

THE Kentucky ACCOUNTANT



BULLETIN OF THE KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Vol. I

OCTOBER, 1949

No. 8

Morton Says CPA's Should Offer More Advice on Tax Revision

Speaking at the first fall meeting of the Kentucky Society of Certified Public Accountants, at the Seelbach Hotel, Louisville, on Friday, September 23, 1949, Thruston B. Morton, chairman of the board of Ballard & Ballard, Louisville, and member of Congress from the third Kentucky Congressional District, expressed his appreciation of the efforts made by CPA's to secure a complete overhauling, revision, and simplification of the Federal tax structure. More advice from professional tax men will be needed as the work of revision goes forward, he said.

For almost two decades, Morton stated, "we have witnessed continued concentration of the nation's business into the hands of a few large corporations. This is the direct result of our tax system and not due to some Wall Street bugaboo developed by political orators who either are ignorant of the basic economics of the free enterprise system or unwilling to face the economic facts of life."

Morton pointed out that present Federal tax laws discouraged capitalists from investing funds in business enterprises, since tax-free securities assure them *greater* income with *less* risk. "If the capitalist free enterprise system is to continue in this country, Congress must immediately go to work on our entire tax structure," he said.

Congressman Morton was introduced by Gordon Ford, the Society's immediate past president and chairman of the Committee on Meetings. President Waller Grogan presided over the session, at which Kentucky CPA certificates were presented to those who earned them by passing the May, 1949, certified public accountant examination given by the Kentucky State Board of Accountancy. John S. Pétot, Sr., board president, made the presentation, and delivered a brief address welcoming the nine successful candidates to the ranks of Kentucky CPA's.

Tax Planning and Prospects Discussed At Panel Session

Tax analysts from the editorial staff of the Research Institute of America spoke at the Brown Hotel, Louisville, on October 18, 1949, presenting a series of three lectures on tax planning, business values, and prospective tax legislation. The program was arranged by C. R. Waggoner, Louisville, regional representative of the Research Institute, who invited Society members and public accountants throughout Kentucky to attend.

Those who were able to attend heard excellent talks by William E. Jetter, director of the Institute's Washington Tax Bureau; William J. Casey, New York, chairman of the Institute's board of editors; and Addison B. Clohosey, Washington member of the Institute's executive staff. Jetter pointed out that many tax opportunities must be developed *during* the taxable year. Casey outlined several devices by which the impact of taxes may be minimized when a business must be sold, transferred at death, or otherwise disposed of. Clohosey, who stays in close contact with legislative, administrative, and judicial activities in the tax field, made a number of interesting predictions about the future of tax law, regulations, and decisions.

Society President Waller Grogan, Executive Secretary Earle B. Fowler, and member Louis E. Ackerson were among the guests of the Research Institute at an informal dinner preceding the program. Attorneys present, in addition to Ackerson and Fowler, were Edward A. Dodd and Samuel M. Rosenstein.

November Meeting Plans

Arrangements are being made by Society President Grogan and Henry L. Brooks, president of the Louisville Bar Association, for a joint meeting of the two groups in November. Details will be announced as soon as plans are complete.

THE KENTUCKY ACCOUNTANT

published by
**KENTUCKY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

Kentucky Home Life Bldg.
Louisville 2, Ky.
Tel. Jackson 4211

EARLE B. FOWLER, *Editor*

VOL. I October, 1949 No. 8

The KENTUCKY SOCIETY of
CERTIFIED PUBLIC ACCOUNTANTS

OFFICERS

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

DIRECTORS

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

CPA Uses "Small Business Index"

In our September issue we referred to a "Small Business Index" published by the U. S. Department of Commerce, which contained lists of Commerce Department publications of interest to businessmen.

Our belief that the Index would be of value to our readers has been confirmed by Mr. G. E. Greene, certified public accountant of Indiana. Mr. Greene secured a copy of the Index, reviewed it carefully and promptly wrote a four-page letter to the Department's Louisville office requesting many items, most of which, it is interesting to note, were available free of charge.

