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The Kentucky Accountant

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Number 1

President's Message

This issue of The Kentucky Accountant is something different. We hope you like it. The public relations folk have long advised that the best size for a publication such as this is the standard 8½ x 11. This size makes it simpler not only for the office but also for the printers.

The use of the prism will be welcomed by all as it is the official symbol of our profession. It is my opinion that we should begin to make wider use of our symbol, even to the extent that the public will recognize it as the sign of our profession. Others have been very successful in the use of symbols to identify their profession, why not the accountant! Would not the use of the prism in the same way that the doctors use the Caduceus be in good taste and within the ethics of our profession?

"It's the busy season!" This statement has been used by the accounting profession for too long. This is one statement we could and should eliminate from our vocabulary and with credit. We have used it as an excuse to become robots for three and one-half months a year! We have let it get into the minds of our clients, separate us from our families and used it as an excuse for dropping all professional activities. Is it a recommendation for our profession that we let this happen? Could it be we have not learned how to manage ourselves and are letting our profession manage us! This is the one thing that needs some serious attention. Those of you who attended the November Meeting and heard Robert White discuss "Management of Your Time" have probably been giving attention to this, and have

Fifteenth Birthday

With this issue The Kentucky Accountant celebrates its fifteenth birthday. Volume I, Number 1, was published in January 1949.

The officers of the Society at the time were *Gordon Ford*, President, *J. O. Boswell*, Vice President, *Wilbur Williamson*, Vice President, *W. Waller Grogan*, Secretary-Treasurer, and *Earle B. Fowler* was Executive Secretary and editor of this publication. The Society, at that time, had been in existence twenty-five years.

The following is a reprint of the first paragraph of the President's Message which appeared in Volume I, Number 1, of The Kentucky Accountant: "Publication of the first issue of the Kentucky Accountant, bulletin of the Kentucky Society of Certified Public Accountants, represents a significant advance toward more effective unification of the accounting profession in our great Commonwealth. During the past year, an office of the Society has been established and an executive secretary has been employed. All of these things have been discussed for many years, but due to the small number of members, lack of money and other factors, they had not been feasible. Your officers and directors feel certain that you share with us justifiable pride in seeing these projects begun at this time, and that you are pleased with the progress which the accounting profession is making in Kentucky."

started 1964 with a new approach. Let us resolve not to let this "Busy Season" make robots of us. Luck to you, and I will see you at the January Meeting!

Kentucky Tax Information

Your Society's State Tax Committee met with the Commissioner of Revenue, Commonwealth of Kentucky, and his staff of directors of various departments on December 30, 1963. The new Commissioner of Revenue, *J. E. Luckett*, said that because of newly installed machine accounting and statistical requirements of the department, the following points should be brought to the attention of tax practitioners in Kentucky preparing returns for clients:

1. Complete the face page of Kentucky Revenue Form 720.
2. Complete the face page of Revenue Form 740.
3. Use the items indicated on the face page.
4. For any practitioner using a reproduced form, the reproduction must be acceptable to the Department of Revenue, evidenced by a letter of approval.
5. Withholding statements other than the Department of Revenue form must be "an approved form" approved by the Department of Revenue.
 - (a) Copy B should go to the Department of Revenue with the tax return.
6. Submission of the proper withholding statement, Revenue Form K-2, will expedite refunds.

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Members Urged to Complete Professional Development Survey

Members of AICPA recently received a copy of the "Professional Development Catalog" setting out the professional development courses available to CPAs.

The Professional Development Committee of the Kentucky Society urges each of you to fill out the questionnaire attached to the last page of the catalog and return it to the American Institute immediately. AICPA will tabulate this survey and forward the results to each of the State Society Professional Development committees indicating the expressions of interest in the various courses within their state. This information will help the P/D Committee of the Kentucky Society to plan its 1964-65 course presentation. It is the desire of this committee to furnish the courses in which the members have shown the greatest interest.

