

THE BOTTOM LINE

A Publication of the Kentucky Society of Certified Public Accountants

May/June 1994

Volume 16, Number 3

Recap of the
1994
General Assembly



APPROVED



President's message

A look at the year just past



by Harold R. Butler

At this time last year, we were returning from our annual planning retreat where we determined the goals and direction for the Society for the 1993-94 year. As we now are drawing to

the close of that year, I would like to take this opportunity to review our performance.

During the past year, we received the report of the Ad Hoc Committee on Facilities which recommended that we develop an in-house CPE facility. As a result of this report, the Board decided we would acquire a lot in Blankenbaker Crossing in eastern Jefferson County and construct our own building to house our administrative offices and CPE facility. That project is currently underway and it is anticipated we should occupy our new facility in December 1994 or January 1995.

Another task we identified was the need to increase our efforts in the area of communications. We decided to engage a public relations firm to conduct a communications audit. That audit has been completed and the report was presented to the Board of Directors at its March 18, 1994 meeting. The report contains many important observations and recommendations. These items were included in the discussions at our planning retreat which was held April 28-29 at Cumberland Falls State Park. We will be moving to implement many of these recommendations in the next year.

One of our major goals was to attempt to get legislation adopted to authorize the use of Limited Liability Companies in Kentucky and to amend the accountancy statute to allow Kentucky CPAs to practice public accounting in that type organization. I am happy to report that both items of legislation have been signed by the governor and will become effective July 15, 1994.

Executive Director Ben Gratzler has written an extensive report for this newsletter on the legislative session. This was an extremely active session for our Society and I believe we were very successful. We were able to pass practically all of the legislation we supported and we were able to defeat those matters which we considered to be bad legislation. I would like to take this opportunity to thank many people who contributed to our legislative efforts. First, I wish to express my deep appreciation to our

legislative agent, Roy Strange, who worked tirelessly on our behalf. I was privileged to work with him and I sincerely believe we have the most effective legislative agent in Frankfort. I hope he will continue to work with us in future years.

I also wish to thank Ben Gratzler and the Society staff. Ben spent many hours in Frankfort and I believe the publication he developed, "Fax about Legislation," was outstanding. It was an excellent method of keeping our members informed during a very active legislative session.

Legislation Committee Chairman, *Wayne Stratton* also put in many hours of hard work in Frankfort. This year's session proved one thing — our "key contact" program is very effective. Our members responded each time they were called upon and the legislators responded to our members. This program has been very successful and I would encourage any member who wishes to participate to please contact the office to find out how.

As my year as president draws to a close, I would like to express my appreciation to Ben Gratzler and all of the hard-working staff for their efforts. They are a very talented and dedicated group and we are fortunate to have them.

One thing that continues to amaze me is the quality and talent of our members who volunteer to step forward and serve our Society. Our incoming president, *Earl Calhoun*, and the leadership team he has assembled is ample proof of this. I wish them every success in the future and I know they will do an outstanding job.

There are two upcoming events that I would like to encourage you to mark on your calendar and come out and participate. The Annual Business Meeting will be held at the Marriott Resort in Lexington on June 5-7. We have an excellent program including golf, CPE, annual business meeting and awards, committee day and an address by Senator John "Eck" Rose. Our annual convention is scheduled at the Walt Disney World Swan in Orlando, June 19-22. I encourage you to attend these meetings.

I have enjoyed this last year very much and I wish to express my deepest thanks to each of you for allowing me to serve you and for all the tremendous effort put forth by our member volunteers. We have an outstanding organization and I look forward to its continued success and prosperity.

THE BOTTOM LINE

is published bimonthly for the 4,000 members of the Kentucky Society of Certified Public Accountants.

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Legislation

Much was accomplished during this session in Frankfort

by Ben Gratzer, Executive Director

The 1994 session of the Kentucky General Assembly officially ended on April 15, 1994. This is a recap of significant events during the session, and a summary of the major pieces of legislation with which the Society was involved.

To begin, we express our appreciation to those who contributed so much to the success of our overall legislative effort. Society member *Wayne Stratton*, who chairs our Legislation Committee, devoted many hours during the session to consulting with the staff and in direct contact with key legislators. Our major lobbyist, Roy Strange, again demonstrated why he is so highly regarded in Frankfort. Roy's knowledge of the legislative system, coupled with his years of experience, combined to make him an indispensable part of our legislative team. And our President, *Harold Butler*, has now become a seasoned Frankfort pro in his own right. Harold's ability and willingness to show up at the Capitol on short notice, to attend a meeting or to testify before a key committee, was a major factor in our success.

Last but not least, we all owe a big thanks to our legislative key-contacts. Key-contacts are members who have volunteered to serve as a liaison between the Society and their local legislator. Throughout the session, when we needed to get our message to a large number of legislators on short notice, it was the key-contacts who got the job done. Many times these contacts had to be made over the weekend or in the evening, but we never heard a word of complaint and we never had a key-contact refuse to drop what they were doing and act when the need arose. Lobbyists and Legislation Committees are important to the legislative effort of an organization such as the Society, but no one will argue that in today's environment, an effective key-contact program is the single most important ingredient. So, again, much thanks to all, but especially to our legislative key-contacts. (If you are not now serving as a key-contact, but you have a good relationship with your local legislator and want to discuss getting involved in this capacity, please call Ben Gratzer.)

Here, then, are the highlights of the 1994 session:

Note: Bills passed by the 1994 General Assembly, except for those rare instances in

which the legislation is declared as "emergency," do not become law until 90 days after final adjournment, which this year was on April 15, 1994.

▼ SENATE BILL 174. For many years, Kentucky law has provided that partners or sole practitioners of a firm seeking to provide auditing services to a Kentucky school district could "have no personal interest in the financial affairs of the board or of any of its officers or employees." In the past, CPAs have interpreted this to mean that they must have no direct, financial business involvement with the school board or with an employee of the board.

However, in recent years, the Department of Education had begun to interpret the law to mean that a CPA's spouse could not be an employee of a school district, in any capacity, if the firm wished to conduct the audit of that district.



... no one will argue that in today's environment, an effective key-contact program is the single most important ingredient."

To correct what we believed to be an unduly restrictive interpretation of the law, the Society enlisted the assistance of Senator *Kim Nelson*, CPA. Senator Nelson introduced SB 174, which provides that a CPA firm seeking to perform auditing or certain other services to a school district must be independent under the rules and regulations of the Kentucky State Board of Accountancy.

SB 174 passed the House and Senate and was signed into law by the Governor on March 30, 1994.

▼ SENATE BILL 184. This was the top priority for the Society this year. SB 184 provided for the operation of businesses, including professional firms, as limited liability compa-

nies (LLCs) or registered limited liability partnerships (RLLPs) in Kentucky. The Society has worked on this legislation for over a year. It was developed in a series of meetings with a committee of attorneys from the Tax and Business Law committees of the Kentucky Bar Association. We also received a great deal of help from the state legislation staff in the Washington, D.C. office of the AICPA.

Essentially, either form of doing business combines the liability protection of a corporation with the tax advantages of a partnership. Our original goal was only to have LLC legislation passed, but at the last minute the decision was made to add the RLLP legislation to the bill. By passing this legislation, Kentucky becomes the 38th state to pass LLC legislation, while only six other jurisdictions have passed RLLP bills.

The Society is planning several educational programs for this summer to acquaint members with the provisions of the LLC and RLLP forms of doing business, both from a CPA firm point of view, as well as the opportunities for your clients to take advantage of this new legislation.

Senate Bill 184 was sponsored by Senator Fred Bradley, Frankfort. We also acknowledge the contribution of Senator Jeff Green of Murray, and Representatives Jim LeMaster and Stan Cave of Lexington to this effort. Finally, we express appreciation to the following attorneys who spent *many* long hours, often in the evening and on weekends, drafting the essential elements of the legislation: from Louisville, John Fendig and Charles Lavelle, with Greenebaum, Doll & McDonald; Tom Luber and Janet Kelly, with Wyatt, Tarrant and Combs; Alan McDonald, with Brown, Todd & Heyburn; Tom Rutledge, Ogden, Newell & Welch; Jim Seiffert, from Stites & Harbison, and Bill Strench, Hirn, Reed & Harper; and from Lexington, Laurel Garrett, with the firm of Henry, Watz, Gardner and Sellars; from Covington, Richard Wentz, with Arnsen, Parry & Wentz, and finally, Mary Ellen Allen, for the Attorney General's office in Frankfort.

SB 184 passed the House and Senate and was signed into law by the Governor on April 11, 1994.

(continued on page 5)



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Legislation (continued from page 3)

▼ HOUSE BILL 546. This was a major piece of legislation with several amendments to our accountancy statute. The major elements of the bill were developed by the State Board of Accountancy. Several meetings were held in the fall and winter between the State Board and our Executive Committee, to agree on the major provisions of the bill. The State Board recently reported to all licensees on this bill in their newsletter, the *State Board Ledger*. From the Society's point of view, the major provision of HB 546 was changing the definition of "firm," which will now allow CPA firms to practice as sole proprietorships, partnerships, and professional service corporations or any other form of business organization not otherwise prohibited by Kentucky law. Thus, with the combined passage of SB 184 and HB 546, CPA firms in Kentucky may now add LLCs and RLLPs to the list of entities under which they may practice public accounting.

While the form of practice issue was the major provision in the bill as far as Society leadership was concerned, there is no doubt that another provision in the bill, amendments to the experience requirement, also generated a great deal of interest. Basically, the amendment moves Kentucky closer to the provisions in the Uniform Accountancy Act (UAA), a document jointly developed by the AICPA and NASBA. In the past, the majority of the candidates for a CPA certificate worked for two years in a CPA firm, which had to include 500 identifiable hours of experience in the preparation of review and audit reports. The only other acceptable experience was to work for four years in certain positions for the IRS, or for two years in certain auditing positions for designated state government agencies. The UAA is recommending that all states adopt a one-year experience requirement, in any employment that involves duties as defined in the law as constituting the practice of public accounting, and provided there is supervision by a licensed CPA. The Kentucky position was to follow the UAA in adopting a one-year requirement for employment with a CPA firm, but to require two years for employment in an accounting capacity in some other environment, such as industry, education or government.

HB 546 was passed by the House and Senate and was signed into law by the Governor on April 5, 1994. The bill was sponsored by Representative Larry Clark of Louisville.

▼ HOUSE BILL 443. HB 443 was sponsored by Representative Jim Wayne of

Louisville, and strongly supported by State Auditor Ben Chandler. The bill dealt with the issue of audits of county fiscal courts and certain county fee officials. Under current law, the State Auditor has been granted the right of "first refusal" for these audit engagements, that is, a county fiscal court or county fee official may not engage a CPA firm to conduct their annual audit unless the State Auditor agrees in writing that they do not intend to conduct the audit for that year. The law has been like this for several years and gradually the State Auditor has replaced CPA firms to the point where today only 15 percent of these audits are done by CPA firms. The law also grants the State Auditor the right to review auditing work-papers before and after the report is issued.