Official Membership Roster

An official Roster of Society members has been established and will be maintained at the Society office, according to President Waller Grogan. Names of members of the Society as of May 31, 1949, were neatly and legibly entered in the Roster by Mr. Martin Amlung, member of the staff of Ernst & Ernst, Louisville. Chronological entries for persons admitted to and those dropped from Society membership will provide a current perpetual record of total membership.

The President's Message . . .

The wheels are turning steadily in some of our committees. Here are a few items which have come to my attention this month.

Chairman John W. Kercher held another meeting of his Governmental Accounting Committee jointly with representatives of the Kentucky Municipal League and the Kentucky Department of Revenue, at Lexington on October 25. Subjects discussed included fiscal year changes by cities, publication of audit reports, and the adoption of a uniform accounting system for municipalities. Jack reports progress on all fronts and invites comments and suggestions from other practitioners on any matters connected with governmental accounting.

Chairman Albert Christen is continuing efforts initiated last year by the Education Committee to provide facilities for giving the American Institute aptitude tests under Society auspices.

The "Practice Committee" established to implement our agreement with the Louisville Bar Association has not found it necessary to take formal action in any cases, Chairman Sam W. Eskew reports. However, two recent meetings with Bar Association committee members have helped to iron out matters which otherwise might have resulted in misunderstanding or irritation. As your President I attended one of these meetings and found it characterized by the attitudes of friendliness and co-operation on the part of both lawyer and accountant representatives which have been continuously evident in all our contacts with members of the Louisville Bar Association. For their good work, Chairman Eskew and his committee members deserve our sincerest thanks.

A decision will be made soon on the program for our annual Holiday Party in December, after which Chairman Joe Wermeister and his Entertainment Committee are expected to go into action. Watch for later announcements about this event, and be prepared to come out for a grand get-together again this year.

A Planning Committee consisting of Gordon Ford, Sam W. Eskew, Robert D. Haun and Jess C. Paris has been appointed to consummate plans for the forthcoming Institute on Accounting and Taxation. Tentatively, it is scheduled for April or May, 1950. Central Kentucky accountants, who meet informally at Lexington periodically, have voted to handle hotel arrangements and to arrange a dinner meeting for the Society during the Institute.

W. G.

Kentucky Press Reports On Public Accounting Activities

Recently the Georgetown, Kentucky, *Times* quoted Robert F. Moore, director of placement, Columbia University, New York City, as saying that the greater demand for new workers seems to be in accountancy . . . The demand, as Mr. Moore indicated, depends in large measure upon the educational qualifications which can be shown by the job applicant.

"What kind of people commit frauds on their employers?" asks the Paris, Kentucky, *Enterprise*. The answer was given, says the editor, by J. S. Seidman, vice-president of the New York Society of Certified Public Accountants, who recently spoke to a group of Ohio accountants. Seidman said that the average man who commits fraud is about 36 years old, married, earns \$4,000 a year, owns a car, participates in social and community work, and drinks very moderately. He has generally been employed with his company for more than five years, and has reached a position of trust by honest and competent effort.

"The people's business," says the Beaver Dam, Kentucky, *Messenger*, "should be handled with dispatch." The paper recently commented, on press reports of a shortage in the accounts of Western State College, and said that "the State Auditor's office is not set up with a sufficient staff of qualified auditors to promptly—if at all—uncover instances of graft, theft, waste, or errors in the handling of taxpayers' money" . . . The *Messenger* might have added that an audit by an independent public accountant or firm registered with the State Board of Accountancy or represented in the membership of the Kentucky Society of Certified Public Accountants would be most effective in achieving the desired results. Many government agencies make regular provision in their budgets for the employment of independent public accountants to audit their books and records.

The Louisville Water Company will be audited and the annual report of the Louisville Municipal Housing Commission will be analyzed by the CPA firms of Yeager, Ford & Warren and Escott, Grogan & Co., respectively, according to the Louisville *Courier-Journal*.