Board of Directors Declare New Code of Ethics Adopted

At its November Meeting, the Board of Directors accepted a report of the Accounting and Auditing Committee on the tabulation of mail ballots sent to members with the proposed

revision in the Code of Ethics. 56% of the members voted and 53% voted in favor of the new code. It is printed in its entirety on the following pages

ARTICLE XI

Rules of Professional Conduct

The reliance of the public and the business community on sound financial reporting and advice on business affairs imposes on the accounting profession an obligation to maintain high standards of technical competence, morality and integrity. To this end, a member of The Kentucky Society of Certified Public Accountants shall at all times maintain independence of thought and action, hold the affairs of his client in strict confidence, strive continuously to improve his professional skills, observe generally accepted auditing standards, promote sound and informative financial reporting, uphold the dignity and honor of the accounting profession, and maintain high standards of personal conduct.

In further recognition of the public interest and his obligation to the profession, a member agrees to comply with the following rules of ethical conduct, the enumeration of which should not be construed as a denial of the existence of other standards of conduct not specifically mentioned.

RELATIONS WITH CLIENT AND PUBLIC

SECTION 1 (a) Neither a member, nor a firm of which he is a partner, shall express an opinion on financial statements of any enterprise unless he and his firm are in fact independent with respect to such enterprise. Independence is not susceptible of precise definition, but is an expression of the professional integrity of the individual. A member, before expressing his opinion on financial statements, has the responsibility of assessing his relationships with an enterprise to determine whether, in the circumstances, he might expect his opinion to be considered independent, objective and unbiased by one who had knowledge of all the facts.

A member will be considered not independent, for example with respect to any enterprise if he or one of his partners, (1) during the period of his professional engagement or at the time of expressing his opinion, had, or was committed to acquire, any direct financial interest or material indirect financial interest in the enterprise, or (2) during the period of his professional engagement, at the time of expressing his opinion or during the period covered by the financial statements, was connected with the enterprise as a promoter, underwriter, voting trustee, director, officer or key employee. In cases where a member ceases to be the independent accountant for an enterprise and is subsequently called upon to re-express a previously expressed opinion on financial statements, the phrase "at the time of expressing his opinion" refers only to the time at which the member first expressed his opinion on the financial statements in question. The word "director" is not intended to apply to a connection in such a capacity with a charitable, religious, civic or other similar type of non-profit organization when the duties performed in such a capacity are such as to make it clear that the member can express an independent opinion on the financial statements. The example cited in this paragraph, of circumstances under which a member will be considered not independent, is not intended to be all-inclusive.

SECTION 1 (b) A member shall not commit an act discreditable to the profession.

SECTION 1 (c) A member shall not violate the confidential relationship between himself and his client.

SECTION 1 (d) Professional service shall not be rendered or offered for a fee which shall be contingent upon the findings or results of such service. This rule does not apply to cases involving federal, state, or other taxes, in which the findings are those of the tax authorities and not those of the accountant. Fees to be fixed by courts

or other public authorities, which are therefore of an indeterminate amount at the time when an engagement is undertaken, are not regarded as contingent fees within the meaning of this rule.

TECHNICAL STANDARDS

SECTION 2 (a) A member shall not express his opinion on financial statements unless they have been examined by him, or by a member or employee of his firm, on a basis consistent with the requirements of rule 2 (b).

In obtaining sufficient information to warrant expressions of an opinion he may rely, in part, to the extent appropriate in the circumstances, on reports or other evidence of auditing work performed by another certified public accountant, or firm of public accountants at least one of whom is a certified public accountant, who is authorized to practice in a state or territory of the United States or the District of Columbia, and whose independence and professional reputation he has established to his satisfaction.

In relying on the work of public accountants in foreign countries, the member so relying must satisfy himself that the person or firm is qualified and independent (and is properly licensed where applicable) and that such work is performed in accordance with generally accepted auditing standards, and that financial statements are prepared in accordance with generally accepted accounting principles, both as prevailing in this country.

