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A. Kenneth Bunger

P R E S I D E N T , S

Last month I reported to the membership on the activities of as many committees as space would allow. This month I am pleased to continue that report so that you as members may know what your Society and some of its members have done this year. I am particularly pleased with the diligent manner in which the committees have functioned during the year.

PROFESSIONAL STANDARDS PROGRAM—*Director, Robert J. Fitzpatrick*
ACCOUNTING PRINCIPLES AND AUDITING PROCEDURES—*Harice R. Page, Chairman* The Committee has reviewed a number of APB exposure drafts during the year and responded to AICPA concerning the report on internal control (August 1971) and the exposure draft of the audit guide "Audits of Brokers and Dealers in Securities" (July 1971).

FEDERAL TAXATION—*Wray Thomas Cooper, Jr., Chairman* The Federal Taxation Committee conducted the 14th Annual Kentucky Institute on Federal Taxation on December 9 through 11, 1971 in cooperation with the University of Louisville Schools of Business and Law and the Louisville Bar Association. The meeting was an outstanding success.

LOCAL GOVERNMENT ACCOUNTING AND AUDITING—*Malcolm E. Neel, Chairman* The committee had planned to determine what governmental units are now employing CPAs and those required by law to be audited. The committee also intends to give a seminar on municipal auditing procedures and to assist third and fourth class cities of Kentucky in the development of audit check lists and programs.

LONG RANGE PLANNING—*Harold E. Wills, Chairman* The committee has reviewed a number of matters both short and long range and has developed recommendations in both areas. Some of the principal areas of review and recommendation involve the programs of continuing education, projection of future membership of the Society, various management problems which might be encountered in the future for both the State Board of Accountancy and the Kentucky Society, financial aspects of both organizations, committee reorganization, professional development and public relations. The committee projects an increase in CPA permit holders from 998 to 1,358 by 1976. According to their projections 130 professional development courses will be required in 1976 for

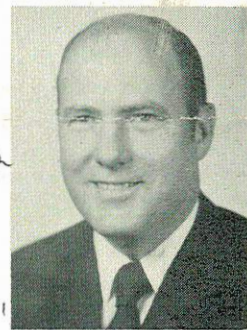
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New Member Of Society Staff

Bernard W. Gratzer, a native of Louisville, joined the staff of the Kentucky Society on February 15, 1972.

Mr. Gratzler is 33 years of age and lives with his wife Valerie and their three daughters at 306 Eline Avenue in Louisville.

"Ben" as he is known to his friends and associates, is a graduate of The Citadel with a BS degree in Business Administration and received his MBA from St. Bernadine of Siena College, Albany, New York. From 1960 to 1971, Mr. Gratzler was a career army officer in



Bernard W. Gratzler

the field artillery branch and held the rank of major. His military career covered a three year tour of duty in Germany and two tours of duty in Vietnam. During service he received the Army Commendation Medal, Meritorious Service Medal, the Bronze Star, Combat Infantryman's Badge, and the Legion of Merit.

Mr. Gratzler's position will be that of Assistant Executive Director.

March Meeting Awards Night

Successful candidates in the November CPA Examination will be recognized at the March 24 meeting of the Society at Executive Inn. Of the 46 successful candidates, 30 are expected to receive certificates.

This will be a Ladies Night program and the speaker of the evening will be Mr. Ray McCormick, Manager of Consumer Relations for Texas Gas Transmission Corporation. Mr. McCormick is a widely known humorist and inspirational speaker.

This meeting will also be election night for seven new directors of the Society whose terms of office on the Board are for three years. A list of the nominees has already been sent to each member of the Society with the meeting notice.

Make your reservations by contacting the Society Office.

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**THE KENTUCKY SOCIETY
 OF CERTIFIED
 PUBLIC ACCOUNTANTS**

310 West Liberty, Louisville, Ky. 40202

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Meet The New Members

Michael Gilliam Ayers, born in Bowling Green, is a graduate of Western Kentucky University. He is on the staff of Ernst & Ernst, Louisville.

Charles E. Bartlett was born in Tippecanoe County, Indiana and graduated from the University of Louisville. He is associated with the CPA firm of Cox & Oldham, Louisville.