ACTIVITIES OF MEMBERS

- WALLER GROGAN, Society President, will attend the eighth annual Institute on Federal Taxation at New York University, November 9-18, 1949. EARLE B. FOWLER, executive secretary, will represent the Society at the annual meeting of the American Institute of Accountants, Los Angeles, California, October 31-November 4, 1949.
- LOUIS E. ACKERSON addressed the London, Kentucky, Kiwanis Club, Friday, September 23, 1949, on "Sidelight of Today's Taxes."
- ARTHUR L. ASHCRAFT has retired from the Bureau of Internal Revenue and has opened his office in the Louisville Trust Building, Louisville, for the practice of public accounting.
- A. LUKE BROWN, recently back from Miami, Florida, has opened his office for the practice of public accounting at 100 Chenoweth Lane, St. Matthews, Kentucky.
- HERBERT L. BROWN has joined the staff of Welenken & Master, certified public accountants.
- An article by SAM W. ESKEW, chairman of the Society's committee on co-operation with the Bar Association, was published in the *Illinois Certified Public Accountant*, September, 1949. Eskew outlined the Society's experiences during two years of working with lawyer representatives, titling his article, "How Attorneys and Accountants can Co-operate."
- JOHN S. PETOT and COMPANY (Partners: J. S. PETOT, Sr., JOHN S. PETOT, Jr., and JOSEPH P. JONES, Jr.) has announced the opening of a branch office in Hazard, Kentucky. The firm's home office is in Louisville.
- L. C. J. YEAGER will speak on "Responsibilities of Certified Public Accountants with Regard to Inventories" at a conference on "Inventory Control in Industry Today," to be held in the Law Building on the University of Louisville's Belknap Campus, November 1 and 2, 1949. The conference is jointly sponsored by the University, Associated Industries of Kentucky, and the Society for Advancement of Management. STUART BRUDER and CLAUDE HUPP will participate in a panel discussion on Yeager's subject.

STATE BOARD OF ACCOUNTANCY OF KENTUCKY

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

All candidates accepted to sit for the CPA examination on November 16, 17, and 18, have been notified to appear at the Henry Clay Hotel, Louisville, at 1:30 p.m., Wednesday, November 16. Approximately eighty candidates are expected to take one or more sections of the examination.

Of sixteen new applicants approved by the Board this month, fourteen became eligible to sit by qualifying under KRS 325.260(4) (a), and the other two showed qualifications permitted under subsection (4) (c) of the same section of the statutes.

Study Courses

Men who have been accepted as candidates for the CPA examination, or who expect to apply as soon as they meet the legal requirements, soon will be given an opportunity to enroll, through the Board office, in any one of four schools of accountancy which offer correspondence courses. By special arrangement, a discount will be offered to those who apply for enrollment through the Board office. Details of the plan will be announced later. Members of the Board are convinced that intensive preparation will enable most candidates to pass the uniform CPA examination with credit to themselves, and they are hopeful that many will undertake study through one of the correspondence schools.

It should be noted that the taking of these courses of study does not advance the date on which the applicant *becomes eligible* to sit for the examination under Kentucky law. In the opinion of Board members, however, such study is required before a candidate can *pass* the examination. Satisfaction of the eligibility requirements is no guarantee, by itself, that the candidate possesses the knowledge required to enable him to answer successfully the examination questions.

Board Actions

- C. B. COMPTON CO., Public Accountants (C. B. Compton and Emmett W. Kottke), partnership registration, approved.
- WHITE & HOOK, Public Accountants (Carl W. Witte and Clarence M. Hook), partnership registration, approved.

- ESKEW, GRESHAM & DIERSEN, Certified Public Accountants (Sam W. Eskew, Austin Gresham, and Joseph H. Diersen), partnership registration, approved.

- Two requests for regrading of May, 1949 examination papers, denied. Sixteen applicants approved as candidates for the CPA examination.

- RUSSELL S. GRADY, certificate as Certified Public Accountant, without examination granted. Waiver of examination based on showing that he held Illinois certificate, issued after written examination, and that he possessed all other qualifications required under Kentucky law of persons eligible to be granted a Kentucky certificate.