... gradually the State Auditor has replaced CPA firms to the point where today only 15 percent of these audits are done by CPA firms."

In spite of this level of control which he already has over this particular audit area, the State Auditor sought to expand his influence even more by supporting HB 443, which in effect would require by law that the State Auditor *must* perform each county fiscal court and county fee official audit at least once every four years.

Society representatives met with the bill's sponsor early in the session, and we attempted to explain our position, which basically was that the bill was unnecessary, and thus could only be viewed by us as an direct affront to the reputation of the entire public accounting profession in Kentucky. It quickly became clear that we were in complete disagreement on the bill, that there was no room for compromise. What followed was one of the most intense and negative media campaigns against the Society and the profession that any of us have ever experienced. All over the state, but especially in the Louisville *Courier Journal* and the Lexington *Herald Leader*, the Society was

repeatedly flogged for being "self-serving" because we dared to oppose a bill that was supposedly aimed at cleaning up corrupt local governments. Editorial after editorial hinted at the "cozy" relationships between CPAs and local government officials, and took the position that, only when the State Auditor performed the work could the public be assured that a real audit had been performed.

Even the various county official associations changed their position and supported the bill. Only the Society and a few long-time friends of the profession in the legislature opposed the bill, and saw that perhaps there were some political motivations involved and not just a "white knight" effort to clean up local governments. Fortunately, our side prevailed in the debate. HB 443 was eventually to die in the House. As a last ditch effort, the sponsor had the provisions of HB 443 added to another house bill which had already passed the House and was in the Senate. This bill, HB 374, dealt with audit requirements for county attorneys and was opposed by the county attorneys association. Thus, the Society became allies with that group in opposition to HB 374, which was sponsored by Representative Steve Nun of Glasgow. We had no argument with Rep. Nunn's original bill, but such "piggybacking" tactics in the closing days of a session frequently results in groups opposing bills for different reasons.

Fortunately, time ran out for HB 374/HB 443, and it died in the Senate.

▼ HOUSE BILL 616 is related to the issue just described. This bill dealt with audits of school districts. It made what we viewed as several positive changes in the audit oversight activities of the Department of Education (DOE), and the Society had previously expressed our general support for most of these positive and remedial measures. However, at the insistence of the State Auditor, the bill also contained a provision requiring automatic auditor rotation every five years. The Society had several meetings with officials from the DOE and with the bill's sponsor, Representative Joe Barrows of Versailles. We asked that the provision requiring auditor rotation be removed and replaced with language that would enable the DOE to adopt such a rule by administrative regulation. Our intent would then be to work with DOE audit oversight personnel in an effort to convince them that automatic auditor rotation is unnecessary and counter-productive.

(continued on page 7)

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Legislation (continued from page 5)

Rep. Barrows understood and supported our position and HB 616 was amended as we requested, despite the strong opposition of the State Auditor's office. The bill passed and has been signed into law. However, it will not be effective unless funds to support the new audit responsibilities within the DOE are included in the state budget when it is eventually adopted.

▼ HOUSE BILL 797, one final bill supported by the Society which dealt with auditing requirements, was sponsored by Representative *Mark Treesh*, CPA, of Owensboro. The bill would have required that audits of special taxing districts be conducted in accordance with generally accepted governmental auditing standards of the Comptroller General of the U.S., (the "Yellow Book"). We didn't really feel it was our responsibility to support such legislation, and we had requested that the State Auditor address this issue in one of his bills. However, he declined to do so, and the Society asked Rep. Treesh to sponsor the bill. After passing the House 93-0, HB 797 died in the Senate.

In addition to these bills dealing with various issues, the Society was also heavily involved in monitoring and testifying when requested on a variety of bills in the taxation area. *Bob Thiemann*, who chairs our State & Local Taxation Committee, provides this summary of the major tax bills of interest to members.

▼ HOUSE BILL 107 conforms Kentucky gross income and deductions to the federal Internal Revenue Code in effect on December 31, 1993 for tax years beginning on or after January 1, 1994.

▼ HOUSE BILL 157 exempts from real estate transfer tax property placed in a trust if the direct transfer from the grantor of the trust to each individual beneficiary of the trust would otherwise qualify for an exemption.

▼ HOUSE BILL 206 imposes a .5 percent fee on gross receipts derived from charitable gaming, such as bingos and raffles.

▼ HOUSE BILL 250 adopts a new health care provider tax that is essentially the same as the existing one except that premiums received by an HMO on a fixed prepayment basis are expressly exempt from tax, the Cabinet for Human Resources cannot increase or decrease the tax rate, and gross revenues do not include outpatient prescription drug revenues subject to the \$.25 prescription tax.

▼ HOUSE BILL 297 provides that, when



... the Society was also heavily involved in monitoring and testifying when requested on a variety of bills in the taxation area."

the deadline for filing an income or corporation license tax return is extended, the statute of limitations for assessments and refund claims begins on the extended due date, not the original due date. Simplifies and clarifies the provisions regarding how the statute of limitations applies when IRS audit adjustments affect the amount of Kentucky tax. Addresses issues raised in the *Blackberry Creek Coal Company* case by starting the running of the statute of limitations on carrybacks of net operating losses or capital losses from the due date of the return for the loss year rather than the carryback year.

▼ HOUSE BILL 298 conforms Kentucky depreciation expense to federal depreciation expense for tax years beginning after December 31, 1993. The difference between Kentucky and federal adjusted basis of assets placed in service prior to the first day of the first tax year beginning after December 31, 1993 is to be

amortized over a four-year period if the difference is greater than \$100,000. If the difference is less than \$100,000, the taxpayer may elect to amortize the entire difference in the first year. Kentucky gain or loss from the disposition of assets will be the same as for federal.

▼ HOUSE BILL 310 specifies the order in which income tax credits are to be taken for individual and corporate income tax purposes.

▼ HOUSE BILL 455 denies an industrial supply or new and expanded industry sales and use tax exemption for tangible personal property (including spare parts but excluding machine oils, grease, or industrial tools) used to maintain, restore, mend or repair machinery or equipment, regardless of whether the property is required by the manufacturer or vendor as a condition of warranty. Applies to tax periods beginning on or after August 1, 1994. (This statutorily overrules the decision in *Armco*.)

▼ HOUSE BILL 513 changes, for all taxpayers, the deadline for filing intangible and tangible personal property returns from April 15 to May 15. Also permits individuals (but not businesses) with respect to intangible (but not tangible) personal property tax returns, to extend the filing deadline to the "extended federal income filing date approved by the IRS." Individuals who extend the deadline lose the discount on payment of the intangible tax.

Thus ended what was undoubtedly one of the busiest and more interesting legislative sessions with which we have been involved.

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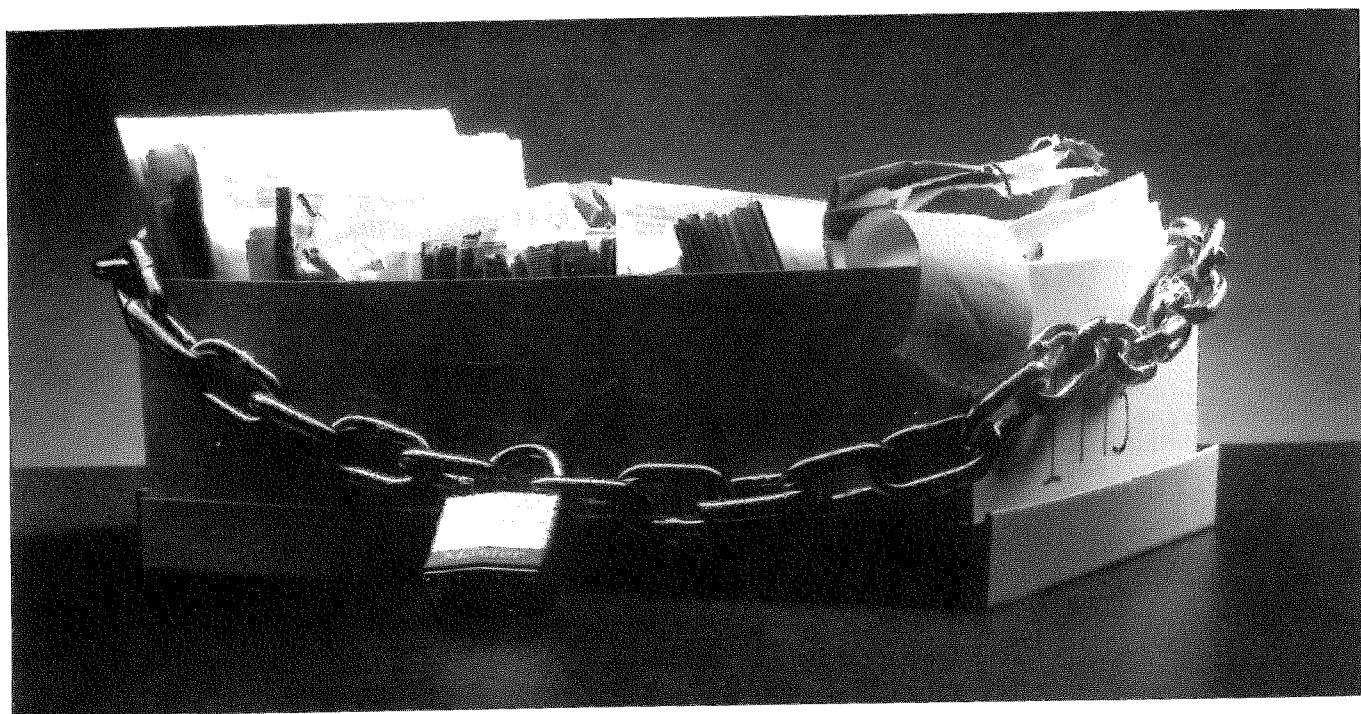
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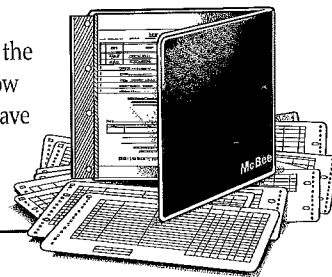
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Legislation (continued from page 7)

We learned again that good bills don't just pass automatically (HB 797), and that bad bills still require a lot of work to defeat (HB 443 did pass the House, as part of HB 374, by a vote of 54-24.) We learned that more than a few people in Frankfort have lost confidence in the willingness and/or ability of CPAs to provide high quality, objective auditing services to units of local and state government. We learned a lesson in "the power of the press" as we flinched each morning when we opened the paper to yet another editorial such as the February 24th *Herald Leader* with a headline "Good policy vs. CPAs." The same editorial asked if legislators would support "better management of tax dollars by local officials" or "the vested interests of CPAs?"