Bruce J. Roth is a native Louisvillian and a graduate of Northwestern University. He is on the staff of Louis T. Roth & Co., Louisville.

**48th Annual Meeting
 Offers Balanced Program**

Many Society members have already made reservations through the Society Office for rooms at Barkley Lodge, the site of the 48th Annual Meeting of the Kentucky Society. The entire park has been reserved by the Society but reservations should be made as early as possible.

The Professional Development Board has scheduled the seminar course *Unaudited Financial Statements*, for Wednesday, May 31, with George P. Fritz serving as the discussion leader.

On Wednesday evening, the Annual Meeting will get under way with the President's Reception and Buffet Supper followed by the very popular "Casino Night." Other entertainment functions include a Country Western Barbecue Supper and Square Dance on Thursday evening, Dinner-Play Theatre on Friday evening. The Golf Tournament and Fishing Tournament are scheduled for Friday afternoon.

A special program is being planned for the ladies.

Thursday and Friday mornings will be devoted to technical sessions with the Annual Business Meeting coming Thursday followed by the Installation Luncheon.

All room reservations are being made through the Kentucky Society Office. Should all the facilities at Barkley Lodge be filled, the closest accommodations will be in Cadiz, approximately five miles from the Lodge.

CALENDER OF EVENTS-YEAR 1972-73

1972	
3/24	Dinner Meeting (Awards, Ladies Night) Executive Inn, Louisville
5/1-3	AICPA Spring Council MeetingBoca Raton, Fla.
5/10-12	CPA ExaminationKentucky Fair & Exposition Center, Louisville
5/31	PD course, <i>Unaudited Financial Statements</i>Barkley Lodge, Cadiz
5/31-	Annual Meeting—Kentucky SocietyBarkley Lodge, Cadiz
6/1-3	
6/11-14	Southern States Conference of CPAsLittle Rock, Ark.
6/23	PD course, <i>Basic Concepts in Estate Planning and Corporate Liquidations</i>Executive Inn, Louisville
7/14	PD course, <i>Estate Planning for Executive or Professional Person</i>Colonel Sanders' Inn, Louisville
7/28	PD course, <i>Subchapter S Corporations and Multiple Corporations</i>Executive Inn, Louisville
8/18	PD course, <i>Estate Planning for Owner of Closely-Held Corporation and Source and Application of Funds</i>Colonel Sanders' Inn, Louisville
9/22	Dinner Meeting (Awards, Ladies Night) Executive Inn, Louisville
10/1-4	Annual AICPA MeetingDenver, Colo.
10/26-27	PD <i>Workshop on Individual Income Tax Returns</i> Executive Inn, Louisville
11/1-3	CPA ExaminationKentucky Fair & Exposition Center, Louisville
11/17	Dinner MeetingExecutive Inn, Louisville
12/7-9	Annual Kentucky Institute on Federal Taxation Galt House, Louisville
12/9	Annual Christmas PartyGalt House, Louisville
1973	
1/19	Dinner MeetingExecutive Inn, Louisville
3/23	Dinner Meeting (Awards, Ladies Night) Executive Inn, Louisville

President's Message (Continued From Page 1)

the continuing education program (after deducting 25% of the registered CPAs and public accountants for in-house training courses and those not in public practice).

PUBLIC RELATIONS PROGRAM—*Director, David A. Sugg*

COMMUNITY SERVICES—*Bernard R. McGinnis, Chairman* The services of the committee have been offered to the Housing Opportunities, Inc. and Metropolitan Foundation of Louisville to assist and advise in the financial counseling area. To date no services have been requested.

PUBLIC RELATIONS—*Robert C. McBride, Jr., Chairman* The committee has forwarded a series of articles offering advice on filing 1971 federal income tax returns to 167 newspapers in the State of Kentucky. Another series of articles involving "Wives Urged to Familiarize Themselves with Family Finances" was published by 9 papers throughout the state. The committee conducted a survey to determine the interest of the members regarding various types of monthly dinner meeting subjects and topics. This survey will be quite helpful in the planning of future meetings.

A taped program to provide "timely tips for family money managers" was also sent to 34 radio stations throughout the state. The Kentucky Society of CPAs is identified as a sponsor of each of the ten announcements included on the tapes. The committee has been very active and carried out a very aggressive program during the year.

