

HISTORY

*of the*

PROFESSIONAL PRACTICE

OF ACCOUNTING IN

KENTUCKY

1875-1965

L. C. J. YEAGER

and

GORDON FORD



## FOREWORD

THIS HISTORY, IT IS HOPED, WILL SHED SOME light on the many problems besetting a profession which has come into prominence as a result of the economic and social forces of the Twentieth Century. The accounting profession is rather young as compared with medicine and law, but according to *Fortune Magazine*, "The Auditors Have Arrived." All of us are indebted to the pioneers who, through "main strength and awkwardness," have built a profession with few or no guideposts to follow.

It might be a little difficult now to see how this History of the Professional Practice of Accounting in Kentucky could be of great interest to anyone other than another accountant. But we who gain a livelihood by making records have been remiss in making a record of our own doings and our relations with the public.

Except where periods of history were punctuated by events of violence, moving from one period to another is usually gradual. The Civil War definitely separates the Antebellum and the Reconstruction periods. Hiroshima ushered in the Atomic Age. Most changes are not so conspicuous.

The History of the Professional Practice of Accounting in Kentucky may logically be divided as follows:

THE BEGINNINGS OF ACCOUNTING IN THE OLD AND  
NEW WORLDS  
THE EXPERT ACCOUNTANTS, 1875-1902  
PROFESSIONAL CONSCIOUSNESS, 1903-1915  
TRANSITION, 1916-1933  
DEVELOPMENT, 1934-1945  
PROFESSIONAL MATURITY, SINCE WORLD WAR II  
THE FUTURE?

These are only reasonable approximations, since the key figures of each period, in most instances, were also prominent in other periods.

Credit for much of the research for this text must go, without reservation, to the late L. C. J. Yeager. A natural historian, he had always been interested in the subject and assumed responsibility for its writing after circumstances caused others of us to renege.

This History has been twenty-two years in writing. It was first a matter of discussion at a committee meeting of the Kentucky Society of Certified Public Accountants on April 10, 1945. I was present at that meeting. At that time, Mr. C. R. Escott of Escott, Grogan & Co., (later merged with Peat, Marwick, Mitchell & Co.), offered to have Howard Hardaway gather the information and write the History. A freelance writer, Mr. Hardaway had worked in accounting and was then associated with Escott, Grogan & Co. Before he had made much progress, however, Mr. Hardaway left accounting.

It was then that I offered to have someone in our office, Yeager, Ford & Warren, do this work. The project was assigned to various younger members of our firm, but no one seemed to take much interest in it.

This was a blessing in disguise. The subject was close to Jake Yeager's heart and, in 1953, he took over the project. He set about it with his usual zeal and interest. He reviewed

city directories, information in the offices of the American Institute of Certified Public Accountants, wrote letters to old certificate holders, had conversations and discussions with many people who had been in accounting or had had some contact with some of the older practitioners. He had records and minutes of the Kentucky Society of Public Accountants and the Kentucky Institute of Accountants. He worked from time to time on this project for a period of about six years. Some readers will doubtlessly disagree with the manner in which Jake has dealt with one subject or another. But who can say he was wrong?

Due to the passage of some fourteen years since research was started and due to the development of additional information, considerable editing and additions have been made in the original draft. Due to his death in 1960, Jake was not blessed with the time needed to complete the task and to include the names of the many people who, through their devotion to duty, advanced the accounting profession, a desire he frequently expressed. This desire and many others which he confided in me regarding this History have been fulfilled. In addition, Chapters 1, 7 and 8 are entirely new.

Great appreciation on my part is acknowledged for the substantial efforts of Dorothy L. Korell. A professional writer, Miss Korell lived with the History for several months corroborating, editing and up-dating it.

A debt of gratitude is due Dr. John R. Craf, Dean of the School of Business, University of Louisville. Dr. Craf did research, served as a consultant, and gave encouragement to the project in many ways. Gratitude is also expressed to Mrs. Sue Campbell, Mrs. Alice Short, Mrs. Glenda Cox and Mrs. Ann

Young, who typed and checked the various manuscripts and rendered other assistance.

Files of the Kentucky Society of Certified Public Accountants, the Kentucky State Board of Accountancy, the Filson Club, and the Louisville Free Public Library were most useful. Assistance was also rendered by the American Institute of Certified Public Accountants.

The many individual members of the accounting profession who, over the years, made direct and indirect contributions to this effort prohibits separate acknowledgement of their generous and interested help; however, William Cotton, Sam W. Eskew and my partner, James C. Warren, deserve particular thanks.

