

The Kentucky Accountant

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Number 5



Nolen Allen

P R E S I D E N T , S M E S S A G E

TIME FLIES — And here we are at the end of another President's term. I am sure for most of you it was just another small step in many years of progress for the Kentucky Society. For me, it was more than just another year. I have enjoyed immensely the opportunity to work with the committees this year. They have carried out their functions superbly. To them, we must attribute any accomplishments. In addition to the many regular committees whose service is the backbone of our professional activity, there are some special ones that deserve our gratitude and our efforts to carry out what they have begun.

The Legislative Committee chairman, *John E. Brown*, spent many, many hours of work to develop accounting legislation for our Society. There seems to be an unusual degree of unanimity within our ranks on the provisions of this legislation. It was developed with the purpose of being prepared in case any efforts were made by others to change our legislation. After seeing what seems to be substantial agreement among our members on its contents, I now believe we should press forward, beginning now,

to prepare for its submission to the 1968 Legislature. Yet, they will never be accomplished unless *WE ACT*.

The Practice Review Committee under the direction of *Leroy Gardner*, has developed a Kentucky Society Practice Review Program. The brochure and promotional material are being published now. This can do more than any one thing to increase the level of competence in audit reporting. Let's make it work! We must submit, and seek ways to get other groups to submit, all reports that are questionable examples of practice. Standard work by one CPA is a reflection on all of us.

The Economics of Accounting Practice Committee, with the hard work of chairman *Talmage (Tom) Brown*, has completed the study and the results are now being tabulated. They should prove interesting and helpful to all Kentucky CPAs.

The Members in Commerce, Education and Government Committee have made a step forward toward a closer cooperation of that large group of members in Society affairs. Chairman *M. D. (Pete) Ross, Jr.*, did an excellent job in this.

The State Taxation Committee with *John M. Ross* taking the lead, is lending the profession's help in the development of improved income tax forms. We must continue this in the area of Kentucky tax legislation. I believe we are one of the few groups that can speak for the general taxpayer in this area.

The CPA Consultation Service has

been formalized this year, and should be in actual practice within a few months. *Frank G. Overton* is chairman of this committee.

Professional Development, under the able direction of *Asa L. Hord* has continued to expand the opportunities for continuing education to our members. For the first time this year, we had regional courses in areas where only a small number of CPAs could be expected to attend.

Relations with Colleges and Universities with *John A. Tichenor* as chairman, worked hard to strengthen the relationship between the profession and the men who are training our future associates. This close relationship must be continued and improved.

The Accounting Career Opportunities Committee, with *Robert (Bob) Fitzpatrick* as chairman, took the lead in the organization, Accounting Careers Council. The function of this committee is absolutely vital to the future of our profession.

I personally, and all the Society, appreciate your service, Committee Chairmen!

Don't Forget!
FORTY-THIRD
ANNUAL MEETING

FRIDAY — MAY 26, 1967
Executive Inn — Louisville

Social Period 5:30
Dinner 6:30

Election — Awards

**THE KENTUCKY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

310 West Liberty, Louisville, Ky. 40202

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Executive Secretary

Nolen C. Allen
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Frank G. Overton

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Alabama Coaching Course

Due to the demand, the University of Alabama has scheduled a *summer session* of the CPA Review Courses. The spring session is full and the fall session is filling rapidly.

The summer session will begin on June 26 with Theory and end on July 29 with Law.

All classrooms are air conditioned and air conditioned dormitory rooms are available. Persons interested should register immediately. Write CPA Review Courses, P. O. Box 2742, University, Alabama 35486.

The schedule is as follows:

- June 26 - July 1 — Theory
- July 3 - July 8 — Auditing
- July 10 - July 22 — Practice
- July 24 - July 29 — Law

NEW MEDICARE AUDIT REQUIREMENTS AND GUIDELINES

Reprints, Ohio Society "Newletter"

The Social Security Administration has recently issued a letter describing selected audit requirements and guidelines applicable to annual cost report forms of providers for the purpose of determining reasonable costs for reimbursement under Medicare. Principal audit requirements are:

1. All provider costs applicable to Medicare beneficiaries are subject to audit.
 2. Intermediaries (i.e., Blue Cross, private insurance companies) are to arrange for audit of provider costs before final settlement is made for reimbursable costs claimed by provider.
 3. Audit shall be independent and in accordance with generally accepted auditing standards. Must meet at least requirements of instructions and guidelines issued by the Social Security Administration.
 4. Intermediary is to take appropriate measures to assure itself of independence of audit. Where intermediary contracts with provider's outside auditor, intermediary is to determine degree of reliance to be placed on such audit.
 5. Except to the extent inconsistent with intermediary's instructions, audit must be sufficiently comprehensive to permit expression of opinion as to fairness of provider's costs as defined in Social Security Act and Principles of Reimbursement for Provider Costs.
 6. Audit of provider costs will be subject to such tests and re-audits by intermediary as it deems necessary and appropriate; intermediary has right at all times to review and reassess acceptability of any organization used to audit provider costs. Social Security Administration may also take such action as it deems necessary to assure effective independent audit.
 7. The Audit Agency, Department of HEW, will appraise effectiveness and acceptability of intermediary's audit of provider costs. Agreement between intermediary and the auditing capability is to include specific provision making working papers, internal control surveys, audit programs and reports available to the Audit Agency.
- Where the intermediary (a) maintains as part of its own operation a provider audit capability, (b) purchases from outside accountant's services which may be expanded to cover provider costs, or (c) purchases audit services from organization other than an accounting firm (e.g., Hospital Cost Analysis Service, Inc. of Maryland) it may use any one or any combination of the arrangements that assures efficient and economical independent audit.
- If the intermediary has none of these arrangements, it may (with no order of preference) establish its own audit organization, contract with a CPA or PA, or contract with the provider's independent CPA or PA to accomplish the necessary cost verification.