COOPERATION WITH THE BAR—*Greene A. Settle, Jr., Chairman* The committee has worked actively to seek agreement with the bar associations of Kenton, Boone, Campbell and Fayette counties similar to that in existence between the Kentucky Society and the Louisville Bar Association. In response to this move, Kenton County Bar Association has responded favorably and their executive committee has approved the agreement. Progress in Campbell and Boone counties has not been as favorable; however, it is still under consideration and may move forward in the near future. The proposition will be presented to a committee in Fayette County at their next meeting.

COOPERATION WITH BANKERS AND OTHER CREDIT GRANTORS—*J. Mark Adams, Chairman* The committee has held several meetings this year all of which have been well attended. The committee intends to initiate an "In-House Training Program" for young bankers at the junior executive level based on the program developed by the California Society. The pilot program was held in Louisville on February 9.

COOPERATION WITH STATE GOVERNMENTAL AGENCIES—*David L. Chevenak, Chairman* In December the committee met with representatives of the Kentucky Department of Highways to consider the question of substitution of securities for a retained percentage withheld on contractors by the state and the subsequent effect of this substitution on the contractor's balance sheet. The meeting resulted in agreement between the department and the committee which was the subject of a special bulletin to all members in December.

COOPERATION WITH INTERNAL REVENUE SERVICE—*J. Lane Peck, Chairman* The committee held its annual meeting with the Internal Revenue Service in December and intends to remain in touch and discuss problems as they arise. An extensive report of this meeting was published in *The Kentucky Accountant* in November.

RELATIONS WITH COLLEGES AND UNIVERSITIES—*James D. Gates, Chairman* The committee has met several times and has contacted chairmen of the accounting departments of Kentucky's colleges and universities in order to seek their views on how the Kentucky Society of CPAs can better be of service to them and their students. Personal contacts have also been made. Out of these communiques and meetings special programs have been developed for educators

(Continued on Page 4)

Open Letter To Members re Scholar- ship Program- Education and Memorial Foundation

Dear Society Member:

The Education and Memorial Foundation of the Kentucky Society has recently announced that five partial college scholarships will be offered on a competitive basis to current high school seniors. Each scholarship will require an outlay of \$250 of the Foundation's funds or a total outlay of some \$1,250. With only \$4,000 in the Foundation treasury at present, this means that we will need added contributions to be able to keep the educational program going in the future.

We expect that the program should bring considerable benefits to the accounting profession in the form of: (1) An increased interest in and aid towards accounting education; and (2) Education of the public as to the activities of CPAs.

Your contribution will help carry out these objectives.

Sincerely,

R. J. Fitzpatrick

Chairman, Board of Trustees

RJF:dk

Savoie To Leave AICPA

Leonard M. Savoie, who in 1967 accepted an invitation from the American Institute of CPAs to serve for five years as its chief full-time executive officer, will complete his agreed commitment at the end of June and will leave the Institute to pursue other professional interests.

Mr. Savoie, previously a partner in the accounting firm of Price Waterhouse & Co., filled this post with great energy and distinction. During his tenure the profession formulated numerous new accounting guidelines designed to provide increased information for the investing public.

Mr. Savoie has not yet announced his future plans, nor has the AICPA yet considered a successor. Mr. Savoie will remain in his present post until the completion of his contract on June 30.

President's Message (Continued From Page 3)

and information has been forwarded to the Committee on Accounting Career Opportunities.

SPECIAL COMMITTEES PROGRAM—Director, Leroy E. Gardner

BYLAWS REVISION—Talmage W. Brown, Chairman This committee also has been busy during 1971-72 and has produced suggested changes in the bylaws in three major areas:

1. Housekeeping changes to revise the month in which directors are elected.
2. To establish a trial board and provide procedures for its operations when and if necessary.
3. To establish authority for chapter organization in Kentucky, authorizing the establishment of rules and regulations for chapters, if any, which are established as the Board of Directors may prescribe.

These changes were adopted by the membership in February 1972.

