfair, though, even to suggest that these studies gained "widespread acceptance" just as it would be foolish to suggest that any approach, other than a piecemeal, brush fire approach to the solution of problems as they appeared, was ever employed. From its creation to its being replaced by the FASB, in 1973, the APB managed to issue 31 Opinions. Exit APB and enter FASB.

Now we were really getting serious. According to announced reports, studies leading to the creation of the conceptual framework of accounting were to begin almost immediately. We were going to know the definitions of the basic elements of financial statements, how those elements related to the determination of income and to whom we were to report what, right from the outset. The project was on the working agenda from the beginning, but somehow never quite made it to the "front burner." But that's history, and so much for history.

The fact is that the project is off the ground and two separate documents have already been issued. The first, a 78 page exposure draft on the objectives of financial statements, will be subjected to public hearing on August 1 of this year. The second is a 360 page discussion memorandum dealing with the elements of financial statements and their measurement.

Because of the potential impact the final document will have on our profession, our clientele and society generally, your Committee on Accounting Principles and Auditing Procedures urges you to follow the project carefully; express your opinion on both the exposure draft and the discussion memorandum, in whole or in part; and respond directly to the FASB. Some have already expressed their concern over the division of the overall project into the two

(Continued, page 5, column 1)

Annual Meeting '77 Is History; Lexington In '78!



The Committee Day program, held just before the Annual Meeting Luncheon on Friday, was very well attended. Doug Kottke, Chairman of the Continuing Professional Education Board, is shown at right, seated with his committee.

Pictured at left, incoming President Ann Holt Moffatt presents the plaque-mounted gavel of a past-president to Tom Baer during the Society's Annual Business Meeting on May 20, 1977. This was her first official duty after being installed as Society President for 1977-78.



The Society's Board of Directors also met on Friday morning. They approved the Hyatt Regency Hotel in Lexington as the site for the 1978 Annual Meeting. The dates approved are from Sunday, May 21 through Tuesday, May 23, 1978. The program will begin with a reception and dinner on Sunday evening. The Board of Directors have charged those responsible for planning the meeting with providing a first-rate technical program that will attract members from all over the state, including members not in public practice.

More details on the 1978 meeting will be supplied as they become available throughout this year, but all members should reserve May 21-23, 1978 now and plan to attend.

The newly installed Executive Committee from the left are: J. Donald Riney, Secretary; W. Thomas Cooper, Jr., President-Elect; Bobby E. Baldwin, Vice President; Louis A. Grief, Member At-Large; Ann Holt Moffatt, President; Durbin C. Oldham, Treasurer and Thomas K. Baer, Past President. J. Lane Peck, Member At-Large, not pictured.



Continuing Professional Education

Most of the CPE courses scheduled for June and July are already filled and a waiting list has been established for each course.

Several of the June courses actually had empty seats at the course because members called to cancel too late for us to get the material to another member who wanted to attend the course. In one case, four cancellations were received the day before a course was to be presented, and that course had a long waiting list.

To avoid misunderstandings, we reprint here the cancellation policy that was approved by the CPE Board and disseminated to all members with the CPE Catalogue in February.

"Cancellations received 14 days prior to a scheduled course will receive a full refund provided the participant's manual is returned unmarked at the time of cancellation.

Cancellations received less than 14 days before a scheduled course, if the participant desires to keep the manual, will result in no refund.

Cancellations received less than 14 days before a scheduled course, or in the case of a 'no-show' at a course, will receive a 50% refund provided the material is returned unmarked within two weeks after the scheduled course date."

JULY PRESENTATIONS

All previously scheduled July courses are filled with the exception of "Effective Writing," to be presented on July 21-22 in Louisville. This is an excellent course with Dr. Richard McKay as Discussion Leader and members should consider it carefully.

Also, on July 24, the popular course "Problems of a Closely Held Corporation" will be repeated. This course was presented on June 17 and the number of members on the waiting list has resulted in the scheduling of a second presentation. Call the Society office for more details and registration.

CURRENT DEVELOPMENTS (MAY 1977) AFFECTING THE PROFESSIONAL ACCOUNTANT

Prepared by F. P. Kromer, Jr.,
Member, Accounting Principles and Auditing Procedures Committee

Financial Accounting Standards Board

The FASB has issued for public comment an exposure draft on defined benefit pension plans (one under which there is a promise to participants of a determinable pension benefit, usually based on factors such as age, years of service, and salary).

