

The *Kentucky* Accountant

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NUMBER 1



Bob D. Cornman

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Bicentennial Issue Of Accounting History To Be Published

The History Committee of the New York State Society of CPAs has initiated a project to publish a 200-page history of the contributions of the public accounting profession to our nation's developing economy.

The book's author will be Professor Gary John Previts of the University of Alabama who is President of the Academy of Accounting Historians.

The book, as planned, should have broad appeal, and it is hoped that CPAs throughout the country will wish to support its publication by making a commitment to buy copies.

The price of the book cannot be determined at this early stage. All firms committed to a \$100 subscription will be listed in the book as a sponsor.

The American Institute is presently considering a program concerning the "self-regulation" of accounting firms for the purpose of providing an added measure of assurance as to the quality control standards for audit practices.

The program was first presented to Council at the spring meeting in Colorado Springs, and has since been on the program of the annual meeting in San Antonio, and at a special called regional meeting of Council members in Dallas. The Institute is vitally concerned about the program and has encouraged forums to be conducted during December and January to inform members and to receive input, comments and feedback from them. The Society office has contacted each chapter chairman and encouraged him to call a meeting of the chapter in order to discuss this important issue. In addition, the Executive Committee has discussed this issue in general with each chapter they have visited.

Essentially, this program as presented would provide for the voluntary registration of accounting firms with the AICPA. The registration would be open to all firms, including sole practitioners, and would have the following features:

- (1) All partners or stockholders shall be members of the AICPA.
- (2) The firm would file a document setting forth its quality control policies and procedures for the conduct of its audit practice in the United States. This document will be reviewed for consistency with specified standards, and if the standards are not met, would require changes before being accepted.
- (3) The firm would agree to submit annual reports of changes in its quality control procedures and policies and what internal reviews were made to determine compliance with the firm's quality control program.
- (4) The accepted reports mentioned above would be available to the general public for inspection at the Institute's offices.

Continued on page three, column two

Subscriptions will not be filled nor payments due until July or August 1976, but commitments should be mailed now to: Edward L. Lawson, CPA, P. O. Box 7180, Ardsley-on-Hudson, New York 10508.

Manual On Audit Procedures For County Fee Officials

The Society office has a limited supply of the new manual for audit procedures of county fee officials recently published by the office of the Kentucky Auditor of Public Accounts.

For a copy of the manual, please submit your request to the Society office in writing.

IN MEMORIAM
Austin H. Gresham
Certificate No. 239
Partner, Eskew & Gresham
Louisville
Past President, Kentucky Society
Deceased December 24, 1975

Published by
**THE KENTUCKY SOCIETY
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 PUBLIC ACCOUNTANTS**

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CPE COURSES SCHEDULED

Kentucky has scheduled 22 presentations for 1976. Five of these will be regional presentations. Sixteen are one-day and six are two-day.

Most will be offered in Louisville since the membership survey revealed this as the most desirable site.

CPAs in industry will be interested in several of the courses. Among them:

- 1) Dealing with Insolvency and Bankruptcy
- 2) Minimizing the Corporate Interstate Tax Burden
- 3) Consolidated Tax Returns
- 4) Corporate Income Tax Workshop

Top discussion leaders have already been obtained for most of the presentations. Watch for the complete schedule next month.

Accounting Principles And Auditing Procedures

Accounting for Certain Marketable Securities

Statement of Financial Standards No. 12

Roy J. Spaulding, Committee Chairman

In December 1975 the FASB issued its Statement No. 12, *Accounting for Certain Marketable Securities*. The following synopsis may be useful as a ready reference; however, any technical reference should be made to the Statement.

The carrying amount of a marketable equity securities portfolio shall be the lower of its aggregate cost or market value, determined at the balance sheet date.

The amount by which aggregate cost of the portfolio exceeds market value shall be accounted for as a valuation reserve.

All marketable equity securities classified as current in the balance sheet shall be treated as a single portfolio for the consolidated entity; likewise, all marketable equity securities classified as non-current shall be treated as a separate portfolio for the consolidated equity. In the case of unclassified balance sheets, marketable equity securities shall be considered as noncurrent assets. The portfolios of marketable equity securities owned by an entity accounted for by the equity method (subsidiary or investee) shall not be combined with the portfolio of the consolidated entities.