AD HOC COMMITTEE ON QUALITY CONTROL—Rodney D. Veitschegger, Chairman The committee has been reviewing and analyzing the need for quality control of the profession and in connection therewith has studied reports of the American Institute committee on this subject as well as other avenues of significance. The committee believes that the Kentucky Society should work closely with the American Institute in establishing professional quality control. They further suggest that credit should be given for such reviews under the proposed program of compulsory continuing education. The committee has suggested that retired CPAs, to perform quality control reviews of practitioners and the firms, should be called on to execute the program, a view which differs from that of the American Institute. The committee has presented some good points and the report will be considered by the Board of Directors.

AD HOC COMMITTEE ON STATE SECURITIES—Thomas K. Baer, Chairman The Division of Securities, Department of Banking & Securities of the Commonwealth of Kentucky, called on the Kentucky Society for assistance in the development of proposed amended legislation concerning Kentucky securities law. A cover letter gives credit to the Kentucky Society of CPAs for its assistance in this endeavor. Our committee assisted the division in the preparation of its proposed amended legislation to define several financial terms and to develop financial requirements regarding the sale of securities in the Commonwealth of Kentucky for new issues and continuing sales. Our committee has worked diligently with the division and has helped to develop several needed changes to protect the public as well as to improve informational requirements for new securities.

COOPERATION WITH LEGISLATIVE RESEARCH—Martin I. Welenken, Chairman The committee has been working with the Legislative Research Commission and the Corporation Law Revision Advisory Committee during the development of proposed legislation regarding corporation law in the Commonwealth of Kentucky. The committee has assisted the Research Commission and the Advisory Committee in the preparation of defined financial statements and other financial aspects of the law. A summary of the new provisions of the law proposed will be made available in the near future.

LEGISLATION COMMITTEE—L. Coleman Coffey, Chairman The committee has reviewed several matters for the meeting of the 1972 General Assembly. A number of measures need our support and some may arise where we might wish to object. We may be calling on the Legislation Committee to express our interest in either event. Meanwhile they have been working diligently to learn of the situations which may arise and in which we are interested.

(Continued on Page 5)

**Timely Tax Tips Heard,
State Radio Stations**

Thirty-four radio stations throughout the state have accepted our offer of tapes covering 41 timely tax tips. They are:

<i>City</i>	<i>Station</i>
Albany	WANY
Beattyville	WLJC
Benton	WCBL
Bowling Green	WBGN
Cadiz	WKDZ
Cynthiana	WCYN
Eminence	WSTL
Frankfort	WFKY
Hardinsburg	WHIC
Hazard	WKIC
Henderson	WSON
Hopkinsville	WKOA
Jamestown	WJRS
Lebanon	WLBN
Leitchfield	WMTL
Lexington	WLAP
Lexington	WVLK
Louisville	WAKY
Louisville	WAVE
Louisville	WHAS
Louisville	WSTM
Mayfield	WNGO
Middlesboro	WMIK
Morehead	WMKY
Morehead	WMOR
Mt. Sterling	WMST
Neon	WNKY
Newport	WNOP
Nicholasville	WNVL
Paducah	WKYX
Prestonsburg	WPRT
Somerset	WSFC
Vanceburg	WKKS
Vanceleve	WMTC

Firms And Firm Changes

Kenneth W. Clancy has opened an office for the practice of public accounting in the Nolen Building, 2100 Gardiner Lane.

Ronald W. Abrams and *George P. Fritz* were recently admitted as partners in the firm of Lybrand, Ross Bros. & Montgomery.

Edward J. Mudd, *Bernard W. Kosse* and *Robert J. Caster* have formed a partnership for the practice of public accounting under the firm name of Mudd, Kosse & Caster with offices at 1555 Bardstown Road, Louisville.

Bellamy and McCord have moved their offices from 1626 Nicholasville Road in Lexington to 152 East Reynolds Road, Lexington.

Alexander Grant & Company have moved their Louisville office to the new Citizens Plaza Building, Fifth and Jefferson Streets, Louisville.

Compulsory Continuing Education Delayed

Recently a special memorandum was sent to all permit holders concerning a proposed change in the Kentucky Accounting Law contemplated for the current session of the General Assembly. Basically, the change would have enabled the Kentucky State Board of Accountancy to draft regulations requiring compulsory continuing education as a prerequisite for the annual renewal of a permit to practice.