A research report published by the FASB contains the results of field tests of proposals set forth in the Board's exposure draft, "Financial Reporting in Units of General Purchasing Power," conducted by 101 companies.

Accounting Standards Division of the AICPA

The Accounting Standards Division issued a Statement of Position recommending changes to the Industry Audit Guide on Audits of Investment Companies.

Securities and Exchange Commission

The SEC adopted amendments concerning issuers reporting to other agencies, effective October 1, 1977. "Pursuant to these amendments, all registrants which report to the Interstate Commerce Commission, Federal Communications Commission and Civil Aeronautics Board must now file annual and quarterly reports to the SEC in compliance with forms 10-K and 10-Q and the regulations governing such reports."

The SEC proposed a rule which "would replace Article 9 of Regulations S-X with a new article which will contain specific requirements as to form and content of consolidated and unconsolidated financial statements of bank holding companies and banks."

The SEC has proposed amendments that would incorporate "the disclosure requirements of Statement of Financial Accounting Standards No. 14, *Financial Reporting for Segments of a Business Enterprise*. Other amendments would require five-year financial information relating to industry segments and foreign and domestic operations."

The SEC proposed a new rule and an amendment to an existing rule to require disclosure of investment concentrations in marketable securities and other security investments. Such rule, if adopted would extend disclosure rules to commercial and industrial companies (other registrants are required to provide the same or similar disclosure under other rules).

Cost Accounting Standards Board

The CASB issued an accounting standard proposal for comment on "Accounting for Independent Research and Development and Bid and Proposal Costs."

The CASB issued a "Restatement of Objectives, Policies and Concepts," published to improve general understanding of the framework within which the CASB functions.

AICPA Field Trip This Month

On June 21-24 the Society will be visited by Tom Hanley, head of the Federal Taxation Division of the AICPA's Washington office.

His visit is part of the AICPA's "Field Trip" program, designed to let the Institute know the problems of their membership in the various states.

The itinerary calls for Mr. Hanley to be in Henderson and Owensboro on June 22, Bowling Green on June 23, and in Louisville on June 24. He will visit the Green River and Cumberland Chapter Executive Committees and will attend the Society's Executive Committee meeting on June 24.

Washington Report Is Available For Subscription

Increasingly, accountants are feeling the pressure and the presence of "Washington" in their daily activities — whether it's involvement in the auditing of Federally-assisted programs, the promulgation of new tax regulations, or the advocacy of greater accountability by the profession. The weekly AICPA *Washington Report* is designed to fill the void of information on these important matters. The *Report* provides quick, convenient capsule reports on Federal agency and Congressional legislative activities that are of direct interest and importance to you.

Each Monday morning, you will receive a report on major events — past and future — culled from thousands of pages of Federal government reports and releases by the AICPA Washington staff. You will read about proposed and final rules; hearing notices; major legislation; agency announcements of meetings and staff changes; new audit guides and how to get them; and seminars and workshops addressed to the interests of CPAs.

An annual subscription is \$30 for AICPA members, \$38 for non-members. Call 202/872-8190, extension 47, to get your first issue by next Monday. Ask about discounts for additional copies.

Help Needed

The recent floods in Eastern Kentucky have caused substantial losses for many of our fellow practitioners.

Libraries, equipment and much more were completely lost. If you have duplicate or unused library materials and books and/or equipment, please send a list of available items to the Society office to the attention of the Committee on Management of an Accounting Practice. Your help will be appreciated.

Blue Cross/Blue Shield Rates to Drop in July

Paul Lucchese, Chairman of the Society's Committee on Insurance Programs, has been notified by Blue Cross/Blue Shield of Kentucky that the rates for the Society's Group Medical Insurance Plan will be reduced effective July 1, 1977.