GORDON FORD

August 1967



Samuel W. Eskew

## DEDICATION

THIS HISTORY IS DEDICATED TO MR. SAMUEL Williams Eskew, CPA, who as a representative of the pioneers before him, made outstanding leadership contributions to the development of the professional practice of accounting in Kentucky.

Samuel W. Eskew was born in Cox's Creek, Kentucky on January 24, 1889, the son of Winfield Scott and Sarah Theresa (Williams) Eskew. He received his education at Bardstown High School, the Bardstown Business College and the International Accountant's Society. He studied law while serving as the official court reporter for the Tenth Judicial District and was admitted to the Bar in 1912. In 1922, with the late William Cotton, his brother-in-law, he founded the accounting firm of Cotton & Eskew. He is presently a partner in the accounting firm of Eskew & Gresham.

He married Diana Lewis Yager of Louisville on January 22, 1925. He is a Democrat and a member of the Highland

Presbyterian Church. He was commissioned a Second Lieutenant in the United States Army in October, 1917 and was advanced to the rank of Major in May, 1919, having served as Adjutant of the Sixth Division, Regular Army, during World War I. He was a clerk to the Committee on the District of Columbia, the United States House of Representatives 1911-1917.

He has given unstintingly of his time in the service of his profession. He served as President of the Kentucky Society of CPAs in 1929. He also served as a member of the Kentucky State Board of Accountancy on two occasions, in 1926-1928 and 1941-1944. He was Chairman of the Committee which developed the new regulatory accountancy law for Kentucky which was effective as of July 1, 1946. He served as a Kentucky member of Council of the American Institute of Certified Public Accountants for two terms from 1945 through 1950 and again, a three-year term as a member-at-large in 1955-1957. In 1952 he was honored by being elected a vice president of the American Institute. In 1966, he was elected President Emeritus of the Kentucky Society of Certified Public Accountants.

One of the major contributions Mr. Eskew made was while serving as Chairman of a committee of the Kentucky Society of Certified Public Accountants which effected an agreement with the Louisville Bar Association, concerning the practice of accounting and law. This agreement later served as a model for an agreement developed by the National Conference of Lawyers and Certified Public Accountants.

Not only has he served in a distinctive manner his profession by activity on various committees of the Kentucky Society of Certified Public Accountants and the American Institute of



Certified Public Accountants, he has provided leadership and rendered a public service in many other ways. He was a Director of the Louisville Chamber of Commerce for three years and was Treasurer for two years. Other civic activities include having served as Trustee of YWCA; on Budget Committee of Community Chest; member of board and vice president, Family Service Organization; and a member of Selective Service Draft Board during World War II.

May the youth of the Commonwealth who in the future aspire to emulate the records of the pioneers of the professional achievement find encouragement in learning what those who have gone before have done.

GORDON FORD

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ACCOUNTING IN KENTUCKY

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## CHAPTER ONE

### *The Beginnings Of Accounting In The Old And New Worlds*

IN ONE OF HIS RASH, BUT UNUSUALLY perceptive predictions, George Bernard Shaw said four decades ago that capitalism would eventually grow so complex that only auditors and accountants would have a broadly comprehensive understanding of it and they would thereby become the most influential force in the economy. As yet, most people might not agree with this but no less authority than *Fortune Magazine* has said, "The Auditors Have Arrived."

It is a curious and noteworthy fact that the tremendous growth of the accounting profession in the United States in the postwar years has taken place almost unnoticed by most Americans. In the same years, others — advertising, public-relations men, corporation lawyers, stockbrokers, research scientists — have been increasingly before the public. News stories about such men are often in the papers, and their prototypes appear regularly in novels and television dramas. But the rise of the CPAs has occurred quietly. To most businessmen, the names of accounting firms are familiar, principally because of seeing the names on published annual reports of

corporations; but not many businessmen know, or have even heard of the senior partners of the nation's largest accounting firms. They are among the most powerful men anywhere in the business world today.

This steadily expanding influence has come about, in general, from two sources: the increasing complexity of the modern industrial world; and its greater emphasis on *accountability*, meaning the need of one man to refer his actions to judgment by standards he shares with other men. This position of influence is fairly new to CPAs inasmuch as the accountants of the past just kept records.

#### ANCIENTS JUST KEPT RECORDS

Accounting as it is now practiced is a Twentieth Century refinement. It took root in the simple record keeping of ancient times and was nourished by the Renaissance revival of interest in the arts and sciences. It was further cultivated by the growth of commerce developing with the birth of the Machine Age. Accounting's refinement was necessitated by the complexities of corporate business structures, taxation, and intricate patterns of trade and commerce arising in this century.