This subject was discussed at length at a meeting of the Legislation Committee held in Frankfort on February 11, 1972. Several members of the profession attended the meeting to express their opinions on the proposed change to the Accounting Law. As a result, upon the committee's recommendation, the Society's Executive Committee decided to postpone any changes to the Accounting Law. The primary reason for a decision was evidence that there would be opposition to the proposed legislation from within the profession. It was felt that the profession must first be in accord on any such matter before it can be successful in the General Assembly.

Currently the Society plans to work toward the development of some meaningful "guidelines" designed to promote better understanding among members of the profession as to the effect a compulsory continuing education program would have on them. Any such guidelines would be furnished in draft form to everyone as a matter of information. Later such guidelines may be adopted as a matter of policy.

President's Message (Continued From Page 4)

PROFESSIONAL ETHICS COMMITTEE—*William T. Smily, Jr., Chairman*
This committee has been busy this year, not with complaints but to acquaint itself with the happenings in the area of professional ethics with the American Institute of CPAs. According to its report, only one complaint has been received this year which is good news. Various questions have been referred to the Ethics Committee and it has responded with good judgment and on a timely basis.

Special Bulletin From Hospital Accounting Committee

January 24, 1972

UNEMPLOYMENT COMPENSATION INSURANCE FOR HOSPITALS

Amendments to the Unemployment Security Act provide that the States extend unemployment insurance protection to employees who perform services for non-profit hospitals. The state of Kentucky must enact new unemployment compensation legislation to affect these amendments no later than July 1, 1972. The amendments provide that the state allow non-profit hospitals the option of paying the normal contribution rate or the option of reimbursing the state on an actual claims paid basis. The normal state contribution rate at the time that a non-profit hospital is first covered by unemployment insurance will be applicable if the hospital elects that option, however, the federal unemployment tax is not applicable to the services of non-profit hospitals. The amendments require each state to extend coverage to employees of state operated hospitals and hospitals of political subdivision of each state (city, county, municipal, etc.). These government operated hospitals have the option of electing whether or not employees of their hospitals shall be covered under the state unemployment insurance program. An exception which pertains to political subdivision hospitals is that they must use the method of reimbursement for actual claims paid.

BLUE CROSS APPROVAL OF HOSPITAL RATES

Prior to Phase I of the Economic Stabilization Act, the hospitals' contract with Blue Cross allowed them to include projected operating cost and certain capital needs in arriving at the amounts of rate increases. As an auditing procedure it is suggested that this contract be reviewed in relation to any increases in rates and revenue that were received on this basis. For example, if a hospital included cost of an expansion program in the rates that were approved and the expansion program was subsequently cancelled a liability could exist for the portion of these increases represented by Blue Cross claims.

PHASE II OF THE ECONOMIC STABILIZATION ACT

Hospitals were issued special guidelines under Phase II which were published in the Federal Register on December 30, 1971. Price increases for institutional providers such as hospitals and nursing homes will be allowed only when justified by allowable cost, adjusted for productivity gains and limited where appropriate by a base period profit margin. Ordinarily, cost increases in excess of the above guidelines will not be considered as allowable cost. Basically, institutional providers can increase prices up to 2½% without prior approval from IRS. However, Blue Cross should be contacted whenever any major increases in rates are anticipated. Any price increases over 2½% and up to 6% must be reported to IRS and the Medicare Intermediary (Blue Cross) with appropriate cost justification. Any increase in prices in excess of 6% must be treated as an exception and will require a filing of exception application with IRS. Basically, as to wage and salary increases, hospitals would be subject to the same regulations as other industries. However, there could be exceptions to this general rule in which case the regulation mentioned above should be reviewed and contact should be made with Blue Cross and/or the local office of the IRS.

OPPORTUNITY — LOUISVILLE

CPA — Semi or Senior Accountant — Minimum 2 years experience. Immediate or near term partnership — \$12,000-\$18,000. Write Box H, The Kentucky Accountant.

Around The State

Ronald Roe, formerly of the Louisville office of Ernst & Ernst, has recently moved to the Miami office of the firm.