We learned again how fortunate we are that two CPA members of the Society, Senator *Kim Nelson* of Madisonville and Representative *Mark Treesh* of Owensboro, are willing to make the sacrifice it takes to serve in the

“

... good bills don't just pass automatically.”

Kentucky legislature today.

And, perhaps the most important lesson of all, we learned again that what everyone has been saying all along is true. In spite of all the power that some people have in Frankfort, and even with the strong support of editorial staffs of some newspapers, the single most important element of any legislative program is still at the "grass roots" level. The Society officers and

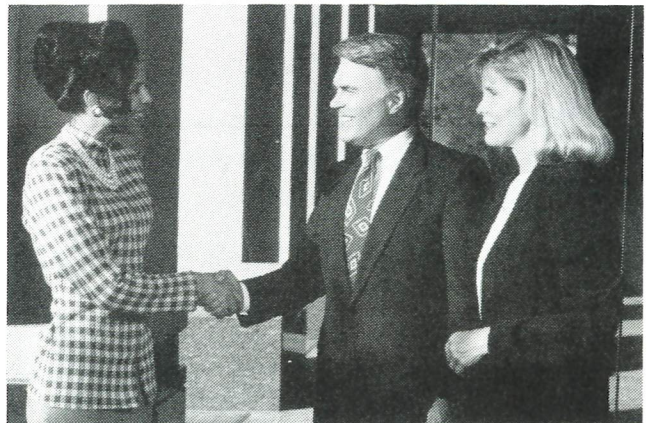
staff, the lobbyists, and our political action committee are all important, but it was those individual members back home, talking to their local legislators, who were able to point out the real reasons for some of this legislation (the State Auditor's political aspirations are no secret, and Rep. Wayne has all but announced that he is seriously considering running for the State Auditor's position in 1995). And it was this local contact that was the real reason for the success we had this year.

So, one more time, we have to urge all of our members to get involved with your local legislator. If you want to get involved in the Society's legislative program, but don't know how to start, call the office. There are several people available to help. In closing, one last quote, "The punishment of wise people who refuse to get involved in the affairs of their government is to live under the government of unwise people."

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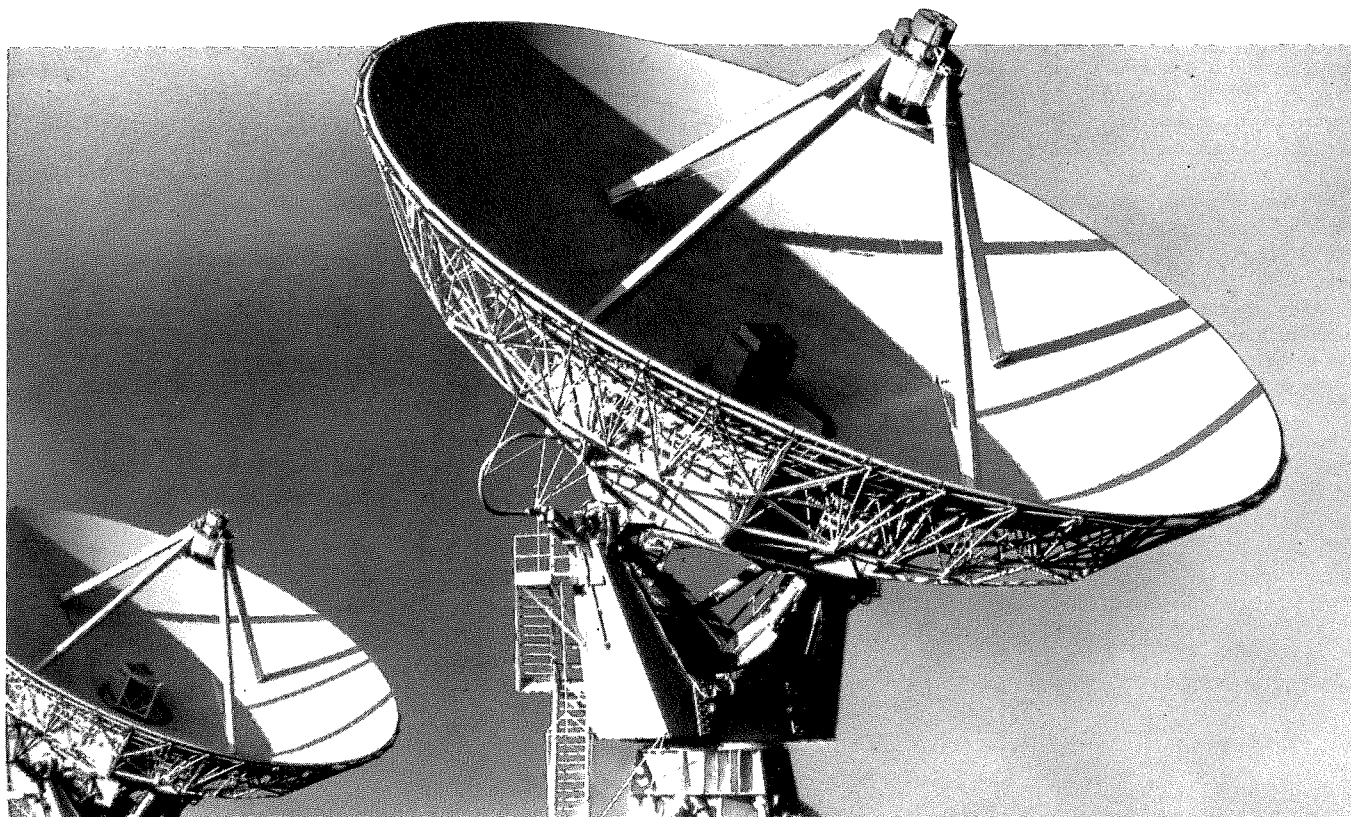
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Date	Course	Location	Registration Fees	
			Non-Member	Member
MAY				
16-17	**Governmental Accounting & Auditing Conference	Executive West-Louisville	\$ 220	\$ 170
23	**Estate & Financial Planning Conference	Holiday Inn-Hurstbourne-Louisville	165	140
24	Advanced Training Course for Reviewers: Current Issues in Practice-Monitoring	Executive West-Louisville	265	240
JUNE				
8	Audit Requirements of OMB Circular A-133	The Hurstbourne Hotel-Louisville	230	205
9	Compliance Auditing	The Hurstbourne Hotel-Louisville	230	205
10	Yellow Book: Government Auditing Standards	The Hurstbourne Hotel-Louisville	230	205
13	FASB Review for Industry	Holiday Inn-Hurstbourne-Louisville	240	215
19-22	1994 Annual Convention	Swan-Orlando, FL	320	320
20	Annual Update for Accountants and Auditors	Holiday Inn-North-Lexington	200	175
21	PPC's Guide to Audits of Nonprofit Organizations	Holiday Inn-North-Lexington	245	220
27AM	Audit Testing: What, How and How Much?	The Hurstbourne Hotel-Louisville	145	120
27AM	Exceptional Selling Skills: The Essential Advantage for the 90s	The Hurstbourne Hotel-Louisville	145	120
27PM	Delegating Effectively	The Hurstbourne Hotel-Louisville	145	120
27PM	Conducting Efficient and Effective Audits	The Hurstbourne Hotel-Louisville	145	120
28AM	Compliance Requirements for 401(k) Plans	The Hurstbourne Hotel-Louisville	145	120
28AM	Total Quality Management and Continuous Quality Improvement: The Power Advantage	The Hurstbourne Hotel-Louisville	145	120
28PM	Using Client Service to Boost Profits	The Hurstbourne Hotel-Louisville	145	120
28PM	Compliance Requirements for Cafeteria Plans	The Hurstbourne Hotel-Louisville	145	120
29AM	Retirement Planning: Selecting the Best Distribution Alternative	The Hurstbourne Hotel-Louisville	145	120
29AM	Building a Productive Team	The Hurstbourne Hotel-Louisville	145	120
29PM	How To Decide When You Can't Decide	The Hurstbourne Hotel-Louisville	145	120
29PM	Current Employee Benefit Issues	The Hurstbourne Hotel-Louisville	145	120
30	Small Business Controllorship: A Diagnostic Approach	Executive West-Louisville	245	220
JULY				
11	Today's Corporate Tax Management Issues for CPAs in Industry	Holiday Inn-North-Lexington	250	225
11-12	*Auditing and Reporting Under Government Auditing Standards	Holiday Inn-Hurstbourne-Louisville	425	375
18	Nonprofit Auditing and Accounting Update	Executive West-Louisville	265	240
19	Advanced Auditing for HUD-Assisted Projects	Executive West-Louisville	275	250
22	Media Training Workshop	Holiday Inn-Hurstbourne-Louisville	200	175
25-27	Staff Training - Basic	Holiday Inn-Hurstbourne-Louisville	440	365
28	Business Consulting: Making It Work	Executive West-Louisville	240	215
29	Business Law Today: An Update For CPAs	Holiday Inn-North-Lexington	240	215

EARLY DISCOUNT: ALL PAID REGISTRATIONS RECEIVED MORE THAN 10 DAYS PRIOR TO SEMINAR DATE ARE ELIGIBLE FOR \$25 DISCOUNT.
EARLY DISCOUNT DOES NOT APPLY TO CONFERENCES OR KENTUCKY INSTITUTE.

