

The Kentucky

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The Kentucky Society of Certified Public Accountants

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NUMBER 10



David A. Sugg

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NOVEMBER MEETING

Friday, November 16th

Canterbury Room, Executive Inn
Louisville

Speaker — Gene Rhodes, General
Manager,
Kentucky Colonels

Required Continuing Education Defeated In State-Wide Balloting

A state-wide balloting of all CPAs licensed by the Kentucky State Board of Accountancy was conducted during the period September 9-17 on the question of required continuing education.

The mailing and counting of ballots was controlled by members of the Society's Accounting Principles and Auditing Procedures committee. Results of the balloting were as follows:

	Number	Per Cent
Total — Ballots mailed	1,194	
Ballots in favor	301	36
Ballots opposed	524	62
No opinion	19	2

Total — Ballots returned 844 100
Percent of ballots returned — 71

At the September 21 meeting of the Board of Directors, *Bob Cornman*, chairman of the Ad Hoc committee on Required Continuing Education, presented the results of the balloting to the Board along with his committee's recommendation that the question of any such program in Kentucky be tabled for the present.

The Board of Directors approved the committee's recommendation and charged the committee with the responsibility to continue monitoring the progress of required continuing education programs in other states.

Membership is Our Life Blood

A variance of taking the Society to the members was made during the past month. An attempt at taking the Society to the "potential" members was made. I'm speaking of the CPAs in the state who are not now members of the Kentucky Society.

Kentucky CPAs number approximately twelve hundred and we can boast of having most of them as members. I feel every President's goal should be to have 100% of the CPAs in the state as members.

I requested *Dr. William Ecton*, chairman of the committee on Accounting Research, to investigate the reasons for non-membership.

A questionnaire was mailed to the non-members and close to 50% responded. The results were not too surprising. It showed that practically all eligible non-members were CPAs who were not engaged in public practice. The Kentucky Society was never intended to be an organization of just practicing Certified Public Accountants, but of ALL Certified Public Accountants.

One major reaction was that the Society's programs were all geared to the practicing CPA. This is probably a valid complaint in many respects, but certainly not one that the officers and directors have not discussed on many occasions.

Another frequent response was that Society activities are centered in Louisville and the distance to travel poses too much of a problem. We now have provisions for chapters throughout the state and successful development of these regional chapters should solve the distance problem. The responses received indicated that 20 would join the Society should a chapter be formed in their area.

The officers and directors want all CPAs as members of the Kentucky Society. I urge all of you to encourage these potential members to join, and I respectfully request any non-practicing CPA member to submit ideas and recommendations for ways to help us conduct Society affairs for ALL members.

"A man who is contented with what he has done will never become famous for what he will do." Fred Estabrook

16TH ANNUAL KENTUCKY INSTITUTE ON FEDERAL TAXATION

December 6-7-8, 1973
Galt House, Louisville

Published by
**THE KENTUCKY SOCIETY
 OF CERTIFIED
 PUBLIC ACCOUNTANTS**

310 West Liberty, Louisville, Ky. 40202

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 J. Donald Riney
 Harold E. Wills

New Members, AICPA

The following Society members have recently been elected to membership in the American Institute of CPAs: *Thomas M. Jones*, Fort Knox; *Douglas P. Dean* and *Richard A. Schwinhart*, Louisville; *Allan B. Kleet* and *Robert R. Robertson*, Paducah; *James Crum, III*, Pikeville; *James A. Bailer*, Cincinnati, Ohio; and *James E. Nett*, New Albany, Ind.

CPA desires financial management position in Louisville area institute or industry. Experience includes 7 years public and 3 years industry. Will consider public with future partnership opportunity. Reply to Box WW, The Kentucky Accountant.

Accounting Principles And Auditing Procedures Disclosure of Lease Commitments by Lessees

In June 1973 the Accounting Principles Board issued its Opinion No. 31 concerning disclosure of lease commitments by lessees. This bulletin is effective for all fiscal periods ending on or after December 31, 1973 and applies to all lease agreements including those entered into prior to the issuance of the opinion. The only leases which are not covered by this opinion are those which have been capitalized in accordance with the Board's Opinion No. 5, those which apply to natural resources and short-term leases which are defined as leases for a month or less which are not expected to be renewed.