News Items

- KILLEBREW & STRINGER, Danville, have moved into new, modern offices in the Farmers National Bank Building.

- A. W. BABBAGE, WALLACE BABBAGE, GARRETT M. CASTLE, and PAUL W. McREYNOLDS all have offices in Harlan's newest and finest building, the Terminal Building. The Babbages and McReynolds are located on the third floor. Castle's office is on the second.

- GEORGE H. REED has opened his new office in the Republic Building, Louisville, for the practice of law and public accounting.

- DILL M. SCOTT, Somerset, reminds us of the well-known saying, "If you build a better mousetrap, even though you dwell in the midst of a forest, the world will beat a path to your door." Scott offers no help to those who come looking for his office on the north side of the town square. You won't even find a sign bearing his name at the foot of the stairway to his office.

- Out of 416 public accountants registered with the Board whose occupational status has been reported to the Board office during the past year, 154 are engaged in public accounting practice as their principal occupation, 44 engage in part-time practice to supplement the income from their principal occupation, and 68 are employed by certified public accountants or public accountants. The remaining 150 are engaged in occupations other than public accounting.

Two Eyes and Two Ears, But One Mouth

REPRINTED FROM THE ILLINOIS CERTIFIED PUBLIC ACCOUNTANT

Many public accountants, especially those in the smaller communities, are objects of curiosity—not in the accepted meaning of the term, but literally so.

A stranger may easily move into a big city like Chicago and live for years without learning the names of those who live in his block or even in his apartment building. Even though he should make their acquaintance, it is probable that he will not learn much about their business or personal affairs. This is enviable.

By contrast, in most of the smaller places elsewhere in the state, everybody seems to know all about everybody's business or soon finds out. And by the process of ingeniously piecing together bits of information gleaned here and there, a full story about a confidential matter may unfold itself with surprising accuracy. Public accountants may contribute, unwittingly and unintentionally, to this unfortunate condition.

Recognizing this situation, some of the smaller accounting offices protect themselves, and their clients' confidences, by the following precautions:

1. DON'T volunteer the name of any client served. If he wants to publish it, that is his privilege, but the fact that he is your client should be just as confidential as his operating data. So don't mention the important people who use your services.
2. DON'T serve on any committee or campaign if your confidential knowledge of clients' affairs might be construed as influencing your suggestions.
3. DON'T discuss business matters, even in skeleton terms, on elevators and in other public places or in the presence of strangers.
4. DON'T forget that alcohol preserves everything except secrets.
5. DON'T interview anyone on a clients' papers exposed on a desk; some people have upside-down eyes.
6. DON'T leave papers, letters, reports, etc., exposed overnight. Jantrresses, too, have eyes, tongues, and curious friends. Tear into bits any waste basket material which might disclose confidential information.
7. DON'T discuss any matter on the telephone in the presence of another. Excuse yourself, excuse your visitor, or postpone the discussion until you can talk privately.
8. DON'T let a calling party be told where you are, if working out of the office. "I'll be glad to locate Mr. Figures and ask him to call you" is a good procedure. Telephone operators in reception rooms should guard their conversation in the presence of strangers.
9. DON'T proofread or call back typed material within the hearing of unauthorized listener.
10. DON'T forget your employees are human. Caution them, surely, and repeatedly about the sacredness of what they see and hear. But also check their family-client connections and keep ultra-tempting information in other hands.

The observance of some of these ten "DON'TS" may tend to deglamorize the public accountant's office. It will remove much of the "appearance of importance" dramatized by rushing people, ringing bells, impressive figures and letterheads lying about, and telephone conversations with "big names" or about big deals.

But the clients (who pay your fees) are probably not so dumb. They will recognize and appreciate your extraordinary efforts to keep in strictest confidence their private matters entrusted to your care.