Date	Course	Location	Registration Fees	
			Non-Member	Member
AUGUST				
5	Annual Update for Accountants and Auditors	Holiday Inn-Hurstbourne-Louisville	\$ 200	\$ 175
8-9	*Auditing Under the Single Audit Act	Holiday Inn-Hurstbourne-Louisville	425	375
8	Developing Your Business Valuation Skills: An Engagement Approach	Holiday Inn-Hurstbourne-Louisville	245	220
9	Basics of Fiduciary Income Taxation	Holiday Inn-Hurstbourne-Louisville	215	190
10	Construction Contractors: Special Tax and Accounting Considerations	The Hurstbourne Hotel-Louisville	235	210
17-19	Staff Training-Semi Senior	Executive West-Louisville	440	365
18	Planning Opportunities in Farm Taxation	Executive West-Louisville	210	185
19	Practical Tax Considerations for Physicians and Dentists	Executive West-Louisville	200	175
22	Americans with Disabilities Act: Managing the Cost of Compliance	Executive West-Louisville	240	215
23	Financial Statement Analysis: Basis for Management Advice	Executive West-Louisville	275	250
24	Strategic Estate Planning: Hot Tips to Help Your Clients	Ramada Hotel-Lexington	210	185
25	Compilation and Review of Financial Statements: Addressing Current Practice Problems in Effective Practical Ways	Ramada Hotel-Lexington	200	175
29	Budgeting-Practical Information, Techniques and Ideas	Executive West-Louisville	240	215
29	Tax Consequences of Corporate Liquidations	Holiday Inn-North-Lexington	200	175
30	Tax Savings with S Corporations	Holiday Inn-North-Lexington	200	175
30	Advanced Government Auditing and Reporting Issues	Executive West-Louisville	245	220
SEPTEMBER				
8	Developing and Managing a Successful Tax Practice	Executive West-Louisville	250	225
9	Using Trusts in Income and Estate Tax Planning	Executive West-Louisville	200	175
12	Governmental Auditing and Accounting Update	Executive West-Louisville	240	215
16	Corporate Multistate Tax Saving Strategies	Holiday Inn-Hurstbourne-Louisville	250	225
19-20	**Conference for CPAs in Industry	Holiday Inn-Hurstbourne-Louisville	255	205
19	Tax Planning for Shareholders of Closely Held Corporations	Executive West-Louisville	210	185
20	Tax and Financial Aspects of Retirement	Executive West-Louisville	210	185
21	Estate Planning for the Small Business Owner	Executive West-Louisville	210	185
26	Tax Issues of Charitable Organizations	Executive West-Louisville	210	185
27	Compilation & Review of Financial Statements: Addressing Current Practice Problems in Effective Practical Ways	Executive Inn-Paducah	200	175
28	Compilation & Review of Financial Statements: Addressing Current Practice Problems in Effective Practical Ways	Holiday Inn-Owensboro	200	175
28	Negotiations and Tax Aspects of Buying and Selling a Business	Executive West-Louisville	205	180
29	Compilation & Review of Financial Statements: Addressing Current Practice Problems in Effective Practical Ways	Holiday Inn-Prestonsburg	200	175

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CHAPTER UPDATE

BARREN RIVER

The Barren River Chapter hosted four meetings this year. The year began with a 2-hour CPE program on Quality Review presented by *Roger Johnson*. Dr. James Dick discussed the advantages of offsite storage for important papers and records at the December 2 meeting. And the annual Student Night was held February 24, attended by accounting majors at Western Kentucky University. Communications professor Carl Kell discussed client relations and communications. The "1994 Legislative Issues" program, qualifying for two hours of CPE, was presented February 8.

1993-94 BUDGET

Revenues

Membership Dues	434,000	35%
CPE	736,000	59%
Quality Review	26,000	2%
Interest Income	21,000	2%
Other Income	26,000	2%

Total Revenues

1,243,000 100%

Expenses

CPE	604,000	49%
Quality Review	42,000	3%
Bottom Line	39,000	3%
Legislation	33,000	3%
Committee & Chapter Administration	85,000	7%
	440,000	35%

Total Expenses

1,243,000 100%

BLUEGRASS

The Bluegrass Chapter honored 15 veteran CPAs at "Old Timers Night" on September 16. Members and guests were entertained by syndicated television and radio personality Al Smith. Prior to the

meeting, members attended a 2-hour CPE program entitled "Pension Plan Administration," presented by William C. Presson with Resource Benefits Planners, Inc. Sixty-two members turned out for the event. Saturday, October 2 was the annual Bluegrass Chapter golf outing. Held at Lakeside Golf Course, 40 dedicated golfers fought the wind and rain to participate in the mixed scramble format. Sixty-one members attended the annual UK Sports Night on October 21. Special guest speaker was UK defensive coordinator, Coach Mike Archer. Preceding the meeting, members gathered for the 2-hour CPE program "Current Issues in Kentucky Sales and Use Taxation," presented by *Robert E. Thieman*, Ogden, Newell & Welch, Louisville. November 18 was the annual Student Night. One hundred fifty-six students representing nine colleges and universities and 63 members gathered to hear motivational speaker D. Conway Stone's topic the "Anonymous American." The chapter also sponsored a 2-hour CPE program entitled "Estate Planning," presented by Bob Carroll, vice president, The Planning Group, Franklin, Tennessee. The annual Business Leaders Night, snowed out for January 20, was held February 10. Prior to the chapter meeting, they sponsored the Society's 2-hour CPE program "1994 Legislative Issues." Sixty-five members attended. One hundred-fifty members and guests attended the annual Keeneland Outing and we bet they had a great time.

EASTERN KENTUCKY

On October 21, the Eastern Kentucky Chapter hosted four hours of CPE. Topics were "Quality Review" presented by *Roger Johnson* and "Analysis of the 1993 Texas Practice Management Survey" presented by *D. Chad Meade* and *Rowe Hamilton*. Special guests for the evening were President-elect *Earl Calhoun* and Society Executive Director Ben Gratzler. Forty-four members attended. The annual Student Night was held January 28 in Ashland. Thirty-five members and guests heard a panel discus-

sion on issues confronting the profession. Immediately preceding the meeting, members attended a 2-hour CPE program, "1994 Legislative Issues."

GREEN RIVER

Twenty-four members attended the second annual Day at the Races on August 20 at Ellis Park Race Track, Henderson. September 28, the chapter sponsored a 2-hour CPE program on Kentucky sales and use taxation by *Robert E. Thieman* with Ogden, Newell & Welch, Louisville. Society President-Elect *Earl Calhoun* and Society Executive Director Ben Gratzler were in attendance. Student Night was November 16. Panel members *Regina Sims*, *Brad Parrott*, *John W. McClellan* and *W. Cassidy Wilson, III* discussed various opportunities and changes within the accounting profession. Twenty-four students and 30 members were in attendance. The annual business meeting was held January 18 and was catered by Moonlite B-B-Q. Following dinner, the chapter hosted the 2-hour CPE program "1994 Legislative Issues." Forty-eight members attended.

LOUISVILLE AREA

Sixty-six students from three area colleges and universities gathered October 8 for the annual Student Luncheon. November 10 the chapter sponsored a 1-hour CPE program entitled "Current Issues in Kentucky Sales and Use Taxation," presented by *Robert E. Thieman*, Ogden, Newell & Welch. The Annual Business Meeting luncheon was held in conjunction with the "1994 Legislative Issues" CPE program. Seventy-five members attended. The chapter will sponsor a benefit for the Society's Educational Foundation on Wednesday, June 29 at Churchill Downs. Fifty tickets have been reserved and the program will include a 1-hour CPE program on "Small Business Lending,"

(continued on page 4)



COMMITTEE REPORTS

ACCOUNTING CAREER OPPORTUNITIES COMMITTEE

The committee developed collateral materials about accounting in Kentucky to include with AICPA-developed packages sent to CPAs who spoke at high schools this year. In addition, the committee published its *Student Guide to Kentucky CPA Firms* and the student edition of *The Bottom Line*. Over 150 student members joined during 1993-94.
Helen Cohen, Chair,
 (502) 584-1101

6/30/93 AUDITED FINANCIAL STATEMENTS

Revenues

Membership Dues	380,605	32%
CPE	724,900	61%
Quality Review	29,325	3%
Interest Income	26,741	2%
Other Income	20,994	2%
Total Revenues	1,182,565	100%

Expenses

CPE	602,911	52%
Quality Review	32,181	3%
Bottom Line	41,520	4%
Chapter & Committee Administration	153,595	13%
	316,248	28%
Total Expenses	1,146,455	100%

ANNUAL CONVENTION

Plans were completed for the 1994 Convention to be held at the Walt Disney World Swan, Orlando, Florida on June 19-22, 1994. The 1995 Convention will be held at the Westin Hotel, Hilton Head Island, South Carolina, June 25-28. The committee continued to work on more effective marketing, deciding this year to offer free spouse/guest registration for first-time attendees.
Ted Stiles, Chair,
 (502) 769-6371.

CONTINUING PROFESSIONAL EDUCATION

The committee selected course offerings for the 1994 CPE year and published the new CPE Catalog. The \$25 discount will continue to be offered on all seminars (but not conferences) when the registration is received 10 days prior to the presentation date. A new self-study vendor, Totaltape, will be offered for 1994-95. The PASS, interactive computer training, was very popular last year and will continue to be offered. Orders for AICPA, John M. Surgent & Associates, Totaltape and PASS placed through the Society office earned commissions, helping to keep course fees low.
Larry Clark, Chair,
 (606) 236-6628.

RELATIONS WITH BANKERS & LAWYERS

The committee sponsored the "Young CPAs, Lawyers and Bankers Day at the Races" at Churchill Downs in November with 120 in attendance. The committee also sponsored a joint program with the Robert Morris Associates concerning the Business Credit Information Package (BCIP), and held a charity basketball tournament pitting CPAs against attorneys. The "Calculators vs. Litigators" tourney raised over \$1,000 to benefit Cabbage Patch Settlement.
Mark George, Chair,
 (502) 582-2571

FEDERAL TAXATION

The committee published several articles in *The Bottom Line*, including the report of its annual liaison meeting with the IRS. The chair of this committee serves as a trustee of the Kentucky Institute on Federal Taxation and provides input to that event's planning process.
Jeffrey Ebelhar, Chair,
 (502) 926-2922.

GOVERNMENTAL ACCOUNTING

The committee updated the *Kentucky School District Audit Guide* and distributed copies at the 1993 conference. The committee

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also made written comments on the exposure draft of the "Yellow Book" which is scheduled for publication during 1994. This year for the first time the Governmental Accounting Conference was cosponsored with the Central Kentucky Chapter of Association of Government Accountants. They have been contacted by the Auditors Office to assist in writing an audit guide for County Attorneys.
Robert M. (Kinney) Poynter, Chair,
 (606) 276-1147.

INSURANCE COMMITTEE

The committee continues to monitor the Society's group health insurance program, providing eligible members one of the best programs on the market. Negotiations for group rates are underway now with Blue Cross & Blue Shield. A new program introduced is "UNUM Long Term Care." This program provides additional insurance should an individual experience a chronic illness, whether it requires continuous hospitalization, nursing home care or long term care at home.
David Henderman, Chair,
 (502) 425-4800

LEGISLATION

The committee conducted a series of key-contact/legislative update programs around the state in an effort to get more members involved in the legislative process and to inform our current key contacts of the legislative issues for 1994. Two hours of CPE credit

MEMBERS BY GENDER



MALE
70.5%

was awarded to participants.

A weekly program, "Fax About Legislation," was started to inform firms of legislation action taken. Another program called "Legislative Key-Contact Fast Fax" was started to inform key-contacts of the same legislative actions.
Wayne Stratton, Chair,
(502) 583-0248.

LONG RANGE PLANNING

The committee recommended the adoption of a five-year annual dues schedule, similar to the schedule adopted in 1988. They also reviewed the Long Range Plan for needed alterations.
Kelly J. King, Chair,
(502) 241-5656.

MANAGEMENT CONSULTING SERVICES

The committee sponsored the Litigation Services Conference in October focusing on building a successful litigation services practice. The committee's successful breakfast meetings were held on the first Thursday of each month in Louisville from July through January. The topics included "Worker's Compensation: Self-insurance as an Alternative," "Services a CPA can Provide for Bankruptcy," "TQM and ISO9000," and "Healthcare Reform." Another project the committee completed was the *Software Source Directory*.
Bill Probus, Chair,
(502) 584-2500.