If there is a change in the classification of marketable equity securities, the lower cost or market at the date of change shall become the new cost basis and any difference should be treated as a realized loss.

All realized gains and losses and all changes in the valuation for a marketable equity securities portfolio included in current assets shall be included in the determination of net income of the period in which they occur. Accumulated changes in the valuation allowance for a portfolio included in non-current assets or in unclassified balance sheet shall be included in the equity section of the balance sheet.

Disclosure is required for aggregate cost and market value (for each segregated portfolio), gross unrealized gains and gross unrealized losses (for each portfolio), and net realized gain or loss included in the determination of net income. Other disclosures are also called for. Special provisions are given for certain industries having specialized accounting practices. Exceptions are made for not-for-profit organizations, pension funds, and mutual life companies.

Provisions of the statement are effective for fiscal periods ending on or after December 31, 1975.

If the initial application of the Statement requires the establishment of a valuation reserve for the current portfolio, the amount thereof shall be included in the determination of net income for the period. Similarly, in the initial establishment of a valuation reserve for the noncurrent portfolio, the amount thereof shall be reflected separately in stockholder's equity as of the end of that fiscal period.

LOCAL FIRM IS SEEKING A CPA with 3-5 years diversified public accounting experience. Send resume to Eskew & Gresham, P. O. Box 22309, Louisville, Kentucky 40222.

NOTICE!!

The release date for grades from the November 1975 CPA examination has been set for Tuesday, February 3, 1976.



Dot and Henry with the past presidents and Bill and Peggy Caldwell.



President Bob D. Cornman leads the applause for Dorothy and Henry Kaufman.

Over 300 Attend December Tax Institute

Advance registrations for the Eighteenth Annual Kentucky Institute on Federal Taxation on December 4-5 totaled 295 and the late registrations the day of the Institute pushed the total over 300.

Advance registrations included 196 CPAs, 35 Attorneys and 46 others.

The Institute is jointly planned and presented by the Society, the Louisville Bar Association and the University of Louisville School of Law. The Society end is upheld by our Federal Taxation Committee, chaired by Marvin L. Fishman of Arthur Young & Company, Louisville.

A very limited supply of the Outline of Speaker's Topics are available from the Society's office for a cost of \$7.50 to cover printing and postage expense. Please write or call the Society office if you desire a copy.

NEW—USED—NEW—USED

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DOROTHY KAUFMAN RETIRES FROM SOCIETY STAFF

On December 31, 1975, Mrs. Dorothy G. Kaufman officially retired as the Administrative Assistant on the Society staff thus ending a total of 20 years service to the Society.

On December 5, the past presidents who were in office during her years of service with the Society joined with the current Board of Directors at a dinner in her honor at the Pendennis Club in Louisville. Dot, as we know her, was presented with a beautiful hand-printed certificate of appreciation signed by the past presidents during her years with the Society and also a gift certificate with a travel agency so she and her husband, Henry, can enjoy a trip somewhere without having to worry about dinner tickets and working at the registration desk.

Bill Caldwell served as Master of Ceremonies at the dinner and reminded us all of the tremendous contribution this lady has made to the Society and to the profession by her many years of faithful and dedicated service.

The office staff joins with the officers and directors and the entire membership in wishing Dot a fond farewell and best wishes for a happy and healthful retirement. We will miss her.

President's Message

Continued from page one

(5) The firm would agree to undergo a field test of its compliance with its policies and procedures. This field test would include examination of audit working papers to the extent necessary to determine whether the firm's quality control policies are operating as presented.

(6) A firm found wanting in following proper procedures and policies would be expected to take prompt action to correct the deficiencies. Failure to do so would result in termination of its registration. Notice of such "deregistration" would be published in *The CPA Letter* and in the *Journal of Accountancy*.

The program is not intended as a measure for taking disciplinary action against individuals since it is directed toward monitoring the systems of quality control of firms rather than the performance of individual professional staff members. However, in the event serious violations of technical standards by individuals are encountered as a by-product of the program, such information would be forwarded to the Professional Ethics Division.

It is important that all members acquaint themselves with data available on this program, and make their feelings known to the officers and directors of the Society. This program will affect each of us in professional practice and deserves your immediate action.

Warren Appointed Assistant State Auditor

State Auditor of Public Accounts George L. Atkins has announced the appointment of *Robert L. Warren*, CPA, as the Assistant State Auditor.