The opinion requires disclosure of the total rent expense reduced by any rentals from subleases for each period for which an income statement is presented. Any contingent rentals should be reported separately from the basic or minimum rentals. In addition, the minimum rental commitments under all non-cancelable leases should be disclosed in the aggregate for: (a) each of the five succeeding fiscal years, (b) each of the next three five-year periods, and (c) the remainder in a single amount. The above amounts should be reduced by any related rentals from existing non-cancelable subleases and the amount thereof should be disclosed.

The Board also requires disclosure of the following: (a) the basis for calculating rental payments if dependent upon factors other than the lapse of time, (b) existence and terms of renewal or purchase options, escalation clauses, etc., (c) the nature and amount of related guarantees made or obligations assumed, (d) restrictions on paying dividends, incurring additional debt, further leasing, etc., and (e) any other information necessary to assess the effect of lease commitments.

The Board also commented that it believed disclosure of the present value of lease commitments reported on a basis similar to the required information on total non-cancelable leases mentioned above would be helpful in evaluating the credit capacity of the lessee and in comparing the lessee's financial position with that of other entities using other means of financing to obtain the use of property. If such information is presented, it is suggested that information on the imputed interest rates used be provided as well as the present value of rentals applicable to any existing non-cancelable subleases.

Society Award Winner Also Receives Sells Award

At the September 21 Awards Night Dinner Meeting, held at the Ramada Inn/Bluegrass Convention Center, Society President-Elect *David Chervenak* presented the Society award for achieving the highest grades in passing all parts of the May 1973 CPA examination on the first attempt to *Joel E. Philhours*.

Immediately following the presentation of the Society Award, Society member *Sam W. Lyverse*, acting in his capacity as chairman of the AICPA's Board of Examiners, presented Mr. Philhours with the Elijah Watt Sells Honorable Mention Award. Only forty-nine such awards were presented for the May 1973 examination.

Mr. Philhours is a native of Arkansas and holds degrees from the University of Missouri and Kansas State University. He received his accounting education from the University of Kentucky, earning his Master's degree in June 1973. He is now associated with Price Waterhouse & Co. in Memphis, Tenn.

The honor attached to the award is especially significant when consideration is given to the number of candidates taking the examination. For the May 1973 examination 29,688 candidates completed a total of 106,524 papers.

Louisville CPA has computer time available to process general ledgers, financial statements, 941A and W-2, accounts receivable and other applications for other CPAs. Call 502/585-2184.

"ONE GOOD MAN!" To manage the accounting and auditing department of fast-growing Lexington CPA firm. Definite partnership potential. Please send resume to Box QQ, The Kentucky Accountant.

487 Attend September Awards Night Dinner

Even with this large crowd, there was plenty of room for everyone as the September Awards Night Dinner Meeting was held on September 21 at the spacious Ramada Inn/Bluegrass Convention Center in Louisville.

President *David Sugg* presided and State Board President *Jospeh P. Jones* introduced those persons who received their certificates. Also recognized were 54 successful candidates from the May 1973 examination who must complete their experience requirement before receiving their certificate.

Following the award ceremony, a highly entertaining talk was presented by Mr. Somers H. White, a management consultant from Phoenix, Arizona.

Those who received their certificate after executing the Oath of a Kentucky CPA, administered by Deputy Attorney General Martin Glazer, were:

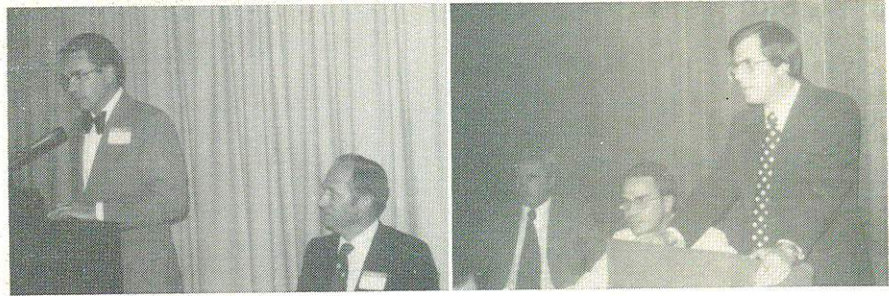
By Examination

Joe H. Allen	Ashland
Gary K. Benson	Louisville
Randolph G. Brown	Louisville
Bruce T. Butler	Louisville
James T. Carney	Lexington
Stephen E. Carter	Louisville
John A. Daniel	Lexington
Phillip A. Fister	Louisville
Donald L. Frailie, II	Lexington
Gary L. Goble	Lexington
Terry D. Gossom	Louisville
Bruce K. Hotz	Louisville
Stephen W. Kanouse	Ashland
Richard A. Kerley	Louisville
Edward P. Lynch, Jr.	Louisville
Robert K. Martin	Murray
Larry A. Orr	Mayfield
Joseph A. Peters	Louisville
Gary N. Powell	Louisville
Jan H. Seitz	Louisville
Gene A. Skiles	Louisville
Nancy Trent Stage	Louisville
Jerome Curtiss Stykes	Somerset
Arthur B. Thomson	Hopkinsville
Robert W. Tonini	Louisville
Jimmy L. Vance	Louisville
Steven A. Wheeler	Bowling Green

By Waiver

James A. Bailer	Cincinnati, Ohio
Robert J. Brandenburg	Louisville
Homer H. Burkett	Lexington
William L. Cash	Louisville
Marvin L. Fishman	Louisville
Arthur C. Giard	Somerset
John D. List, II	Ashland
Robert Carl Measle	Winchester
Larry L. Stebleton	Lexington
Richard H. Stevens	Lexington
James W. Thelen	Covington
Dena Treitz	Louisville

LEXINGTON AREA FIRST TO FORM CHAPTER, SOUTH CENTRAL KENTUCKY MAY BE NEXT



History was made in Lexington on August 21, 1973 as approximately 40 Lexington area CPAs gathered at The Springs Motel and discussed the feasibility of petitioning the Society's Board of Directors for recognition as a chapter.

Guests at the meeting were *Ken Bunger*, chairman of the Society's Committee on Chapter Activities, President-Elect *David Chervenak* and the Executive Director, *Ben Gratzler*.

In the picture above on the left, Ken Bunger explains to the group the provisions of the Society's chapter-operating procedures while *Vic Messmer*, this year's President of the Central Kentucky Association of CPAs, looks on.

After much discussion, the members of the Central Kentucky Association voted unanimously to petition for chapter status and the application was completed and signed by all present. The petition was approved by the Board of Directors on September 21 and the Bluegrass Chapter of the Kentucky Society of CPAs became a reality.

Chapter officers are: Chairman, *Victor C. Messmer, Jr.*; Vice-Chairman/Chairman-Elect, *Ann Holt Mofjatt*; Treasurer, *James B. Landram*; and Secretary, *Bobby E. Baldwin*.

On August 28, the Executive Committee met in Bowling Green and later joined the South Central Kentucky area group for dinner and a discussion of the possibility of their forming a chapter.

Pictured above on the right is *Jim Smith*, who serves as chairman, secretary, treasurer and about everything else for the South Central area group, speaking to the members present while Ken Bunger and Society President *David Sugg* prepare to answer the many questions that came later.

Nothing definite came from the meeting and the group is scheduled to meet again later this month to discuss the matter further.

The Committee on Chapter Activities has recommended the division of Kentucky into seven geographical areas for chapter formation. The committee members consist of one Society member from each of these areas. Anyone interested in learning more about the proposed chapter organiza-

Professional Development

Workshop on Corporate Income Tax Returns — This is the last program of the current year planned by the Professional Development Board. This is a regional presentation which will be conducted at Ramada Inn-Watterson City on November 15 and 16.

The discussion leader for the workshop presentation is James Wheeler, CPA, Associate Professor, Graduate School of Business Administration, University of Michigan, Ann Arbor.

A brochure on the workshop is enclosed and while it does not provide for other than cash payment with registration, members of the Kentucky Society may register without payment of the fee by noting on the registration form the words "Bill me."

There have been a number of changes in corporation tax law regulations and interpretations in the past year, such as: "additions to tax regulations," "distribution of stock of controlled corporation - nonrecognition of gain or loss," "earnings and profits distribution," "real estate disposition on incorporation" and others.

tion should contact the Committee on Chapter Activities through the Society office.