Where the first record keeping occurred is a matter of conjecture. One could cite the book of Genesis in the Old Testament, perhaps, as one of the earliest published records of account keeping. The schedule of Creation and instructions to Noah are prominent examples of simple record keeping.

Archeologists of today are constantly unearthing evidences that record keeping was practiced by governments of the ancient civilizations of China and India, during the Golden

Era of Greece, in the Roman Empire, and by the Pharaohs of Egypt.

## DOUBLE-ENTRY SYSTEM APPEARS

The introduction of double-entry bookkeeping in Italy in the Fourteenth Century raised record keeping from the primary to the secondary level. It may have been an Arab creation; no one knows. It first appeared, however, in Florence about 1335, and in Genoa about 1340. The system was not improved until 1494, when a Franciscan monk, Fra Luca Pacioli, published his instruction book, *Summa de Arithmetica, Geometria, Proportion et Proportionalita*, giving detailed instructions in the method.

## THE FATHER OF THE BALANCE SHEET

It can be said then that the father of the accounting profession is an unsung, largely unremembered Franciscan monk, Fra Luca Pacioli, who gave the world double-entry bookkeeping. He was the greatest mathematician of his day (c. 1445-1523). He was also a teacher, a professor of sacred theology, and a friend and associate of some of the great statesmen, painters, musicians, and churchmen of his period, including Leonardo da Vinci, Pope Leo X, and Pope Julius II. Pacioli's exposition of double-entry bookkeeping was acclaimed at the time by Leonardo, and Goethe later described it as "one of the finest discoveries of the human intellect." Oswald Spengler asserted in *The Decline of the West* that Pacioli's work ranked in importance with the discovery of the New World and the theory of the rotation of the earth around the sun.

It was sometime during the thirteenth century that merchants in Italy began to keep track of their business affairs by making two entries, one of debit and one of credit. Essential to this innovation was a growing awareness of companies as continuing enterprises. Before the innovation, each transaction had simply been viewed separately — some merchants kept journals bound in different colors to record different kinds of transactions — and the concept of “balance” on a single ledger had been unknown. The income statement was also unknown, except as it applied to single transactions; no attempt was made to determine whether a business was operated profitably over a specific period, such as year or two.

It was Pacioli’s contribution to sense the revolutionary implications of these changes. He recorded and classified them, and set forth the necessary elements of a balance sheet in a special supplement to his *Summa Arithmetica*. His outline of the proper use of the journal and general ledger could be used, with only minor alterations, by a bookkeeper working today.

He was forty-nine in 1494, when this work was published. Born in Borgo San Sepolcro, a small town in central Italy, he was apprenticed early in life to a wealthy merchant family. When he was twenty, he went to Venice to tutor the sons of a rich merchant. Later he studied at the great universities of the day. In 1470 he joined the Franciscan order and began to teach mathematics and theology. After the *Summa de Arithmetica* appeared, he and Leonardo collaborated on a book about science and mathematics, *De Divina Proportione*, with Leonardo doing the illustrations and Pacioli supplying the text. He died around 1523 — the exact date is uncertain.

For centuries afterward, his text on accounting was translated and often plagiarized. A version reached England and



Scotland in the Elizabethan era, and there found its most hospitable soil, flourishing as England embarked on its great era of exploration, with joint stock companies financing the ventures. Double-entry bookkeeping became much more important in England in the eighteenth century, when the laws on the limited liability of corporations were passed. These laws enabled corporations to acquire sizable assets, and to plan ahead for periods of years. Balance sheets became infinitely more complex — and accountants came into their own.

#### BRITISH EMPIRE LEADS WAY

The intellectual fertility of the Renaissance Age, coupled with the era of international exploration and the development of new trading frontiers, no doubt explains the rapid growth of the double-entry system in the Old World. The first published evidence of its use appears in Germany in 1520. An instruction book in its methods was introduced in England in 1543, with the first English version being published in 1554. The system began to flourish in France, Spain, and Holland in the late 1540's.

Scotland and England played exceptionally prominent parts in the nourishing and cultivation of accounting as it is known today. The first known professional accountant was a Scotsman. Records indicate that a George Watson was a practicing accountant in Scotland in 1676. Many historians consider the first report rendered by a public accountant to be that provided by Charles Snell of London. A writing master and accountant, Snell was appointed by Parliament to investigate the records of the South Sea Company and its subsidiary,

the Sawbridge Company, and their financial collapse. His report on the South Sea Bubble was rendered to Parliament in February, 1721. As a profession, there was little growth in accounting during the next hundred years in England.