MANAGEMENT OF AN ACCOUNTING PRACTICE

MAP Roundtables were held in Louisville, Lexington and several other chapters. The programs included "The Status of Quality Review" and "An Analysis of the 1993 Practice Management Survey." The committee is involved with the 1994 California Practice Management Survey.
Rowe Hamilton, Chair,
(502) 429-0800.

MEMBERS IN EDUCATION COMMITTEE

The committee sponsored its second annual "Campus Interview Day" at Campbellville College in October. The program provides an opportunity for top students at small, private colleges to interview with public accounting firms. Eighteen students from seven colleges were interviewed. In addition, the committee is sponsoring the tenth annual "Conference for Accounting Educators" on May 20-21 in Bardstown, Kentucky. The conference provides 12 credit hours of CPE and is an excellent networking opportunity for educators from across the Commonwealth.
Suzanne Peal, Chair,
(502) 863-8068

MEMBERS IN INDUSTRY COMMITTEE

The committee sponsored five, 2-hour CPE Industry Focus Breakfast meetings, averaging 40 in attendance. They also cosponsored with the Kentucky Chapter of Healthcare Financial Management Association (HFMA) a 4-hour CPE program on "Healthcare Reform" presented by Richard Scott, CEO, Columbia/HCA, Louisville. September 20-21, 1993 the committee held their annual two day Conference for CPAs in Industry. Attended by nearly 200 industry CPAs, this program strives to meet the diverse needs of this select group. This year the committee published a quarterly newsletter, *INDUSTRY FOCUS* and became actively involved in recruiting and retaining industry members.

Committee members and staff contact industry CPAs who do not renew their memberships to conduct exit interviews, gaining valuable information about the need for new programs and for the enhancement of existing programs.
Janie Scott, Chair,
(502) 363-2687.

MEMBERSHIP SERVICES COMMITTEE

The committee sponsored a hospitality room for CPA candidates during the November exam and continues to monitor the many benefit programs offered to our membership. Attempting to determine the value of the programs, the committee conducted a random sample benefits survey. Results indicate that the most widely used benefits (excluding CPE) are the state tax form service and the discounted Research Institute of America *Master Federal Tax Handbook*, but that a better job could be done promoting programs. The most recent addition to the benefits list is LDDS Communications Association Savers Program which provides substantial savings on long distance calls.
Jane Wells, Chair,
(606) 257-4223

NOMINATIONS & AWARDS

Nominations for election to the Society Board of Directors and the Kentucky State Board of Accountancy were presented to the Board for approval.
Joe Hancock, Chair,
(502) 926-4540.

PERSONAL FINANCIAL PLANNING

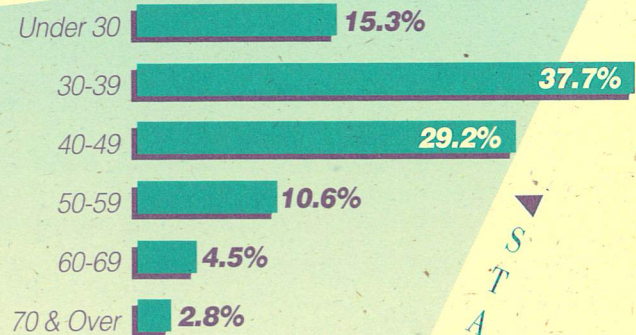
The committee's 1994 Estate and Financial Planning Conference will be May 23, 1994. In addition, the committee is planning a 2-hour *Health Care Update* on May 24, presented by Ben Baldwin.
Jerry Zimmerer, Chair,
(502) 499-5514.

PROFESSIONAL ETHICS

The committee closed one pension plan case and is currently working with the AICPA reviewing a few cases involving members.
Don Lawson, Jr., Chair,
(502) 448-4376.

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MEMBERS BY AGE GROUP



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COMMITTEE REPORTS

(continued from page 3)

PUBLIC RELATIONS & COMMUNICATIONS COMMITTEE

The major activity of the year was a communications audit conducted by a Toledo, Ohio public relations agency. The audit assessed the strengths and weaknesses of the Society's public relations program and recommended specific strategies for the future. In addition, the committee sponsored a Media Training Workshop attended by 25 members. Tax season activities included the "Tax Line" column in the Louisville *Courier Journal*, a phone bank, six radio news releases and several media appearances. The committee also sponsored the CPA Briefcase Brigade in the Pegasus Parade. *Gwen Tilton, Chair, (502) 589-6050.*

QUALITY REVIEW

The committee administered 104 reviews during 1993. *Mike Wilson, Chair, (606) 331-3300.*

SMALL BUSINESS COMMITTEE

The committee published the 1993 edition of *The Kentucky Business Advisor* and distributed it to nearly

30,000 business people across the state. The committee also reviewed the operating policies of the CPA Referral Service and updated the system. Newly-designed materials were mailed to encourage more firms to register and nearly 100 CPA firms now participate. The committee also developed a comprehensive publicity program to inform the general public about the service.

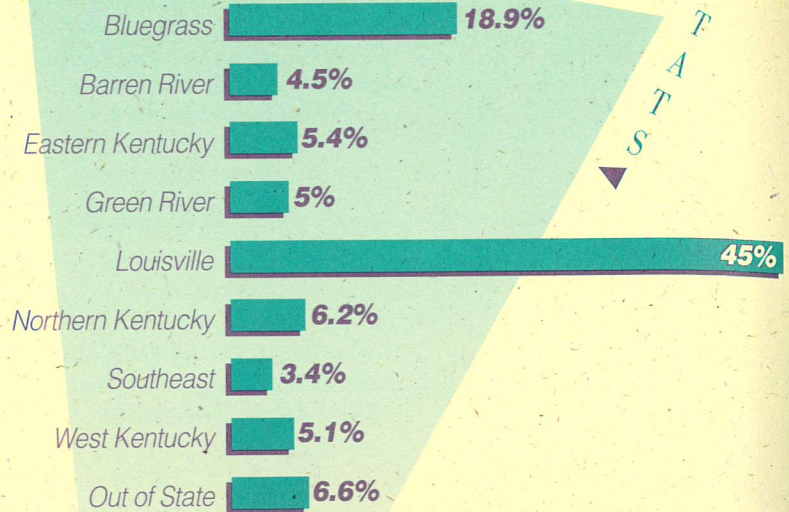
Harry Freibert, Chair, (502) 583-9587.

STATE & LOCAL TAXATION

The committee monitored pending legislation during the General Assembly and committee members testified in Frankfort several times. The listing of *Kentucky Communities Imposing an Occupational Tax* was revised and distributed. The committee also reviewed the proposed legislative changes by the Revenue Cabinet and submitted a copy of the Society's position to the cabinet. The chair continues to sit as a member of the Taxation Committee of the Kentucky Chapter of Commerce. The liaison meeting with Revenue Cabinet officials in Frankfort was held on November 17.

Robert E. Thiemian, Chair, (502) 582-1601.

CHAPTER MEMBERS



CHAPTER UPDATE

(continued from page 1)

presented by representatives of Stock Yards Bank.

NORTHERN KENTUCKY

This year the Northern Kentucky Chapter sponsored 14 hours of continuing professional education. Beginning the year on August 11 was a 4-hour CPE program entitled "Employment Law, Workmen's Compensation and Collections," presented by Steve Ellsbeerd and Paul Boggs from the law firm Lange, Quill and Powers. On September 22, in conjunction with the Northern Kentucky Bar Association, 39 members attended a 4-hour CPE program entitled "Selected Topics for Accountants and Attorneys Relating to Business." Society members *Kevin J. Moser* and *John P. Walker* were among presenters. Topics included "Utilizing Expert Witnesses," "Representation by the Client's Attorney," "Americans with Disabilities Act," and "A Revenue Cabinet Update on Procedures." Student Night brought 60 members and students together to discuss professional opportunities. Resume files were prepared by students at Northern Kentucky University and Thomas More College and made available to members attending. Panelists were *Bryan Kanter*, Sencorp, *Craig Johnson*, PNC Bank and *Tina*

Franks, Rankin, Rankin & Co. Membership Services Manager *Connie Moore Nipp* presented information on Society membership and programs. On December 8, 16 members attended a 4-hour CPE seminar on "Qualified Plans and Estate Planning for Qualified Plans" and on January 6, 18 members attended a 2-hour CPE seminar entitled "Creating Retiree Investment Policy."

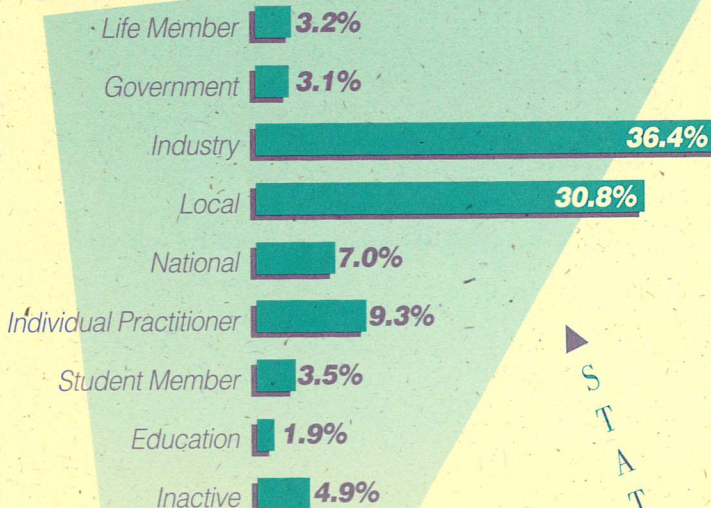
SOUTHEAST KENTUCKY

The Southeast Kentucky Chapter held its Annual Business Meeting and Legislative Update on February 22 in Corbin. Twenty members heard *Ben Gratzler*, executive director of the Kentucky Society of CPAs, give an update on proposed legislation.

WEST KENTUCKY

The West Kentucky Chapter of CPAs hosted the annual Banker, Lawyer, Stockbroker, Legislator Night on September 2, 1993. Special guests were U.S. Rep. *Tom Barlow* and Society President-elect *Earl Calhoun*. Twenty-six members and 28 guests were in attendance. October 14 was the annual Student Recognition Night at Murray State University. Members were treated to the annual December meeting held at Mr. Bill's Restaurant in Grand Rivers. Entertainment was provided by *Vocal Touch*, a local musical group.