A comparison of the new rates with the present rates is:

	Single		Family	
	Old	New	Old	New
Blue Cross	\$12.40	\$10.15	\$35.51	\$29.08
Blue Shield	2.05	1.80	6.98	6.18
Major Medical	4.25	6.20	10.50	15.55
Totals	<u>\$18.70</u>	<u>\$18.15</u>	<u>\$52.99</u>	<u>\$50.81</u>

Along with the news of the rate reductions, Blue Cross notified the Society of the availability of a new Blue Shield coverage which would result in a slight increase in the total premium from the present. The Insurance Committee will study this option and make appropriate recommendations to the Board of Directors.

Accounting Principles

(Continued from page 1)

segments referred to above, in an attempt to prevent the reoccurrence of the piecemeal approach so often used in the past.

We have all talked about this issue for at least 38 years. Now that something is underway, we all have a stake in insuring that it is done properly.

E & M

Contributions

The Education and Memorial Foundation acknowledges with appreciation the recent contributions received from the following individuals:

Charles and Ruth Hatton — in memory of Eric Chervenak.

Charles Steineger, Jr. — in memory of Norman L. Sykes.

PRESIDENT'S MESSAGE

(Continued from page 1)

information advertising program.

Another area in which communication is of vital importance is within the profession. As a diversified group of individuals, we have various opinions as to the relative merits of recommendations. In fact, our independent ideas and controversial discussions result in the overall improvement of our standards. Only by an in-depth exploration of all possibilities can the most appropriate solution be found. We need to explain that we have many areas of agreement.

Our controversial confrontations within the profession can be (and are being) interpreted as evidence that we don't know what we're doing.

Some of these controversial proposals before us now include Quality Control Review, Specialization, Advertising, Auditor's Responsibilities and the FASB Pronouncements. These and other items have no easy answers or expedient solutions. If we as accountants, with our training and experience, find it difficult to agree on accounting matters, is it in the public interest to abandon this difficult task to the federal government? I think not.

However, recommendations to this effect are now being made that will revolutionize the accounting profession. We now have the public attention and we must use this opportunity to demonstrate our competence and concern. This can only be accomplished by our working together.

Firms and Firm Changes

Douglas L. McCord, an individual practitioner, has recently relocated his offices to 359 Waller Avenue in Lexington.

Craig Heller, formerly associated with Arthur Young & Company in Louisville, has accepted a position with James R. Meany & Associates in Bowling Green.

Robert S. Cohen, formerly with the CPA firm of Potter & Company in Lexington, has accepted a position with Hisle & Company in Lexington.

Robert W. Summerhays, Jr. has been made a partner in the CPA firm of McAlpin, Curtis & O'Haire in Fort Pierce, Florida.

Donald E. Jaynes has moved his offices to the Griggs Building at 322 Water Street in Richmond. Mr. Jaynes is an individual practitioner.

REVIEW FOR NOVEMBER UNIFORM CPA EXAM

Total cost \$295 includes massive new study guide, more than 1600 pages of outlines of ALL APB, FASB, SAS, etc., numerous exam questions and answers fully explained.

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NOTICE

The release date for the grades from the May 1977 CPA examination will be August 1, 1977.

Around The State

John D. Grider addressed a group of attorneys, certified public accountants and trust officers who attended a seminar sponsored by the Salvation Army in Knoxville, Tennessee on May 11, 1977. His topic was the "Carryover Basis Provisions of the Tax Reform Act of 1976."

Steven W. Evans recently spoke to the Southeast Kentucky Chapter of Certified Life Underwriters at a luncheon meeting held in Barbourville. Mr. Evans conducted a slide presentation on the 1976 Tax Reform Act.

C. J. Cunningham has been elected Assistant Vice President and Controller for the Independence Life and Accident Insurance Company.

Allan W. Steely addressed a Rotary Club meeting on May 9, 1977, which was held at Cumberland College. He spoke on the Tax Reform Act of 1976.

Michael G. Ayers, formerly with Ernst & Ernst in Louisville, has accepted a position with the Capital Holding Corp. in Louisville.

James E. Banahan spoke to the Wisconsin Saddle Horse Breeders Association regarding taxes and horsemen on January 17, 1977 in Waukesha, Wisconsin. He addressed the Southland Lexington Optimist Club on the 1976 Tax Reform Act, February 22, at the Springs Motel in Lexington. He spoke, on March 1, to the Animal Husbandry class at the University of Kentucky in Lexington on the topic of "Taxes and the Horseman." Mr. Banahan also addressed the Thoroughbred Club of America at the Springs Motel, Lexington, on May 19, 1977. He discussed the new 1976 tax laws and their effect on horse operations.