In 1845, the Company Clause Consolidation Act provided for the audit of accounts of companies regulated by act of Parliament. Railroads were to appoint auditors and outside accountants to assist them. Four years later, accountants acquired an additional responsibility. The final hearing in bankruptcy court was contingent upon a favorable report as to the accuracy of the accounts by the official court assignee; he was usually an accountant. The combination of these two factors increased the status of the accountant in the British Empire. It also motivated Alexandria Weir Robertson of Edinburgh to invite other practicing accountants to meet on January 20, 1853, "to bring about some definite arrangements for uniting professional accountants in Edinburgh."

The result was the royal warrant issued to the Society of Accountants in Edinburgh by Her Majesty's Court of St. James. It was signed by Lord Palmerston at Queen Victoria's command on October 23, 1854. In rapid succession, professional organizations were chartered in Liverpool, Manchester, and Sheffield. On May 11, 1880, the formal grant of charter was made incorporating the existing societies into one group: the Institute of Chartered Accountants in England and Wales. Similar actions followed in Ireland.

## COLONIAL AMERICA FOLLOWS

Maternal England's rebellious child, America, lost little time putting to work the abilities of those accountants avail-

able to it. The earliest U. S. Accountants were trained in England; many represented English accounting firms. There is no definite data naming America's first accountant. Reference has been found, however, that some years prior to the Revolution, Benjamin Franklin sold his interest in Franklin and Hall, a printing company. In 1766, he asked a James Parker, whose qualifications are not known, to serve in his absence as his representative during the final settlement. Parker made an inventory and evaluation of the equipment and materials, presenting the report to Franklin under the title "State of your Accounts with Mr. Hall." Now in the possession of the Columbia University Library, this report is considered by many to be the first public accounting engagement in the American colonies.

The first hundred years in the life of the new nation were relatively uneventful in the accounting profession. Few records have been found to indicate that there were many who practiced accounting in itself. The usual procedure was to combine accounting with another and perhaps related field, such as the teaching of writing or bookkeeping, or the practice of law.

#### FIRST SCHOOL OPENS

A few accounting text books were written in the United States during the 1880's. Several attempts were also made during the Nineteenth Century to establish accounting schools; most of them failed. One survived to become one of the nation's leading institutions. Joseph Wharton gave \$100,000 to the University of Pennsylvania and, in 1881, the Wharton School of Finance and Economy was established in

Philadelphia. Later changed to Wharton School of Commerce and Finance, it has the distinction of being the first successful American collegiate school of business. America's first business college, Bryant & Stratton, was established in 1853.

#### DEMAND FOR SERVICES INCREASE

The prosperity of the Gay Nineties; the passage of the Sherman Anti-Trust Act (1890); the levying of the Federal franchise tax on corporate income, as measured by tax receipts (1909), and the Federal Reserve Act (1913) were four factors which contributed greatly to the professional status of American accountants. Their services were in growing demand by big business. Lawyers of the time considered the accountants' natural growth into more complicated areas of finance an infringement upon the territory previously controlled by members of the bar.

This conflict between the two professions was destined to continue for several decades, with the Federal Government inadvertently adding fuel to the fire. The ratification of the Sixteenth Amendment to the Constitution (1913) gave Congress the power to levy its first personal income tax. By the end of the year, this was done. Many businessmen and individuals who had never had to keep accounts of personal income and expenses suddenly were faced with more than a mere bookkeeping problem. The passage of the War Excess Profit Tax, four years later, created new and unusual problems for business management. The complexity of this tax was such that it frequently required a complete revision of the company's accounting procedures, a task for which the CPA was best qualified.

By 1929, all states had legislation affecting Certified Public Accountants. Recognition had been extended to CPAs and attorneys-at-law, in 1924, as the only representatives qualified to appear for taxpayers before the United States Board of Tax Appeals, now the Tax Court of the United States.

## PROFESSIONAL CONFUSION

The accounting profession was growing with the prosperity of the Twenties. However, the internal conflict within the profession came out into the open.

In the 1880's, American accountants entered an era of self-awareness and took the original steps to develop a professional attitude. July 28, 1882, the Institute of Accountants and Bookkeepers of the City of New York was incorporated. On December 23, 1886, the American Association of Public Accountants was formally organized. The organization was re-incorporated under the laws of the state of New York, August 20, 1887.