Mr. Warren has been a professor of accounting and finance at Murray State University since 1966. He received his public accounting experience with Ernst & Ernst in Memphis, Tennessee, was certified in 1967 and joined the Kentucky Society in 1969.

Federal Tax Note

The Committee on Federal Taxation is providing each issue of *The Kentucky Accountant* a brief comment on a tax subject believed to be of interest to members. Because this material is intended for accomplished professionals, little in the way of background material is provided. For this reason, and because the tax laws are subject to change, the Committee recommends that these comments be used with care.

Deferral of Payroll . . Tax Deposits

The federal payroll tax deposit requirements for employers with a quarter-monthly liability of \$2,000 or more contains an opportunity for the employer to defer a portion of his payroll tax liability. These employers must make deposits four times each month, but the deposit requirements are satisfied if 90% of the tax liability is deposited by the due date. The underpayment must be paid in the following month, but not before the fifteenth day of such month. See Reg. Sec. 31.6302-(c) - 1(a) (1) (i) (b) and Form 941.

This 10% "float" for payroll tax deposits provides a permanent deferral where the liability is stable or increasing. Amendments to the regulations to eliminate this 10% "float" were proposed in June 1975, but it was announced in November that the finalized regulations would not change the present rules.

Around The State

Keith A. George spoke at American Enterprise Seminar in Lebanon on December 9; his topic, "Business in the United States and Essentials of a Successful Business."

Larry E. Wilson has been elected President of the Madisonville, Kentucky Kiwanis Club for the year ending in September 1976.

Thomas N. Bean, formerly associated with Touche Ross & Co. in Louisville, has accepted the position of Accounting Services Manager for Dairymen, Inc., Louisville.

Jerome C. Stykes spoke to the Somerset Kiwanis Club on December 11; his topic "The Tax Reduction Act of 1975 and The Pension Reform Act of 1974, as They Relate to Individuals."

Alan O. Klotter has left the Department of Revenue in Frankfort and is now the Manager of Federal Income Tax for Ashland Oil, Inc., Ashland.

H. Doyle Guby, formerly associated with Ernst & Ernst in Louisville, has accepted the position of District Director for Administration for the Western Kentucky Community Mental Health Center, headquartered in Paducah.

On December 17, *Lewis E. Gregory* spoke to a combined group from the Clinton County Area Vocational School and the Clinton County High School; his topic, "The Role of the CPA in Public Practice."

Brian E. Dugan, formerly associated with Arthur Young & Company in Indianapolis, has accepted the position as Assistant Controller-Tax for Jerrico, Inc. in Lexington.

Robert B. Wheeler, formerly Vice President for Finance of Excepticon, Inc., Lexington, has announced the purchase of over 97% of the outstanding common shares of the Standard Printing Company of Louisville by Ben Franklin Press. Mr. Wheeler is now Chairman of the Board and Chief Executive Officer of Standard Printing.

Firms and Firm Changes

Stephen W. Kanouse, formerly with the firm of Kelley, Galloway & Goolsby in Ashland, is now associated with the firm of Smith, Artis & Reams, also in Ashland.

The CPA firm of Stivers & Associates in Lexington have announced the removal of their offices to the First National Building—Suite 300 in Lexington.

Phillip M. Tackett, formerly associated with the firm of Kelley, Galloway & Goolsby, Ashland, has opened an office for the practice of public accounting under his own name in the State National Bank Building in Maysville, Kentucky.

Steven W. Evans, formerly associated with Ernst & Ernst in Lexington, has left that firm and opened an office for the practice of public accounting at 142 Black Street in Barbourville, Kentucky.

The CPA firm of Grover C. Greweling and Company have announced the removal of their office in Louisville to 107 Fairmeade Road

The CPA firm of Geary & Richardson in Louisville have closed their branch office in Versailles. *Gary W. Gillis*, registrant in charge of the Versailles office, has left the firm and will practice under his own name at the same address.

Dale H. Bolin, formerly associated with the Owensboro office of Harris, Love & Poynter, is now associated with Ernst & Ernst in Louisville.

POSITION VACANT — Louisville-based heavy construction firm needs person to train to succeed present controller in two years. Degree required with substantial accounting credits and some experience in public or private accounting. Please furnish all pertinent information, in writing only, to George M. Eady Co., P. O. Box 17271, Louisville, Ky. 40217.