SECTION 2 (b) In expressing an opinion on representations in financial statements which he has examined, a member may be held guilty of an act discreditable to the profession if:

- (1) He fails to disclose a material fact known to him which is not disclosed in the financial statements but disclosure of which is necessary to make the financial statements not misleading; or
- (2) He fails to report any material mis-statement known to him to appear in the financial statement; or
- (3) He is materially negligent in the conduct of his examination or in making his report thereon; or

(4) He fails to acquire sufficient information to warrant expression of an opinion, or his exceptions are sufficiently material to negative the expression of an opinion; or

(5) He fails to direct attention to any material departure from generally accepted accounting principles or to disclose any material omission of generally accepted auditing procedure applicable in the circumstances.

SECTION 2 (c) A member shall not permit his name to be associated with statements purporting to show financial position or results of operations in such a manner as to imply that he is acting as an independent public accountant unless he shall:

- (1) Express an unqualified opinion; or
- (2) Express a qualified opinion; or
- (3) Express an adverse opinion; or
- (4) Disclaim an opinion on the statements taken as a whole and indicate clearly his reasons therefor; or
- (5) When unaudited financial statements are presented on his stationery without his comments, disclose prominently on each page of the financial statements that they were not audited.

SECTION 2 (d) A member shall not permit his name to be used in conjunction with any forecast of the results of future transactions in a manner which may lead to the belief that the member vouches for the accuracy of the forecast.

PROMOTIONAL PRACTICES

SECTION 3 (a) A member shall not advertise his professional attainments or services.

Publication in a newspaper, magazine or similar medium of an announcement or what is technically known as a card is prohibited.

A listing in a directory is restricted to the name, title, address and telephone number of the person or firm, and it shall not appear in a box, or other form of display or in a type or style which differentiates it from other list-

ings in the same directory. Listing of the same name in more than one place in a classified directory is prohibited.

SECTION 3 (b) A member shall not endeavor, directly or indirectly, to obtain clients by solicitation.

SECTION 3 (c) A member shall not make a competitive bid for a professional engagement. Competitive bidding for public accounting services is not in the public interest, is a form of solicitation, and is unprofessional.

SECTION 3 (d) Commissions, brokerage, or other participation in the fees or profits of professional work shall not be received or paid directly or indirectly by a member to any individual or firm not regularly engaged or employed in the practice of public accounting as a principal occupation. Commissions, brokerage, or other participation in the fees, charges or profits or work recommended or turned over to any individual or firm not regularly engaged or employed in the practice of public accounting as a principal occupation, as incident to services for clients, shall not be accepted directly or indirectly by a member.

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OPERATING PRACTICES

SECTION 4 (a) A firm or partnership, all the individual members of which are members of the Society, may describe itself as "Members of The Kentucky Society of Certified Public Accountants", but a firm or partnership, not all the individual members of which are members of the Society, or an individual practicing under a style denoting a partnership when in fact there be no partner or partners, or a corporation, or an individual or individuals practicing under a style denoting a corporate organization shall not use the designation "Members of The Kentucky Society of Certified Public Accountants."

SECTION 4 (b) A member shall not allow any person to practice in his name who is not in partnership with him or in his employ. This rule shall not prevent the members of a partnership from continuing to practice under a firm name which includes the names of former partners.

SECTION 4 (c) A member in his practice of public accounting shall not permit an employee to perform for the member's clients any services which the member himself or his firm is not permitted to perform.

SECTION 4 (d) A member shall not engage in any business or occupation conjointly with that of a public accountant, which is incompatible or inconsistent therewith.

SECTION 4 (e) A member engaged in an occupation in which he renders services of a type performed by public accountants, or renders other professional services, must observe the by-laws and Code of Professional Ethics of the Society in the conduct of that occupation.

SECTION 4 (f) A member shall not be an officer, director, stockholder, representative, or agent of any corporation engaged in the practice of public accounting in any state or territory of the United States or the District of Columbia.