The American Association of Public Accountants was the first organization of professional public accountants in the United States and was the direct predecessor of the American Institute of Certified Public Accountants. The Association was founded in 1886-87, just about ten years before the passage of the first CPA law in New York, in the enactment of which the Association took an active interest. Following passage of the CPA law in New York, a number of state associations of public accountants were formed to sponsor similar legislation in their own states. The state groups then

formed a Federation of Societies of Public Accountants in the United States of America.

In 1905, the Association and the Federation merged. The Federation form of organization was retained. Members of the constituent state organizations automatically became members of the national. The state organizations sent their own representatives to the national governing body.

In 1916, the Association was reorganized as the American Institute of Accountants, which later changed its name to the American Institute of Certified Public Accountants. The reasons given for reorganizing the Institute were, mainly, that the federation form of organization did not permit the development of a strong national body, the establishment of common standards of qualification throughout the country, or the enforcement of a uniform code of ethics. The old Association was said to be little more than a debating society for the state delegates, with little power of its own.

The reorganized Institute, divorced from the state societies, set its own admission standards, developed its own examination and its own Code of Ethics, appointed its own committees, and went about doing its business in its own way.

But states' rights sentiment was strong. There was resentment to some of the Institute's attitudes and policies. In 1921, a rival organization was formed—the American Society of Certified Public Accountants. The Society was devoted to support of the CPA certificate as the recognized professional qualification as a CPA — as contrasted with the Institute where membership was the important consideration. The Society was also dedicated to states' rights, and its structure and operating procedures more closely resembled those of a

federation than those of a centrally administered national organization.

For fifteen years, the Society and the Institute competed for support of the CPAs of the United States. They differed widely on basic policy questions; they took contrary positions on public issues. Much bitterness was engendered. Many CPAs said "a plague on both your houses," and refused to join either. Finally, in 1936, the two organizations merged on a compromise platform, with an aggregate of 4,500 members. Eight years later the number of members had doubled. From that time forward growth and progress have been rapid.

With the merger there was a great sense of relief and jubilation. The profession was united again, and the maintenance of unity became a prime concern. No issue was regarded as important enough to risk another breach.

A major objective was to bring into the Institute's membership as large a proportion of the CPAs of the United States as possible — in order to improve communications, to strengthen standards, to increase the profession's influence with Congress and the public, and to pool resources to do the profession's work. Conciliation and cooperation were dominant motives. State society presidents were brought into the Institute's Council. Later, state societies were invited to suggest members from their states for nomination as members of the Institute's Council. Still later, the Council was enlarged so that each state would have a Council member for every five hundred members of the Institute.

## MARKET CRASH

The stock market crash of 1929 encouraged those in the accounting profession to take a closer look at the work they

were doing. It was evident that losses would not have been so great had companies selling their stock to the public been required to make public their financial statements, together with a CPA's opinion. After a series of conferences between officials of the New York Stock Exchange and the American Institute of Accountants, the Exchange announced, on July 6, 1933, that all companies listed with it must have their annual accounts audited by an independent CPA. The same requirement was later extended to cover any new company seeking permission to list its stock with the Exchange. Later that year, the New York Stock Exchange also adopted proposals regarding methods suggested by AIA. The Chicago Stock Exchange followed suit shortly thereafter.

#### DEPRESSION BRINGS MORE WORK FOR CPA

It has been said that few accountants were not busily engaged even during the Depression. The Securities Act of 1933, the Securities Exchange Act of 1934, and the establishment of the Securities and Exchange Commission created new and more detailed responsibilities for the accountant. The SEC showed great confidence in the ability of the CPA. Both the SEC and AIA began regular publication of bulletins expressing opinions concerning methods and procedures in auditing and accounting.

That the accounting profession had not reached its ultimate was evidenced by the famous McKesson & Robbins case which the SEC investigated, starting January 5, 1939. Acceptable audit procedures of the times did not demand that the CPA confirm receivables, inventories, etc. Therefore, the fraud which had been perpetuated through forgery, fictitious sales to non-existing companies, and fake inventories — all



master-minded by McKesson & Robbins' president, his three brothers and several other people — was not in the customary course of events discovered by the auditors.

The effects of this case on the accounting profession were profound. After thorough consideration, the profession revised its minimum standards and extended auditing procedures. The examination of inventories and receivables was added to the minimum standards. The form of the independent CPA's opinion was revised to include the scope of the examination in addition to the opinion section.

The years of World War II and those immediately following had the same effect on the accounting profession as it had on many others: work-load rose as manpower dropped. The passage of the War Profit Control Act (1942) gave the government the right to re-negotiate contracts while work was in progress and to recover a portion of the cost if it was found an excess profit existed. Entirely new record keeping procedures had to be developed by most contractors and subcontractors. They relied heavily on the knowledge and skills of the accounting profession to see them through this difficult adjustment.