Staff Training Program Fee To Be Increased

The Professional Development Division of the American Institute has informed us that because of general increases in costs, the price of the popular Staff Training Program will be increased to \$325, effective June 1, 1967. All registrations received prior to that date will be accepted at the old price of \$295 for the 2-week program.

Published by
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Full House At Kenlake

All of the rooms and cottages were needed to house the registrants for the April 27-30 West Kentucky Conference on Accounting at the Kenlake Hotel. This is the first year that all facilities have been available and have been fully occupied.

As a prelude to the Conference, the two-day professional development course "Audits of Savings and Loan Associations" was presented by the PD Committee. Full registration for the course accounted for some increased attendance. In addition, more members brought their wives this year to enjoy the relaxing atmosphere and entertainment features.

The official program began Thursday evening with the President's Reception. This is the annual "mixer" event, where old friends meet and new members get acquainted.

Chairman *Robert Lyons* opened the meeting at 9:15 A.M. where over 100 had gathered to hear a discussion of "management services" by Mr. Robert Whipple of Indianapolis. The second session consisted of a panel of Society members *Karl Link, John Owens* (who flew down in the early morning in his plane), and *Jim Scott*.

The afternoon was devoted to golf and fishing, and most of the ladies played bridge. The annual banquet climaxed the Friday activities. Winner of the golf trophy was Roy Alexander of Alexander Investments, one of the exhibitors, for the low score and James Polk of Hopkinsville won the "broken putter" trophy for the high score.

In the fishing contest, Craig Bradley won the prize for most and John Meredith the prize for the largest fish. Prizes in the bridge tournament were awarded to Mrs. James Ratcliffe, Mrs. James Lynch and Mrs. Jerry Harris. Miss Katherine Peden, Commissioner of Commerce of the Commonwealth of Kentucky, was the banquet speaker and her address was excellent. The Saturday morning sessions were devoted to Recruiting of Accounting Personnel by Mr. James Galloway, Placement Director of Bowling Green University, Ohio; and Current Activities of AICPA by Dave Lanman, Director of Membership Relations of the American Institute.

The committee this year planned

Professional Development

Kentucky again made the "honor roll" for the calendar year 1966 by being one of those states having 25% or more of their members participating in AICPA prepared courses. Kentucky's percentage was 39.93; only five states having 400 or more members had a higher percentage.

The regional course "Auditing EDP Installations" recently concluded ended with a total registration of 35.

"Audits of Savings and Loan Associations" is scheduled for June 8-9 in Lexington and "Long-Form Reports" of the Writing Audit Reports series is scheduled for June 23 at Executive Inn in Louisville.

Shortly each member will receive the letter from the Professional Development Committee together with a list of course offerings. The purpose is to determine the courses most desired by our members. Please answer the survey immediately and return it to the Society Office.

and carried out a most excellent meeting and all who were in attendance will be planning to return again next year.

Golden Anniversary of CPA Exam in Kentucky

Fifty years ago on May 24-25-26, 1917 the first CPA examination was administered by the first State Board of Accountancy of Kentucky. Examination was held in Louisville.

Auditing was the exam given on the morning of the first day, and Commercial Law in the afternoon. Theory was divided into two sections and was given on the second day, and Practice was also divided into two sections and given in the morning and afternoon of the third day.

The Board Members conducting the examination were J. R. Mayes of Louisville, R. E. Klein of Ft. Thomas, and T. C. Conley of Catlettsburg, Ky. They were the holders of certificates No. 1, 2 and 3 and designated themselves "CPAs" after appointment to the State Board.

There is no record of how many candidates were examined at this first examination, but 2 certificates were issued as a result of the examination, and both certificate holders were residents of Cincinnati, Ohio.

American Institute Fills Two New Executive Posts

The American Institute just announced that 2 staff vice presidential positions have been created to equip the 60,000 member professional society in meeting present and future demands for services to business and the public.

Leonard M. Savoie, a partner in the firm of Price Waterhouse & Co., has been named executive vice president, to take office July 1. He will have responsibility for the Institute's professional and technical activities.

On the same date, John L. Carey, the AICPA's executive director since 1947, will assume the post of administrative vice president. As such, he will continue to be chief of the Institute's headquarters staff.