Michael P. Risdon, formerly with Ashland Oil, Inc. in Ashland, has taken a position with Cummins Engine Co., Inc., Columbus, Indiana.

Robert M. Gentile presented a seminar on May 9, 1977 to the Associated Building Contractors at their monthly meeting at Executive Inn, Louisville.

Frank Heintzman, formerly with Ernst & Ernst in Louisville, has accepted a position with Butler Store Equipment also in Louisville.

Meet The New Members

David K. Ahrens was born in Erie, Pennsylvania and graduated from Bellarmine College. He is on the staff of Reliance Universal, Inc. in Louisville.

Micaiah Bailey, born in Loyall, is a graduate of Cumberland College. He is currently on the staff of Cumberland College in Williamsburg.

William B. Byrd, Jr. was born in Fulton and graduated from Murray State University. He is associated with Schuette & Taylor in Paducah.

Michael W. Hess, born in Louisville, is a graduate of Bellarmine College. He is on the staff of U.S. Department of HUD in Louisville.

John E. Katzenmeyer was born in Akron, Ohio and graduated from Miami University. He is a partner with Ernst & Ernst, Louisville.

Kathleen R. Marshall, born in Louisville, is a graduate of the University of Kentucky. She is associated with Darragh, Baynham & Co. in Lexington.

Charles D. Megla was born in Youngstown, Ohio and graduated from Penn State University. He is associated with Jones, Nale and Mattingly in Louisville.

Deborah A. Milam, born in Louisville, is a graduate of Eastern Kentucky University. She is associated with Frerman & Smiley, PSC, Louisville.

Joseph L. Moore was born in Danville and graduated from the University of Kentucky. He is on the staff of the Commonwealth of Kentucky, Department of Finance in Frankfort.

Larry D. Mulcahy, born in Hammond, Indiana, is a graduate of Northwestern University. He is on the staff of Sud-Chemie, Inc., Louisville.

Janet E. Phillips was born in Rowan County and graduated from Morehead State University. She is associated with Sullivan, Small & Morris, Lexington.

Bruce W. Raque, born in Louisville, is a graduate of Bellarmine College. He is associated with Jones, Nale and Mattingly in Louisville.

John F. Reesor was born in Louisville and graduated from the University of Kentucky. He is associated with Ernst & Ernst in Louisville.

William F. Routh, born in Louisville, is a graduate of Murray State

University. He is on the staff of Blue Cross/Blue Shield of Kentucky in Louisville.

James M. Ruth was born in Louisville and graduated from the University of Kentucky. He is associated with Harris, Love & Poynter in Glasgow.

Randolph B. Smith, born in Hindman, is a graduate of Strayer College of Accountancy. He is on the staff of the Internal Revenue Service in Pikeville.

Charles F. Stansbury was born in Nelson County and graduated from Morehead State University. He is associated with Somerville & Co., Huntington, West Virginia.

We have an immediate opening for an internal auditor for our corporate auditing staff. The individual we seek should have a bachelors degree in accounting with recent experience of 2 years in public accounting, preferably with a national CPA firm. This position requires approximately 70% travel.

We offer a salary commensurate with experience and a complete benefit package. For immediate consideration, send resume, including salary history, in strictest confidence to Box 77-10, *The Kentucky Accountant*. An Equal Opportunity Employer.

CPA with one year municipal accounting experience with current CPA license in Kentucky, governmental auditing experience desirable, needed for position of chief of finance and accounting. Salary negotiable. An Equal Opportunity Employer. Reply to Box 77-12, *The Kentucky Accountant*.

Thirty-three year old CPA with 8 years experience needs special situation. Entering seminary student who can only work 20 to 30 hours per week. Diversified financial and administrative background. Reply to J. Wayne Lester, 1709 Millgate Road, Louisville, Kentucky 40223.

Established CPA firm wishes to purchase small PA or CPA practice in Lexington, Kentucky area. Terms: Cash or deferred. Write in confidence to Box 76-17, *The Kentucky Accountant*.