EMPLOYMENT CLASS



Date	Course	Location	Registration Fees	
			Non-Member	Member
29-30	Accounting and Auditing Annual Updating Workshop	Executive West-Louisville	\$ 295	\$ 245
29	Surgent's 1994 Top Ten Tax Topics	Executive West-Louisville	205	180
30	The Practical Guide to Intermediate S Corporation Issues	Executive West-Louisville	205	180

OCTOBER

3	Partnership Tax: Current Issues and Update	Executive West-Louisville	215	190
3-4	The Complete Guide to Pension and Profit Sharing Plans	Executive West-Louisville	305	255
4	Audits of Financial Institutions	Executive West-Louisville	240	215
6	Providing Services to Condominium, Homeowners, and Other Common Interest Realty Associations	Executive West-Louisville	245	220
6	Audits of Employee Benefit Plans	Executive West-Louisville	240	215
7	Tax Update for Industry	Hyatt Regency-Louisville	210	185
7	Providing Services to Retail Clients	Hyatt Regency-Louisville	245	220
10	Partnerships, S Corporations, Proprietorships, and Individuals	Holiday Inn-North-Lexington	245	220
10	Advanced Issues in Tax Planning for S Corporations: Reorganizations, Redemptions and Liquidations	Holiday Inn-North-Lexington	245	220
11	Accounting for Current and Deferred Income Taxes	Harley Hotel-Lexington	245	220
11	Key Issues in Preparing Form 1120S	Harley Hotel-Lexington	245	220
17-18	Corporate Income Tax Returns Workshop	Hyatt Regency-Louisville	360	310
21	Auditing For Fraud, Waste, and Abuse	Holiday Inn-Hurstbourne-Louisville	200	175
24	How to Audit a Nonprofit Organization	Executive West-Louisville	245	220
24	Aggressive Tax Planning for Individuals II	Executive West-Louisville	205	180
25	PPC's Guide to Audits of Local Governments	Executive West-Louisville	245	220
25	Aggressive Tax Planning for PSC's, S Corporations and C Corporations	Executive West-Louisville	205	180
26	Establishing an Estate Planning Practice	Executive West-Louisville	205	180
26	Audits of Small Business: Applying Selected SASs	Executive West-Louisville	245	220
27-28	Accounting and Auditing Annual Updating Workshop	Holiday Inn-North-Lexington	295	245
28	Reporting and Disclosure Problems for Small Businesses	Ramada Hotel-Lexington	200	175
31	**Litigation Support Conference	Holiday Inn-Hurstbourne-Louisville	195	170
31	Current Developments in Federal Taxation	Executive Inn-Paducah	200	175

NOVEMBER

1	Current Developments in Federal Taxation	Holiday Inn-Owensboro	200	175
2	Current Developments in Federal Taxation	Holiday Inn-Prestonsburg	200	175
2	Coping with Problems in Pension and Profit Sharing	Executive West-Louisville	230	205
3	Using Fringe Benefits to Minimize Taxes for the Small Business Owner	Executive West-Louisville	230	205
3	Current Developments in Federal Taxation	Ramada Inn-London	200	175
4	Adventures in Auditing: An Advanced Workshop for Partners and Managers	Executive West-Louisville	275	250
4	Tax Wise Planning for Aging, Ill and Incapacitated Clients	Executive West-Louisville	230	205
9	Comparing and Contrasting the Tax Aspects of S Corporations, Partnerships, C Corporations, Sole Proprietorships and LLCs	Executive West-Louisville	205	180

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Date	Course	Location	Registration Fees	
			Non-Member	Member
10	A Comprehensive Review of Current Developments in Bank Auditing	Executive West-Louisville	\$ 240	\$ 215
10	Form 5500 Series: A Complete Guide	Executive West-Louisville	205	180
11	Compilation and Review of Financial Statements— A Workshop on Practical Case Studies	Executive West-Louisville	200	175
11	The Complete Tax Guide to Limited Liability Companies	Executive West-Louisville	205	180
17	Tax Aspects of Mergers, Acquisitions and Reorganizations	Executive West-Louisville	215	190
17-18	Accounting and Auditing Annual Updating Workshop	Executive West-Louisville	295	245
18	Partnership Taxation - II	Executive West-Louisville	215	190
21-22	Individual Income Tax Returns Workshop	Executive West-Louisville	360	310

DECEMBER

5-7	**Kentucky Institute on Federal Taxation	Galt House-East-Louisville	260	260
12-13	Audits of State and Local Governmental Units	Executive West-Louisville	350	300
12	Selected Issues in S Corporations	Executive West-Louisville	245	220
13	Structuring Agreements for Tax Savings	Executive West-Louisville	210	185
14	PPC's Federal Tax Update	Executive West-Louisville	180	155
16	Individual and Corporate Alternative Minimum Tax Strategies	Executive West-Louisville	250	225
19	Advanced Accounting for Governmental Units Under GASB	Executive West-Louisville	265	240

JANUARY

6	**State Tax Conference	Holiday Inn-Hurstbourne-Louisville	TBA	TBA
9	PPC's Federal Tax Update	Holiday Inn-North-Lexington	180	155

* Must be enrolled in Certificate of Achievement Program for Governmental Accounting

** Conference - no early discount

Please use photocopies of this form for additional registrations
Please Type or Print

Name _____
First MI Last

Firm _____

Address _____

City/State/Zip _____

Phone _____ Fax _____

Course Title/Date _____

Location _____

Method of Payment	<input type="checkbox"/> Check Enclosed
	<input type="checkbox"/> MasterCard or Visa
Credit Card #	_____
Expiration Date	_____
Cardholder's Name	_____
Signature	_____

Total Enclosed \$ _____ Member Non-Member

Please make check payable and return to: KSCPA, 310 W. Liberty St., Suite 604, Louisville, KY 40202
Phone 502-589-9239 In Kentucky 800-292-1754 FAX 502-581-1411

Non CPA Staff
 Special Needs

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AICPA board approves plan to combine PCPS Peer Review and AICPA Quality Review Programs

The Board of Directors of the American Institute of Certified Public Accountants has approved a plan to combine the peer review program of the Private Companies Practice Section (PCPS) and the AICPA's quality review program.

Under the plan, beginning in April 1995, reviews of PCPS member firms will be administered by state CPA societies under the overall direction of the AICPA's Quality Review Executive Committee (QREC). These bodies already administer the AICPA's quality review program. Since details still must be worked out, the Board will be asked to approve the actual combination later this year.

"We believe that this combination is an important step forward in PCPS' evolution," said J. Mason Andres, chair of the PCP Executive Committee and partner in the Texarkana, Arkansas-based firm of Thomas and Thomas. "The fact is, it's no longer necessary to have a separate PCPS peer review program. Since it was instituted in 1988, the AICPA's quality review program, which was modelled after peer review, has 'come into its own' and now the programs are virtually identical. What's more, we believe that combining the two programs will enable the PCP Executive Committee to conquer new frontiers and strengthen current programs, including advocacy on behalf of smaller CPA firms and their clients."

Mr. Andres also pointed out that the proposed combination will provide the state CPA societies with a broader base of firms over which to spread their costs, thus lowering costs per firm. In addition, involving PCPS member firms at the state level will help maintain and improve the consistency and quality of state programs.

Under the proposed combination, reviews of the PCPS firms and public files of these reviews will still be maintained at AICPA headquarters. The combination will not affect AICPA-affiliated firms that audit public companies, which will still be required to be members of the SEC Practice Section (SECPS) and to participate in that section's peer review program.

The new combined program was proposed as a joint recommendation of the PCP Executive Committee and the QREC. It was a product of extensive discussions, including

focus groups of practitioners in various U.S. cities. In addition, following the announcement of the proposed combination in November 1993, PCPS solicited and received reactions from interested member firms.



Under the proposed combination, reviews of the PCPS firms and public files of these reviews will still be maintained at AICPA headquarters."

"We found that most PCPS members didn't really care who administered their peer review," said Gary S. Nelson, partner in the Bend, Oregon-based firm of Nelson, Harrigan, Fladwood & Co. and chair of the Peer Review/Quality Review Combination Task Force, which developed the proposal. "The PCP Executive Committee - that is, managing partners of firms from across the U.S. - has

been closely monitoring this issue since the advent of quality review six years ago, and we decided that the time is right for this change."

To ensure consistency and PCPS representation in oversight and implementation activities, the AICPA: (1) will expand the QREC to include six new members nominated by the PCP Executive Committee; and (2) has appointed a PCPS/QREC Combination Implementation Committee, which will identify implementation issues and propose solutions for acceptance by the PCP Executive Committee, QREC and the state CPA societies and form subsequent approval by the AICPA Board of Directors.

The PCPS peer review program - launched in 1977 along with a similar program for firms that audit publicly held companies - was designed to improve the quality of the accounting and auditing practices of member firms. Given the success of peer review, the AICPA membership voted in 1987 to make periodic reviews of accounting and auditing practices mandatory for all AICPA-affiliated firms. That program, "quality review," is administered by state CPA societies in accordance with standards, procedures, guidelines and practice aids issued by the QREC.

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Awards

Teague recognized with highest grades in Kentucky

Donna O'Reilly Teague, a native of Cloverport, Kentucky and a graduate of Brescia College received the Kentucky Society Award at the Spring Awards Banquet. Donna received this award for not only passing all four parts on the first attempt, but for also earning the highest grades in Kentucky on the November 1993 CPA. She is currently a staff accountant with Baird, Kurtz, & Dobson in Bowling Green.

Not only were her scores the highest in the state, but they were also among the highest in the nation. For her exceptional exam performance, she also received the Elijah Watt Sells Award for Performance With High Distinction at the banquet. This award was established by the American Institute of CPAs in 1923 and for the November 1993 exam awarded 100 Certificates With High Distinction. This honor is especially significant considering the fact that over 74,000 candidates in the country sat for the November 1993 CPA examination. Donna is pictured at the right with *Harold R. Butler*, president of the Society's Board of Directors.



Harold Butler congratulates Donna Teague.

New scholarships awarded at spring awards banquet

The Society is pleased to introduce a new category of scholarships for 1994. Three students were named "John Brown Scholars" at the Spring Awards banquet on March 25.

These awards were made possible by the generosity of *John Brown*, CPA, a retired partner of Ernst & Young. He served as a member of the Society's Board of Directors for many

years and was president in 1961-62.

Last summer, through the Louisville Community Foundation, Mr. Brown established the John Brown Fund. The proceeds from the fund sponsor scholarships for accounting students at the University of Louisville and Bellarmine College. The amount of each award varies, according to the needs of the student and the total amount distributed in any given year. For 1994, the two schools received a total of \$2,750, divided according to the number of accounting majors at each school.

The John Brown Scholars were selected based on the following criteria: a clear interest in a career in public accounting, academic excellence and financial need. Richard Boyd Woods, Jr. of Shepherdsville and Penny Lanham of Louisville were the recipients from the University of Louisville. Bhaskar Rao of Louisville received the award from Bellarmine College. Richard and Bhaskar are pictured receiving their awards at the left with Mr. Brown. Unfortunately, Penny was unable to attend the banquet this year.