Exchange Notes

We welcome to the ranks of state Society publications the Oregon *Certified Public Accountant*, Vol. 1, No. 1, October, 1949. The new bulletin is not only informative, but also neat and attractive in format and design. William H. Holm is editor.

The July issue of the *Bulletin* of the Washington (state) Society of Certified Public Accountants referred to the agreement between the Kentucky Society and the Louisville Bar Association, and the text of the appendix to the agreement was reprinted in full.

Your Friends Among the "First Fifty"

From Executive Office Files

Several Kentucky certificate holders have indicated an interest in the whereabouts of men who acquired certificates during the first five or six years after the passage of the 1916 CPA law. The certificate numbers and names of each of twenty-six holders of valid, unrevoked certificates—all of those among the "first fifty" who are known or believed to be still living—are listed below, with a brief summary of facts about each man taken from executive office files.

Unexpected uses for current information about Society members and other State Board licensees sometimes develop. During the past month a notice appeared in the *Louisville Times* that certain unclaimed bank accounts would escheat to the Commonwealth of Kentucky unless the rightful owner came forward by November 1. Among the accounts listed was one in the name of John Ford Morris. On the following day a copy of the newspaper article was forwarded from the Board office to the current address (El Paso, Texas) of John Ford Morris, holder of certificate No. 7. According to Mr. Noel Rush, president of the Lincoln Bank and Trust Company, Mr. Morris has now asserted his claim and his draft on that bank will be honored. Mr. Morris replied to the Board Secretary's letter, expressing his appreciation, and he has been assured that the office is glad to have been of service to him.

Certificate numbers and names of twenty-six holders follow:

3. **Ellis C. Conley** (Waiver, 1916) is an active member of a partnership practicing as The Federal Audit Co., Box 1457, Huntington, West Virginia.

7. **John Ford Morris** (Waiver, 1916) is in individual practice in El Paso, Texas. He gives as his address: 4600 Hastings Street.

12. **Charles J. Andersen** (exam. 1917) is still in individual practice at 10 S. LaSalle Street, Chicago. He is a non-resident member of the Kentucky Society.

13. **Edgar Biggs** (exam. 1917). Information would be appreciated by the State Board of Accountancy. Last known address: Fountain Square Building, Cincinnati.

18. **Robert B. Rouse** (waiver, 1920) is an active partner of Rouse, Favret & Co., Mercantile Library Building, Cincinnati. His residence address is Florence, Ky.

20. **Ralph E. Morrison** (exam. 1920) is in individual practice in Cincinnati. He is also a partner in an auto parts manufacturing company there. He gives as his residence address: 3549 Burch Avenue.

21. **Sylvain K. Bernstein** (exam. 1920) is in individual practice in the Kentucky Home Life Building in Louisville. He is a member of the Kentucky Society.

22. **John C. McNeil** (exam. 1920) is in individual practice in Wheelwright, Kentucky. He is also associated with the Inland Steel Company as a cost accountant. Mr. McNeil is an active member of the Kentucky Society.

25. **Christian Oehler** (exam. 1921) is a partner in the firm of Oehler & Sanford, 92 Liberty Street, New York City. His residence is in Westfield, New Jersey.

27. **N. G. Somerville** (exam. 1921) is an active partner in the Somerville Audit Company, Certified Public Accountants, West Virginia Building, Huntington, West Virginia.

28. **James Mulroy** (exam. 1921) is in individual practice in the Keith Building, Cincinnati, Ohio.

30. **M. B. McMullen** (exam. 1921) is an active partner in Humphrey Robinson & Company, Heyburn Building, Louisville. He is a resident member and past president of the Kentucky Society.

31. **William Cotton** (exam. 1921) of William Cotton & Company, has offices in the Lincoln Bank Building, Louisville, and is past president and active member of the Kentucky Society.

32. **Charlton C. Wright** (exam. 1921) is in individual practice in the Union Central Building, Cincinnati. He is a non-resident member of the Kentucky Society.

34. **Joseph W. Gill** (exam. 1921) is retired from practice and resides at 152 Baer Street, Huntington, West Virginia. Mr. Gill writes that he has had a stroke of paralysis.