Around The State

Kenneth B. Ruby, formerly the Controller for Owensboro-Daviess County Hospital, is now Controller for Computer Services Incorporated in Paducah.

Bill Hindman, who for many years was with Coopers & Lybrand in Louisville is now with their Los Angeles office and he recently received the Lybrand Silver Medal at the NAA National Convention for his article in the August issue of *Management Accounting* entitled "Integrated MIS — A Case Study."

David B. Cox addressed the Louisville chapter of the Planning Executive Institute on October 4 — his topic "Tax Planning."

At the September 18 meeting of the Bluegrass Chapter of the NAA, *Levis D. McCullers* spoke on "Social Measurement and the Accountant."

Joseph E. "Kelley" Alvarez, formerly associated with Welenken Himmelfarb & Co., Louisville, has accepted the position as treasurer for Packaging Service Corporation of Kentucky in Louisville.

State Board News

The State Board of Accountancy met on September 10 at the State Board Office in Louisville. The Board cancelled, for non-payment of permit fees, the registration and permit to practice of the following individuals:

Certified Public Accountants

Robert D. HaunCertificate No. 129
William A. TaylorCertificate No. 891

Public Accountants

John A. BramlageRegis. No. 483
Chester A. HuffinesRegis. No. 375
Arthur C. MenneRegis. No. 457
Edward W. MuellerRegis. No. 475
J. M. StaufferRegis. No. 309

ACCOUNTANT — Southern Indiana manufacturer has opening for controller with heavy cost, budget and general accounting experience. CPA preferred. Must have ability to communicate with top management and members of the financial community. Salary to \$20,000. Send written resume to W. M. Larkin, P. O. Box 288, New Albany, Ind. 47150.

New Framework Proposed For Financial Statements

Basic objectives for financial statements to the public were proposed in the report of a study group of financial executives, educators and accountants.

The study group, formed by the AICPA two years ago, was headed by Robert M. Trueblood, CPA.

The report is the result of an exhaustive inquiry into the needs of financial statement users. Scores of interviews were held with executives, financial editors, government officials and consumer representatives. Hundreds of papers were received from major institutional groups and individuals, and public hearings were conducted.

The study group's conclusions follow from a fundamental concept that the basic objective of financial statements is to aid economic decision-making.

From this objective, the study group concludes that financial statements should:

- Contain information for predicting, comparing, and evaluating the earning power of enterprises.
- Serve the needs of users who rely on such reports as their principal source of information for economic decisions.
- Emphasize substance, not technical form.
- Reflect the ability of an enterprise to generate cash for its owners.
- Report both historical cost and current values which differ significantly.
- Aid users in assessing risk.
- Separate information which is factual from information which is interpretive.
- Disclose assumptions and judgments which enter into preparation of the statements.
- Group and segregate resources and obligations according to the relative uncertainty of their realization or liquidation.
- Disclose the inherent imprecision resulting from the necessity to use assumptions and estimates in many aspects of financial reporting.

The report states that since prediction is the essence of all economic decision-making, financial statements should aid prediction. Information about past activities of an enterprise provide a base for assumptions about the future, but changed circumstances that may make the past misleading or not useful for prediction should be indicated. The possible inclusion of forecasts in financial statements, a subject of current controversy, depends on whether forecasts enhance users' predictions.

Besides considering financial statements of corporations, the AICPA study group considered the needs of decision-makers concerned with governmental and not-for-profit organizations. The group concluded that the objectives of financial statements for both kinds of organizations are similar in concept. In both instances, the statements should aid decision-makers to predict the cost-benefit outcomes of particular courses of action. The difference between the two classes of organizations is that the measure of benefit for commercial entities is eventual cash-flows, while for not-for-profit entities it is progress toward nonmonetary goals.

Accordingly, financial statements of governmental and not-for-profit organizations should quantify performance results in terms of their particular goals.

The study group suggests that financial statements should report on those activities of an enterprise that affect society, can be measured, and are important to the role of the enterprise in its social environment.

AICPA members may obtain a free copy of the complete report on request. Additional copies will be available at a list price of \$4.00, with usual member, educational and quantity discounts.