The Society is very grateful to Mr. Brown for recognizing the special needs of students pursuing careers in the accounting field.



John Brown (center) congratulates Richard Woods (l.) and Bhaskar Rao (r.).

Educational Foundation presents college scholarships

Each year, the Spring Awards Banquet features the presentation of two \$1,000 scholarships to deserving students. The ReagerHarris Scholarship, named for the Society's insurance agency of record, and the Society Foundation scholarship are awarded by the Society's Educational Foundation.

Kara Lee Kirby, a native of Richmond, Kentucky and a senior at the University of Kentucky was the recipient of the ReagerHarris award and Paula Jo Heilig, a native of Illinois and a senior at Murray State University received the Society Foundation Scholarship. Both scholarship winners are pictured at the right with President-Elect *Earl L. Calhoun*.

The ReagerHarris scholarship is only one of Miss Kirby's many academic accomplishments. She maintains a 4.0 cumulative grade point average at the University of Kentucky and was fortunate enough to receive a four-year Otis A. Singletary Scholarship to U.K. She intends to use the ReagerHarris scholarship money to earn a Masters degree in accounting.

The recipient of the Society Foundation scholarship, Paula Heilig, earned an Associate of Applied Science in Accounting Degree from Shawnee College in Ullin, Illinois in 1976. After raising a family and working in family businesses, she decided to pursue a Bachelor of Science in Business degree. She will receive this degree in May of 1995. She plans to sit for both the CPA and CMA exams after graduation and will remain in Kentucky to pursue a career.

The students who applied for these two awards were second semester sophomores or beyond with a minimum grade point average of 2.75 and accounting GPAs of 3.0. Applicants were required to submit an application with at least one recommendation from an accounting faculty member and an essay stating their career goals and reasons for choosing the accounting profession. The trustees of the Educational Foundation and six of the Society's board members selected these winners from over 20 who applied.



Earl Calhoun congratulates Kara Lee Kirby (above) and Paula Jo Heilig (right).



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Awards

Congratulations to new CPAs

At the Spring Awards Banquet on March 21 at the Hyatt Regency in Louisville, 46 new CPAs were sworn in by Deputy Assistant Attorney General Ann Shedel.

▼ Honorable Mention Awards

These candidates passed all parts of the November 1993 CPA Examination on the first attempt:

Carolyn Bond Barker
Cherish A. Barnett
Karen S. Bertram
Nancy Vaughan Bruce
Julia F. Burton
Suzanne M. Butler
Angelita Melynn Collins
John Dixon Copeland
Linda C. Downs
Lisa M. Harbold
Robin S. Hays-Haun
Cynthia Ryan Holahan
Russell K. Hoskins
Elizabeth Lee Johnson
Jeffrey Blake Johnson
Kim Floyd Johnson
Mary Beth Johnson
Joseph D. Johnston
Walter Keil
Olga Kucherova
Melissa Ann Ledbetter
Wade S. Littrell
James Timothy Lynch
David Bryan May
Robert Christopher Montgomery
David F. Morgan
Amanda Hargrove Oakley
Pamela Ann Oakley
Kent Owen
John Matthew Robbins
Kevin Dale Sipes
Jean L. Smith
Derek Anthony Sternberg
James Fulton Wilson
Vanessa Massey

▼ Kentucky Society Award

Elijah Watt Sells Award

Donna O'Reilly Teague

▼ New CPAs

Paul Nicholas Alexander

University of Kentucky
Dean, Dorton & Ford, PSC
Lexington

Timothy Alan Baker

University of Louisville
Eskew & Gresham, PSC
Louisville

Michael H. Baughman

University of Louisville
Mather, Hamilton & Co., PSC
Louisville

Judy L. Blain

University of Louisville
Chilton & Medley, CPAs
Louisville

Wade P. Bruce

Murray State University
Bruce & Company, PSC
Madisonville

Tracy Jo Brunns

Sam Houston State University
Strothman & Company, PSC
Louisville

John Thomas Campbell

University of Kentucky
Interstate Coal Company, Inc.
London

Richard A. Campbell

University of Kentucky
Miller, Mayer, Sullivan & Stevens
Lexington

Walter Duane Clare

University of Louisville
Strothman & Company, PSC
Louisville

Leslie Clemons

Morehead State University
Auditor of Public Accounts
Frankfort

Vickie L. Cox

Northern Kentucky University
Bressler & Company PSC
Covington

Melanie LeAnn Douglas

University of Louisville
Arthur Andersen & Co.
Louisville

James L. Etherington

University of Kentucky
Cabinet for Human Resources
Frankfort

Deborah F. Fuller

Murray State University
Newton & Kem, PSC
Hopkinsville

James Randy Gerald

Western Kentucky University
Taylor, Polson & Company
Glasgow

Gary Lee Gibson

University of Tennessee
Greene & Greene, CPAs
Middlesboro

Julia C. Griffey

University of Kentucky
Coopers & Lybrand
Lexington

Leslie Anne Gunn

University of Louisville
Weinberg, O'Koon & Co., PSC
Louisville

Anna Dean Hammond

Murray State University
Cabinet for Human Resources
Paducah

Craig M. Harbsmeier

University of Louisville
Carpenter & Mountjoy, PSC
Louisville

Ronda S. Holt

Western Kentucky University
Coopers & Lybrand
Louisville

Stephen C. Jones

Western Kentucky University
J.C. Holland & Company
Bowling Green

Walter F. Keil

University of Regensburg, Germany
Deloitte & Touche
Cincinnati, OH

Angela Marie Kimbel

Bellarmine College
Strothman & Company, PSC
Louisville

Kenneth H. Kinder, II

Transylvania University
RDJ Funeral Services, Inc.
Pikeville

Angela D. Lanham

University of Kentucky
Harold D. Lanham, PSC
Harrodsburg

Kelly L. Lanham

University of Louisville
Arthur Andersen & Co.
Louisville

Sammy K. Lee

Eastern Kentucky University
Anthony A. Davidson, CPA
Lexington

J. Tim Lynch

Indiana University
Evans & Bentley
Louisville

Mary Elizabeth McBeath

University of Kentucky
Cabinet for Human Resources
Frankfort

Cheryl Ann McDaniel

Bellarmine College
PNC Bank Corporation
Louisville

Tracey L. McGaughey

Lincoln Memorial University
Hillhaven, Inc.
Lexington

Steven Michael Meredith

University of Louisville
Coopers & Lybrand
Louisville

Judy Z. Mullendore

Western Kentucky University
Baird, Kurtz & Dobson
Bowling Green

Jeffrey Dean Newman

Morehead State University
Timothy S. Eldridge, CPA
Flemingsburg

Steven F. Nosil

University of Louisville
Arthur Andersen & Co.
Louisville

Michael W. Poole

University of Kentucky
Kaestner & Dodge, PSC
Louisville

David I. Rueff

University of Regensburg
Irvin Rueff & Associates
Louisville

Jeffrey A. Seger

University of Louisville
Carpenter & Mountjoy, PSC
Louisville

Mary Nicole Shufflebarger

Morehead State University
Deloitte & Touche
Louisville

Andrea Tillman Sinkhorn

University of Kentucky
Dean, Dorton & Ford, PSC
Lexington

J. Whitney Stith

University of Kentucky
Marion J. Padgett, CPA
Florence

Harvey Douglas Thompson

Morehead State University
Potter & Company
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University of Louisville
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Lexington

David G. Wilcox

Murray State University
Bruce & Company, PSC
Madisonville

Ethics

Test your knowledge

Editor's note: This quiz is based on American Institute of CPAs professional ethics division staff responses to members' telephone inquiries. It is not a pronouncement of the professional ethics executive committee nor does it purport to set forth an official position of the AICPA. In addition, the questions and answers do not address the requirements of other regulatory bodies, such as the state boards of accountancy and the Securities and Exchange Commission, whose positions may differ from those of the AICPA. Reprinted with permission from the Journal of Accountancy.

Q. If a member accepts the responsibility of signing checks for a client in emergency situations but never performs such activity, is independence impaired? () Yes () No

A. Yes. The acceptance of such responsibility impairs the member's independence.

Q. A member audited a company's financial

statements for the year ended June 30, 1993, and was issued stock by the client in payment of the audit fee. If the member disposes of the stock before commencing field-work planning for the audit of June 30, 1994, financial statements, is he or she independent with respect to this client? () Yes () No

A. No. Independence is impaired if a member has a direct financial interest in a client during the period of the professional engagement or at the time of expressing an opinion. The period of the professional engagement starts when the member begins to perform professional services requiring independence and ends with the client's or member's notification of that relationship's termination.

Q. A firm has offices in cities A and B. The city A office provides attest services for a client. One of this client's employees wants to work on a part-time basis as a staff-level tax

preparer in the city A office. Will such employment impair the firm's independence with respect to the client? () Yes () No

A. Yes. If the client's employee works in the office participating in the attest engagement, independence is impaired. However, if the employee works in the city B office, independence is not impaired as long as that office does not participate in a significant portion of the engagement.

Q. A client requires an audit for the current year but has not paid the member fees due for tax-related services performed two years ago. If the client issues the member a note for the unpaid fees, is the member independent with respect to this client? () Yes () No

A. No. Independence is impaired because the note is a prohibited loan from the member to the client.

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Nominations sought for Public Service Award

Certified public accountants have a long-standing reputation for giving something back to their communities. To recognize the special efforts of CPAs who actively participate in community service projects, the Society presents one of its members with a Public Service Award each year.

We are currently in the process of soliciting nominations for the 1994 award. If you know a CPA who is "really making the difference" in his or her community, please let us know. We will send you a nominations form to be returned by May 30, 1994. The winner will be selected at the June Board of Directors meeting and the award will be presented at the Fall Awards banquet in September.

Your nominee should show strengths in the following areas:

Leadership: Significance of positions held with a notable community, charity, government or other civic organization on an ongoing basis. Initiative shown by founding an organization, developing programs, or directing a major turnaround of a charitable group will be considered.



If you know a CPA who is 'really making a difference' in his or her community, please let us know."

Impact: The number of people who have benefitted from the nominee's activities, as well as the nominee's overall effect on the quality of life.

Involvement: The nominee's current level of involvement, as well as the length of time the candidate has been involved in various charitable and/or civic activities.

If you are interested in nominating a CPA for this award, call Dianna Ott for a nominations form. Thank you for helping us recognize a deserving individual for this award.

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Kentucky tax note

Supreme Court rules on provider tax

by Bob Thieman, chairman,
State and Local Taxation Committee

On Thursday, March 24, 1994, the Kentucky Supreme Court reversed the decision of the Franklin Circuit Court and held that the health care provider tax as applied to physicians is constitutional. Justice Reynolds wrote the majority opinion. Chief Justice Stephens and the three Special Justices appointed by the Governor (Special Justices Cawood, Fletcher and Westbury) concurred in the opinion. Justices Stumbo and Wintersheimer dissented.