## UNITY REIGNS

By the end of the Forties, all states of the Union were giving uniform examinations to CPA candidates. Closer unity between members of the bar and accounting profession was anticipated through the efforts of the National Conference of Lawyers and CPAs which began in 1944.

The proximity of the years since 1950 makes it difficult to view the many events affecting the accounting profession.

The American Institute of Certified Public Accountants, however, through its many active committees, has instigated a number of progressive movements. The Institute has established a committee on management services, for example, and publishes regular bulletins to help its members expand this service for the benefit of small business clients. It has developed an expanded program to provide professional courses for the practicing CPA. The Institute, through its committees, has also determined the system of accounting established by the Interstate Commerce Commission in 1907 for the railroad industry, has not kept pace with general accounting principles and practices in other industries and strongly urged a revision in such procedures by ICC.

Perhaps, more importantly, it has appointed a Planning Committee to determine the profession's long-range objectives and outline how we can accomplish them.

A common body of knowledge report has been developed as to what is expected of the beginning practicing CPA.

The Institute also, in recent years, has taken a forward step in self-education through the adoption of a lengthy 13-point report on Standards of Education and Experience, has adopted rigid rules of professional ethics, and has a continuously operating Accounting Principles Board. It also has regular publications, the *Journal of Accountancy* and *Management Services*, and has obviously resolved its differences with the legal profession.

Some 60 years ago, Arthur Young, of Arthur Young & Co., Chicago, is reported to have made this statement indicating the scope of CPA practice: "what you have asked from us is not an accountant's report, but our business judgment on the entire business situation."

From the simple record keeping, through the double entry bookkeeping methods perfected after the Renaissance, and into the Twentieth Century labyrinth of tax complexities and corporate intricacies, there has emerged the Certified Public Accountant.



*Kentucky's Expert Accountants*

1875-1902

WHO THEY WERE

THE YEAR WAS 1875. IT IS A MEMORABLE one for Kentuckians as Aristides won the first running of the Kentucky Derby. For the convivial, it is remembered as the year Glenmore Distilleries was incorporated. Also, 1875 may be remembered as the year the 22 banks of Louisville joined in the formation of the Louisville Clearing House, an organization that was to have a marked effect on the development of Kentucky accounting about a half century later.

In 1875, airplanes, automobiles, atomic energy, movies, telephones, television, washing machines, and Certified Public Accountants were things only the future would bring.

It is said that a William Chambers, a native of Ireland, practiced as a "chartered accountant" in Louisville in 1857. His name, however, is not found in the 1859 Louisville Directory and Business Advertiser which listed William Atkinson, Thomas Mitchell and John Wood as "accountants." Their

effort was short-lived also. There is no tie between them and the stream of modern accounting history. In 1859, two future accountants were, at least, on the scene. Theodore B. Boyd was teaching at the Louisville Commercial College and George B. Ewing was the bookkeeper for Casseday & Hopkins, a chinaware house on Jefferson Street.

It was the latter who took the lead. A definition of the CPA's counterpart in 1875 might have been a "bookkeeper out of a job." Thus it was a memorable year for accountancy in Kentucky. Such was his plight. George B. Ewing was out of a job and announced he was practicing accountancy in Louisville.

Accepting Ewing as the first to begin the practice of accounting in Kentucky, during the 15-year period following the inception of the profession in the Commonwealth, other characters of the play begin to emerge. As with Boyd, many seem to have combined the practice of accounting with another profession, often being proprietors or teachers in business schools.

Ewing found employment with a firm of pork packers, Anderson Hamilton & Co., and commenced building his practice on a part-time basis. By 1885, it was sufficiently developed for him to open an office for full-time practice at 210-212 West Main Street, where he continued until 1892.

In 1884, Thomas A. Alvey hung out his shingle. Eighteen years earlier, he had started as bookkeeper for Colston & Penton. He shifted about quite a bit, holding no position over a year or so. In 1878, he opened Alvey's Commercial College. The following year, he joined with Ben C. Weaver, in the partnership of Alvey & Weaver, proprietors of

Commercial College, in the Courier-Journal Building, then located on the southeast corner of Fourth and Green (now Liberty) Streets. The partnership was dissolved the next year with the school being renamed the Thomas A. Alvey Commercial College. In 1881, Alvey became the bookkeeper at Louisville Manufacturing Company, but two years later he returned to teaching at Bryant & Stratton Business College. Finally, in 1884, he started full-time accountancy practice and continued until 1905.