Frank McCracken, formerly with Ernst & Ernst, is now associated with the Appalachian Regional Hospitals in Lexington, Ky

Relmond P. VanDaniker, Professor of Accounting at U of K, is co-author of an article in the February '72 issue of the *New York CPA*. Co-authors are Don Madden and Lewis McCullers both CPAs and also on the accounting teaching staff at U of K.

Robert Warren is serving as an instructor for a course on income tax preparation offered by Eastern Kentucky University.

David McKee spoke to the members of the Kentucky Ready-Mix Concrete Association at their annual meeting in Louisville. His topic was "Phase II, Economic Controls."

Joseph L. Hanson, formerly with Peat, Marwick, Mitchell & Co., is now associated with Monroe Shine & Company in New Albany.

Robert Southall was the principal speaker at the February meeting of the American Society of Women Accountants meeting in Louisville on the subject of "Estate and Trust Administration."

Roger Huston was the speaker at the Owensboro Estate Planning Council on February 28—his topic "Highlights of the 1971 Revenue Act."

Robert Summerbays, formerly with Lybrand, Ross Bros. & Montgomery, is now associated with Touche Ross & Co. in Louisville.

Charles Gray was the guest speaker at the Whitesburg Lions Club in January. His subject "Taxation."

James Breen was the principal speaker at the February 17 meeting of the Credit Women's Association of Louisville; his topic — "Internal Control and Employee Frauds."

Edward Schrecker was the principal speaker at the February 22 meeting of the Crittenden County Lions Club. His subject was the "Major Changes in the Income Tax Law."

DO WE HAVE
YOUR CORRECT
ADDRESS???

New Members, AICPA

The following have recently been elected to membership in the American Institute of CPAs:

Robert Watson Walker, Ashland

Louis M. Hardman, Jr., James Carl Tunstill, and John Michael Sullivan, Lexington

H. Shane Jones, Meryl D. Noe, Thomas R. Pope and Raymond Jay Schwartz of Louisville

Caleb B. Cooley, Pikeville

Russell M. Mercer, Scottsville

SOUTHERN STATES
CONFERENCE OF CERTIFIED
PUBLIC ACCOUNTANTS
Little Rock, Arkansas
June 11-14
See the advance program
enclosed for details.

Nancy B. Davis of Lexington is a newly elected member of the American Woman's Society of Certified Public Accountants.

Mark Smallwood spoke to the Lexington Estate Planning Council on the subject "FHA-Financed Tax Sheltered Housing" at its February 1 meeting.

Robert E. Martin, formerly with Ernst & Ernst in Atlanta, has accepted a position as controller of Charter Medical Corporation, a Georgia based health care industry in Macon.

Robert B. Lindsey, Jr., formerly on the staff of Lybrand, Ross Bros. & Montgomery, has accepted a position with Kingsford Company in Louisville.

Members' Views On Restated Code Sought

AICPA Council will discuss the proposed statement of the Institute's Code of Professional Ethics at its Spring meeting to be held on May 1 through 3 in Boca Raton, Florida. In order that members of the Institute might review the text of the Restated Code and submit comments to their Council representatives prior to the Spring meeting, copies of the restatement were mailed to all Institute members in early February.

This is a project of major significance to the profession and the public it serves, and requires mature consideration by the entire profession. Although the Rules of Conduct which were adopted over the years were codified in 1964, the restatement is the first complete revision of the profession's code of ethical standards.

This is important to all members of the Kentucky Society since the bylaws provide that "the rules of professional conduct of the Society shall consist of the Code of Professional Ethics of the American Institute of Certified Public Accountants as now constituted and as may be hereafter amended." All members are encouraged to carefully study the draft and make your views known to Kentucky Members of Council. Members of Council are: Leroy E. Gardner, Joseph P. Jones, Jr., Nolen C. Allen and Gordon Ford.

Meeting Of Central Kentucky Association

The Central Kentucky Association of CPAs held a joint meeting with the Fayette County Bar Association on February 22 at the Springs Motel in Lexington.

Attended by approximately 50 CPAs and attorneys from the area, the meeting featured an address by Judge Scott Reed of the Kentucky Court of Appeals. His topic was "Inter-relations between the Professions of Accounting and Law" and included the areas of professional liability and privileged communications. Judge Reed cited an increased emphasis on joint cooperation between the two professions and offered many suggested topics for future cooperation and communication.