The majority stressed the Kentucky General Assembly's broad discretion to classify taxpayers. Specifically, the Court held that unless the taxpayer can show there is no rational basis for the classification, the classification is constitutional. Additionally, the Court stated that the taxpayer has the burden of negating every conceivable basis which might support the tax.

The Court explained that, in order for a state to qualify for federal matching money for the Medicaid program under federal law, the state health care provider tax must be uniform and broad-based within each class of taxed providers. The Court found that the Kentucky provider tax met the federal statutory requirements.

Although only 60 percent of physicians in Kentucky participate in the Medicaid program, the Court found that the Medicaid program provides such an enormous subsidy to the health care system that all health care providers are benefitted, whether or not they participate in Medicaid.

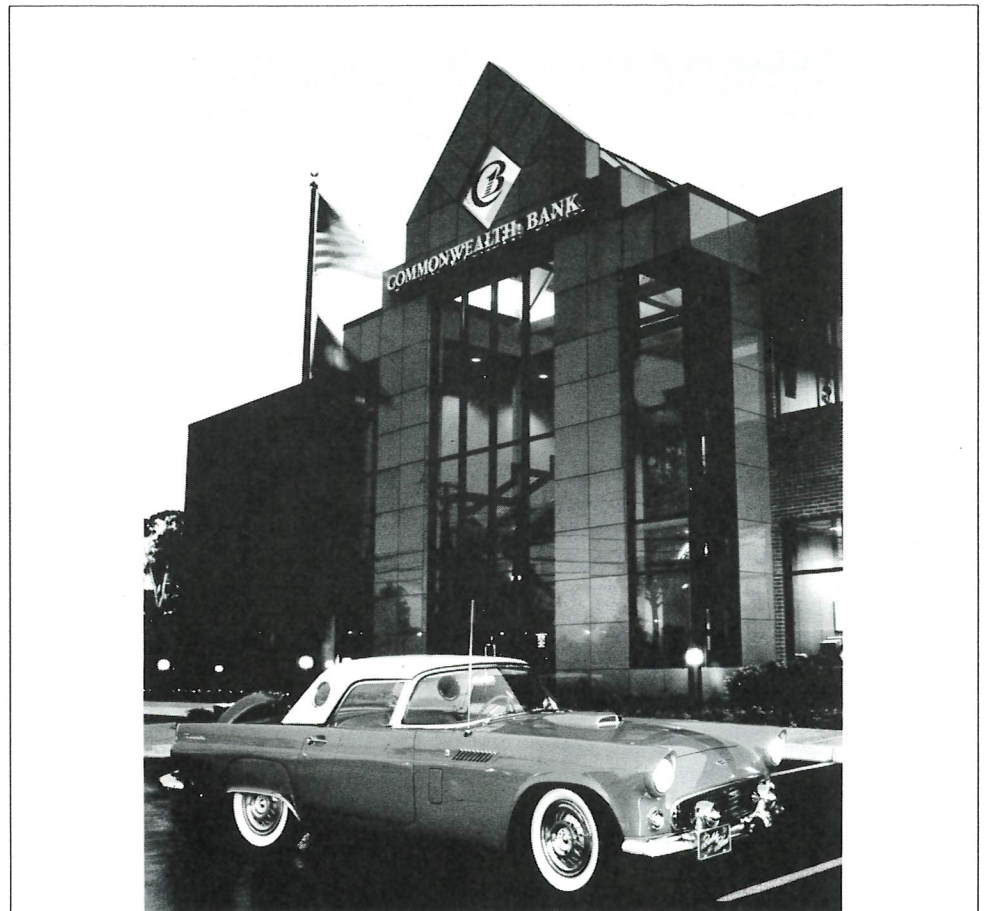
The Court also refuted the argument that the provider tax violated the Kentucky constitutional ban on special legislation because the tax only applied to physicians, not to the general public. The Court found that a general law relates to persons or things of a class. Because the tax in this case was imposed upon all physicians, a class defined by federal law, the tax statute is a general law.

The Court also found that because the tax satisfied Section 59 of the Kentucky Constitution regarding special legislation, the tax also satisfied the Equal Protection and Due Process Clauses of the Kentucky Constitution. Finally, the Court did not find any merit in the argument that the three Special Justices appointed by the Governor should have been recused.

At this time, it is unclear whether this case will be appealed to the United States Supreme

Court. Additionally, since the Kentucky Legislature was unable to pass House Bill 250, which would have extended the provider tax, the provider tax is scheduled to expire 90 days

after the last day of the 1994 regular session of the General Assembly. Assuming the session ends on April 13, the tax will expire on July 12, 1994.



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Members in motion

Nancy B. Davis has been elected an officer and will serve as Vice President and Chief Financial Officer of Stock Yards Bancorp, Inc., Louisville. She is currently Vice President of Finance for Stock Yards Bank & Trust Company...*Daniel E. Glaser* has been appointed Senior Vice President, Finance and Chief Financial Officer of Blue Cross and Blue Shield of the National Capital Area in Washington, D.C...*Michael B. Mountjoy*, Carpenter & Mountjoy, PSC, Louisville has been named chairman of the board for the Louisville Area Chamber of Commerce...*W. Thomas Cooper, Jr.*, Potter & Co., Louisville was elected to serve on the American Institute of Certified Public Accountants Board of Directors for a three year term ending in 1997...*Mackey McNeill Mohr*, Ft. Mitchell was named Accountant Advocate of the Year by the Kentucky Small Business Administration.

From the podium

Ronald F. Barnes, McCauley Nicolas & Company, New Albany presented a seminar on estate planning to the Kentucky Pork Producers Association during their state convention in Owensboro on January 22...*David Beck*, Potter & Company, Lexington spoke to the Automotive Services Association on February 8. His topic was 1994 Tax Changes Affecting The Auto Industry...*Susan Welch*, Kapp & Company, Louisville participated in Trinity High School's Business Fair on March 2...on March 7, *Rose Kruger*, KPMG Peat Marwick, Louisville spoke at Assumption High School on "Public Accounting Careers" ...*Vicki Baumgardner*, V.P. of Finance at Churchill Downs, Louisville, spoke to students at Assumption High School on March 10. She spoke on "Industry Career Opportunities for CPAs" ...On March 24, *G. Kenneth Kapp*, Kapp & Company, Louisville and *Clement F. Schildt*, Clement F. Schildt, CPA, Louisville spoke on "Careers in Accounting" at Saint Xavier High School's Career Day... *Paula Wyatt*, Buffalo Trace Area Development District, Maysville, spoke to students and participated in the Brooksville High School Career Fair on March 31... *Regina Sims*, controller of Orco, Inc, Owensboro, discussed accounting careers with students at Owensboro High School in March... *S. Raju Chenna*, accounting instructor at Kentucky Wesleyan College in Owensboro spoke with accounting students at Owensboro High School in March concerning a career in accounting and the college accounting curriculum.

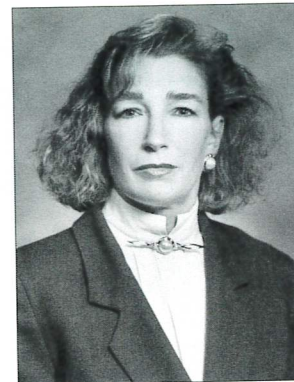
Firms & Firm Changes

Richard H. Dowdell has joined McCauley, Nicholas & Company in Jeffersonville. McCauley, Nicholas & Company has offices in New Albany, Jeffersonville, and Madison,

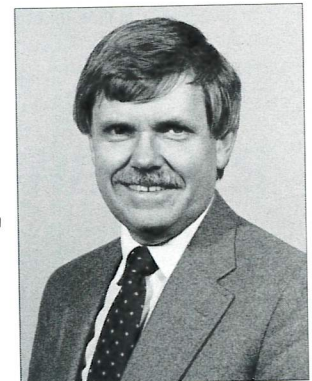
Indiana, and Louisville...*Vickie L. Cox*, Bressler & Co., Covington was promoted to supervisor in the accounting and auditing department.

State Board Appointments

Mary R. Bush, PNC Bank, Louisville, and *David L. Anneken*, Anneken & Moser, Edgewood, are the newest members of the Kentucky State Board of Accountancy. Bush was appointed in February to fill the two years remaining of the term of *James W. Smith*, who resigned from the Board for personal reasons. Anneken was appointed last September to a full four-year term, replacing *Jerry Shelton*. Other CPA members of the Board are *John N. Craft*, Richmond; *Lawrence T. Summers*, Lexington; *John A. Thompson*, Murray; and *Asa L. Hord*, Louisville. Edward F. Johnson, Owensboro, is the Board's citizen member.



Mary R. Bush



David L. Anneken

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65-69	283.65	213.25

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Survey report can help evaluate your firm's profitability

Cut costs. Increase Profits. Today's rough economy and slim profit margins have turned these tenets of effective business management into veritable catch phrases of the '90s. Smart and efficient management has never been more important. So, if you were given an easy and inexpensive means to evaluate the efficiency of your practice and generate specific suggestions to directly improve your bottom line, you'd take advantage of it, wouldn't you?

The Kentucky Society's 1994 Management of an Accounting Practice Survey gives you such an opportunity. The MAP Survey compiles the management philosophies and practices used by firms of all sizes and types spanning the entire state. This survey, originally developed for the California Society of CPAs, has, for more than 15 years, helped thousands of California CPA firms to better manage their practices and increase their profits. Now, Kentucky Society members can enjoy the same advantage by using the detailed information that is gathered from Kentucky CPA firms. By returning a completed survey questionnaire along with \$100, you will receive



This survey . . . helped thousands of California CPA firms to better manage their practices and increase their profits."

the main MAP Survey Report as well as a confidential Custom Firm Report.

The Custom Firm Report's comparative analysis measures your firm's responses with other practice units of similar size and geographical location. Included with the report is a confidential Diagnostic Section, which takes your firm's responses, analyzes them and

then generates specific suggestions for profit improvement written out in complete detail.

"Over the years, we have participated in various surveys, but this is the first survey where we can compare information exclusively to our market area," said MAP Committee Chairman *Rowe Hamilton*. "The Diagnostic Section makes the MAP survey especially beneficial. By making specific comments and recommendations, less analysis will be required by firm managers to analyze their performance."

Available on disk

Admittedly, filling out lengthy surveys is not a favorite task of busy firm partners or managers. For this reason, a disk is included that enables you to easily complete the questionnaire. It also ensures the relevancy of your data by alerting you when a particular response falls out of the range of appropriate answers.

If you have questions about the MAP Survey questionnaire or any of the reports, call Linda Ritter toll-free (800) 292-1754 or in Louisville dial 589-9239.



The Educational Foundation of
The Kentucky Society of CPAs
310 West Liberty, Louisville, Kentucky 40202

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