35. David B. Griffin (exam. 1921) is with the Reconstruction Finance Corporation, in Washington, D. C. His address is: 3730 Manor Road, Chevy Chase, Maryland.

36. Clarence C. White (exam. 1921) writes that he lost his sight in 1930, and is therefore not practicing, but has turned to other employment. He gives his address as: 1141 Twelfth Avenue, Huntington, West Virginia.

39. Ewen B. Allbritten (exam. 1922) is with the U. S. Treasury Department, Penobscot Building, Detroit. Acknowledging receipt of the 1948-49 Register, Mr. Allbritten said, "... for sentimental reasons . . . I was interested in knowing where some of the early certificate holders were located."

40. Sam W. Eskew (exam. 1922) is a partner in the firm of Eskew, Gresham & Diersen in the Kentucky Home Life Building, Louisville. He is a past president and active member of the Kentucky Society, and a member of Council of the American Institute of Accountants.

41. J. Rex Cooper (exam. 1922) is in individual practice in the Sherland Building in South Bend, Indiana.

42. John Creech (exam. 1922) is Educational Director of the Georgia Institute of Accountancy in Atlanta. He is also auditor for the Public Housing Administration of that city.

43. John Elgin Baker (exam. 1922) is in individual practice in Canton, Illinois. His residence is at 320 West Vine Street.

45. C. J. Dieterle (exam. 1922). Information would be appreciated by the State Board of Accountancy. Last known address: Burbank, California.

46. Harvey M. Kenyon (exam. 1922). Information would be appreciated by the State Board of Accountancy. Last known address: Box 267, Reservoir Park, Tyrone, Pennsylvania.

49. Herbert M. Howson (exam. 1922) is an active partner in the firm of Horwath & Horwath. His offices are in the Oliver Building, Pittsburgh.

50. Knox B. Phagan (exam. 1922) is a member of the firm of Phagan, Tillison & Tremble, 25 W. 43rd Street, New York City. He is also treasurer of the Cornwell Chemical Co., Cornwell Heights, Pennsylvania. Mr. Phagan is a non-resident member of the Kentucky Society.

Three Society Members Added

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

CLAUDE W. HUPP.....	Louisville
HUET L. JOHNSON.....	Louisville
M. DURBIN OLDHAM.....	Louisville

Hupp and Oldham are former members, whose applications for reinstatement were approved with pleasure by the Committee on Admissions and the Board of Directors. Johnson is a partner in the firm of Johnson-Fowler Company, Public Accountants, and has been a Kentucky CPA since 1927.

Management Forum

The second meeting of the 1949-50 Louisville Mid-Century Management Forum will be held at the Kentucky Hotel, Louisville, at 6:30 p.m. Friday, November 18, 1949. The panel discussion scheduled, on "Research Management," will be of particular interest to those who attended the Forum's opening meeting, October 23, 1949, at which Dr. D. B. Keyes, vice-president of Heyden Chemical Corporation, New York, spoke on the same subject. The November 18th meeting, however, will offer to those attending an opportunity to participate in a thorough discussion of management needs and to exchange ideas and experiences.

Panel members, who will lead the discussion, are: Dr. R. C. Ernst, dean of Speed Scientific School and director of the Institute for Industrial Research; Lewis J. Gorin, Jr., assistant to the president of Reynolds Metals Company; Robert Reed, technical director, Gas Processes Division, Girdler Corporation; and Arthur F. Robert, patent attorney. Moderator will be William F. Braasch, Jr., placement director, University of Louisville.

The Louisville Mid-Century Management Forum is a series of four lectures, on Research Management, Financial Management, Sales Management, and Services Available to Management, each of which will be followed by a separate discussion meeting on the same subject.

The Forum is co-sponsored by the Louisville Chapter, Society for Advancement of Management, and the University of Louisville. Meetings are open to interested executives and management advisers. Tickets to dinner meetings are \$2.50 per person to members of the Society for Advancement of Management and \$3.00 to non-members.