SECTION 4 (g) A member operating more than one office, shall provide realistic management and supervision of the practice conducted from each office, and such supervision must be on a direct and continuing basis by a certified public accountant.

RELATIONS WITH FELLOW MEMBERS

SECTION 5 (a) A member shall not encroach upon the practice of another public accountant. A member may furnish service to those who request it.

SECTION 5 (b) A member who receives an engagement for services by referral from another member shall not extend his services beyond the specific engagement without consulting with the referring member.

SECTION 5 (c) Direct or indirect offer of employment shall not be made by a member to an employee of another public accountant without first informing such accountant. This rule shall not be construed so as to inhibit negotiations with anyone who of his own initiative or in response to public advertisement shall apply to a member for employment.

LOOKING BACKWARD

Five Years Ago this Month — The Society President was *Harold W. "Slug" Glore*; *Craig Bradley* was elected a director of the Louisville Chamber of Commerce; *Brooks and Ratcliffe* moved their office from out Dixie Highway to the Commonwealth Building, Louisville; *William R. Chapman*, Executive Vice President of the Midland National Bank in Minneapolis and Past President of Robert Morris Associates, spoke to a joint Bankers-CPA Meeting on the subject "The Accountant and the Banker Walk the Tight-rope Together."

Ten Years Ago — *Jess C. Paris* was President, *John Meredith* was Vice President, *Irvin Wasserman* was Vice President, *James C. Warren*, Secretary-Treasurer, and *Stollings T. DeJournett* was Executive Secretary and editor of this publication. Fourteen candidates in the November CPA examination received the good news that they were successful and would receive their certificates in February.

Twenty-five Years Ago — Eighty-eight members and guests were recovering from a Christmas Party held at Audubon Country Club and according to the report of the Treasurer for that year, *C. R. "Hap" Escott*, the Society collected \$539.25 in dues and expended \$646.57; of this amount \$216.10 went for the Christmas Party and believe-it-or-not the 88 dinners only cost \$154.00, not including tip and of course there was no sales tax in those days.

Thirty-five Years Ago — January 1, 1929 the Courier-Journal published an 8½ x 11 advertisement titled "A Message to the Businessman from The Kentucky Society of Certified Public Accountants." This was probably the last institutional type advertising sponsored by the Kentucky Society and appeared on a special business page of forecasts for the coming year made by business leaders in the state and nation. Remember, this was 1929!

Society Membership

Today	573
One year ago	533
Five years ago	434
Ten years ago	314

Around the State

Charles R. Hatton attended the AICPA regional course "An Introduction to ADP" in San Antonio, Texas on December 9 and 10; and *Carl N. Kelly* and *Harry C. Peart* attended the same course when it was presented in Dallas on December 12 and 13. *Cliff Fichtner*, Executive of the Texas Society, informs us that there were 170 registrants for the course and that they came from 17 different states.

H. James Darst spoke to the annual meeting of the Kentucky Retail Farm Implement Dealers in November on the subject "Record Keeping for Profitable Small Business Operation."

David L. Chervenak was named the "Alumnus of the Year" by the Bellarmine Pride Corp and also named to the Board of Overseers for a three year term.

William E. Bobon, Lexington; *Jefferson T. McMabon* and *Carl F. Pollard* of Louisville were recently elected to membership in the American Institute.

In October, *Arthur Hendricks* spoke to the state convention of the Kentucky Retail Grocers Association on the subject of "Management Controls" and in November to the statewide meeting of the Kentucky Consumer Finance Association on "Taxation of Intangibles."

Kelly & Galloway have moved their offices into the new Galloway Building, 1200 Bath Avenue in Ashland.

James E. Banaban is the new Assistant Auditor of Public Accounts.

Tax Forms of Other States

A limited supply of individual income tax returns are available in the Society Office from the following states: Alabama, Arkansas, Georgia, Mississippi, Missouri, North Carolina, Oklahoma, Tennessee and Virginia.

These are obtained as a service to members and our only request is that you limit your request for forms to those absolutely needed.