It was in 1883 that young James S. Escott, (1861-1933) at age 22, got his job as clerk at the Fourth National Bank. In 1882, Overton S. Meldrum, (1859-1933) and his brother, George F. Meldrum, natives of Madison, Indiana, moved to Louisville with their widowed mother. Overton was correspondent for the Western Financial Corp. and next a clerk at the Bank of Commerce. George, at 19, started as a clerk at Belknap's. William S. Parker was assistant cashier at the Louisville City National Bank. Two years later, Enos Spencer, (1851-1920) then about 33, a native of Warrick County, Indiana, arrived to become a partner in Ferrier, Burks & Spencer, proprietors of Bryant & Stratton Business College. At this time, his future accounting partner, Thomas E. Turner, (1859-1922) was a salesman for A. M. Dick, a broker. In 1887, Leonard Comingor, (who died in 1925) became the teacher of penmanship at Southern Business College, of which Ben C. Weaver was proprietor.

Benjamin Cawthorn Weaver, (1837-1920), was a man of varied careers. He was born in Louisville. At 22, he was bookkeeper for Huffman, Duncan & Co., pork packers. Six years later, he was a partner in the firm of Weaver & McKay, merchandise brokers, and three years later, a partner in Miller,

Rehm & Co., in the same type of business. The next ten years were spent in the same field, as a partner with Gardner & Miller, W. H. Middleton & Co., and Weaver & Company. In 1879, in partnership with Thomas A. Alvey, he started Commercial College. The following year, Alvey withdrew and Weaver renamed the school Southern Business College. In 1891, it was again renamed Weaver's Business College. That was the year his son, Ben Perry Weaver, later holder of CPA certificate No. 4, started there as a teacher. The preceding year, another son, Burton R. Weaver, had started as a clerk at the Louisville Banking Company. In 1888, Weaver had as a student Thomas Scott Mayes of Springfield, who was to have a profound effect on the future of Kentucky accountancy.

By his own account, Ben C. Weaver started accounting practice in 1888. The business college was still in operation; it was not until 1891 that he was listed in the city directory as a practicing accountant. He was joined by his sons, B. Perry in 1895, Burton R. in 1898, and subsequently by William Lee. In 1904, they adopted the firm name of Ben C. Weaver & Sons. During the administration of Governor Buckner, the firm disclosed a shortage in the State Treasurer's office. Later, they discovered a \$40,000 shortage in the accounts of the Treasurer of the City of Louisville.

Ben C. Weaver was so well regarded that his absence from the 1904 national meeting of the American Association was noted by the comment "one of the oldest established and most highly reputed accountants in Louisville." When, after several years of effort, the accountants of Kentucky did finally organize in 1908, Ben C. Weaver became the first president of the Kentucky Association of Public Accountants.



## HOW THEY WORKED

Just what service did these pioneer accountants perform and how did it compare with the CPA's work today? Certainly, they did a great deal of auditing; not auditing in the modern sense, but auditing nevertheless. Their primary function was to check out embezzlement and fraud. So, frequently, when the auditor came in, somebody else went out — to the criminal court. Since wrongdoing was often associated with a concern being audited, accounting pioneers seldom let it be known where they were working. Staff employees were admonished not to reveal, even to their wives, where their assignments took them. So secret was the auditor's work that his checking was often done at night; employees (including the bookkeeper!) would not then be aware that the bloodhounds were on the trail.

The next development was to get away from the "locking the barn door after" use of the auditing function. Business management came to the conclusion that it was better to prevent fraud rather than later detecting it. Today, primarily the system of internal check and control is generally relied upon for this purpose. Out of this era of auditing eventually developed the modern audit report. By comparison, the two would be as dissimilar as the butterfly and the larva from which it originated. The early audit reports were written in longhand. They were little more than assurances to management and owners that the books had been found to be correct mathematically and no evidence of wrong-doing had been discovered.

The applicant for a position on the staff of an expert accountant was not asked about his college degree; instead he submitted samples of his penmanship. Other than simple

bookkeeping knowledge, proficiency in the theory of accounts was secondary to being "apt with figures." This is a day of typewriters, adding machines, calculators, computers, reproduction by photography and multilith; Kentucky's expert accountants did such things the hard way.

Out of the reassuring type of report of the expert accountant grew the one containing financial statements and the then important distinction between exhibits and schedules. Balance sheets were called statements of condition, and income statements were generally referred to as statements of profit and loss. Since this latter terminology was also widely used to define the account now styled surplus or retained earnings, it usually confused businessmen and junior accountants alike. These earlier reports often included a copy of the general ledger trial balance. It is a moot question whether this was done to impress the client with the amount of work done (and thereby justify the fee) or as proof that the accountant had some source for the amounts and accounts shown on his exhibits.