Traditionally, the presidency of the professional society has been a voluntary position held by a practicing CPA for a term of one year. This practice will be continued.

Hilliard R. Giffin, senior partner of Giffin, Hills & Carruth, Fresno, California, and current Institute president, announced the organizational moves at a luncheon at the University Club in New York.

"This is the most far-reaching change in the executive structure of the American Institute of Certified Public Accountants in 30 years," he said. "During that period, the ranks of CPAs have grown greatly, doubling every decade."

Mr. Savoie, 44, was born in Cuyahoga Falls, Ohio, and joined the Chicago staff of Price Waterhouse & Co. in 1946 upon his graduation with honors from the University of Illinois. He had previously served three years with the U.S. Army. He became a CPA in 1947 and a partner of the firm in 1960, moving to New York in 1962.

Around The State

Steve Hill participated in Career Day activities at Southern High School in Louisville.

Gordon Ford was one of the featured speakers on the Annual Meeting of Indiana Association of CPAs at French Lick on May 12; his topic "The Importance of Improving our Public Relations."

Jerry Harris served as a career consultant at the Whitley County High School early in April.

The following members have been elected to membership in the American Institute of CPAs: *Thomas C. Blair, Lawrence F. Campbell, and James A. Polk* of Hopkinsville; *Irwin Jay Abraham, Ronald C. Bann, Alfred J. Carpenter, John S. Gann, Jr., James Stephen Lammore, Ray Ludwick, Richard Steinmetz, Homer S. Strader, Jr.* of Louisville.

Ken Binger was one of the featured speakers at the April meeting of the Louisville Chapter Institute of Internal Auditors—topic "EDP and the Auditor."

Leon Williams of Paducah participated in Career Day activities at the Reidland High School in April.

Charles Mays was recently elected vice president of the Louisville Jaycees.

Algin H. Nolan is one of 13 candidates for election to the City Council of Mt. Sterling, Ky.

Ray A. Ludwick represented the accounting profession at career activities in May at Flager High School, Louisville.

Revised Standard Bank Confirmation Forms

The 1966 revision of the Standard Bank Confirmation Inquiry form, which was approved by both NABAC and AICPA is now available. There are some fundamental changes in the form from the 1961 version. Members' attention is directed particularly to the newly added section 5 on the form where reference is made to the Uniform Commercial Code which has now been adopted by nearly every state.

CPA NEEDED — Immediate opening for CPA with audit and/or management services background, in medium size local firm. Salary — \$12,000-\$14,000. Partnership opportunity within 12 to 18 months. Send resume in confidence to Box D, Kentucky Accountant.

Accounting Practice For Sale
Old established writeup and tax — grossing \$20,000 - \$25,000.
Write Box Z, Kentucky Accountant.

CPA has private office available.
All facilities — unfurnished — downtown location.
Write Box C, Kentucky Accountant.

Life Membership

This classification was recently established by the Board of Directors of the Society after a change in the by-laws was voted by the membership. In order to be eligible for "Life Membership" a member must have attained the age of 65 and have been a member of the Kentucky Society for 15 years. Life members are exempt from paying dues.

Because records in the Kentucky Society Office do not reflect the age of some members, such a classification is not automatic but a notification in writing to the Society Office will be satisfactory.

Library Additions

"Accounting — A Programmed Text" (2 volumes)

Authors — James Don Edwards, Roger H. Hermanson, R. F. Salmonson
A Review by Louis A. Grief, CPA, Instructor of Accounting, U of L

The authors are to be commended on their excellent adaptation of such a vast and detailed area as introductory accounting into a programmed text. The reader is given a discussion of a subject, adequately illustrated with examples and forms. He can immediately test his comprehension of the subject by use of the programmed questions in the area. A correct answer will lead to a discussion of a new area, but a wrong answer gives an explanation to clarify your incorrect reasoning and then you are returned to the original question. The text of each chapter is supplemented with a glossary, questions and exercises and an abundance of appropriate problem material. Each volume contains a set of closely related student review questions and answers to each chapter.

The "scrambled" programmed approach used in these texts tends to increase the volume of page turnings; however, this is offset to some extent by the clarity with which accounting is portrayed to the reader. A reader, unfamiliar with the fields of accounting, receives a full and vivid description of accounting functions, asset valuation, income determination, financial analysis and management controls with a minimum of instruction.

These texts are perfectly adapted for any use in introductory accounting. Volume I covers financial accounting and areas of financial management. This is an ideal first semester course for all business majors. Volume II handles with comprehensible simplicity the area of managerial accounting and other areas of accounting importance. This volume could be used to round out the non-accounting major curriculum in accounting, while accounting majors could omit this volume and move into advanced areas of accounting where they will later receive similar information in more detail. These books should become a part of every library regardless of their classroom adoption. Students should be well informed of their use and self-teaching ability. Used as a basic text or for supplementary class room use "Accounting — A Programmed Text" is to be recommended. (Published by Richard D. Irwin, Inc., Homewood, Ill. \$11.95 ea. volume.)