Looseleaf ledgers did not exist. When they were first introduced, they were considered about as safe as driving through a red light. The bound general ledgers started with accounts arranged alphabetically. As the more active accounts filled up the pages, they were continued on pages further back in the book. After a while, the sequence of the accounts in the ledger was a mad scramble. It was always necessary to use the index book in conjunction with the general ledger and each bookkeeper had his own ideas as to terminology. In an early experience, an account was found entitled "insurance account stock." There were no animals involved. This gem was nothing more mystifying than prepaid insurance.

Just as the physician and pharmacist had made prescrip-

tions unintelligible to the laity and the lawyer rattled off Latin phrases to the mystification of the common man, expert accountants had their tricks of the trade. He who failed to preface every debit with a "to" and credit with a "by" was beyond the pale. Today's CPA little realizes how many headaches he has been spared by the simple expedience of using the same names for the same accounts.

At any rate, it was quite a feat to take the jumble of accounts from a general ledger and recombine them into a balance sheet and statement of income. This report, with assurance that it came from the proper source, was naturally of little benefit to management.

It is told that in one of these earlier years the auditors' report of the Louisville Railway Company closed with these classic letters: "E. & O. E." — errors and omissions excepted! The company, incidentally, began its annual practice of having audits in 1904.

The minutes of The Louisville Railway Company reflect that on March 16, 1904, "The President presented the report of W. S. Macrea, Expert Accountant, of his examination of the Company's books, attesting the correctness of same, on motion duly seconded, the report was received and filed."

Mr. Macrea was first listed as an Accountant in the Louisville City Directory of 1885.

In 1907, Mr. Charles W. Banta, Expert Accountant, was appointed by Mayor Robert W. Bingham of Louisville "to go over the books of former officials at the City Hall."

Enos Spencer was author of *The Art of Modern Book-keeping*, copyright 1896, and published by J. W. Warr, Moline, Illinois.

Management, in the earlier years, was not so understanding and cooperative as it is today. The experience with "Marse Henry" may prove the point. It seems that the auditor, in checking the cashier's window at the Courier-Journal, disclosed a small discrepancy. The cashier explained that Henry Watterson, who left late, frequently found it necessary to get some money from the cash box. The auditor talked it over with Mr. Watterson and pointed out the advisability of Mr. Watterson signing a voucher each time for the amount of money he had taken. To this "Marse Henry" readily agreed. At the opening of business the next morning, the auditor made a surprise cash count. Sure enough, there was Mr. Watterson's voucher. It read, "I took it all, H. W."

One of the accounting devices of the pre-income tax period was the private ledger. The bookkeeper would have on his books an account named private ledger. It was a control account. One of the executives then kept the details of the private ledger, always a record book with a lock and key. Such items as officers' salaries and withdrawals, firm investments, capital, retained earnings, bank loans, etc., were generally recorded in the private ledger. Thus, frequently, the bookkeeper did not know too much about the earnings or financial position of the company. When one of the executives told him to draw a \$10,000 check to cash and charge it to the revered private ledger, he did not know whether the big boys were cutting a melon, paying off a bank loan, or taking a flyer in traction company stock. If he got nose, he got the gate.

Lay people often make remarks about companies keeping two sets of books. As a practicing accountant for more than 30 years, I have never seen an actual case of two sets of books.

Old-timers, with whom this has been discussed, agree that it is a lay expression that has no basis in fact. It probably owes its origin to that artful and mystifying innovation — the private ledger.

## TWO FIRM'S BEGINNINGS

The only accounting firm in Kentucky destined to survive from the era of expert accountants was Charles G. Harris & Co. Charles G. Harris, (1869-1945) was born in Dale, Indiana, educated in the public schools of Spencer County, Indiana, and attended a commercial college. First a clerk in his father's country store, later a deputy county surveyor, he came to Louisville about 1900.

Mr. Harris became associated with a commercial college, later the Spencerian Commercial School, and engaged in the practice of public accounting with Enos Spencer and Thomas E. Turner. He coined the word "sleeper" in connection with taxes not listed on county assessors' books in Kentucky; patented the Harris Ticking Pen, and uncovered the then greatest shortage known in building and loan annals, the George L. Martin affair of Louisville. In 1912, when Rotary was founded in Kentucky, he became the first accountant member of that international service organization.

Charles G. Harris & Co. has recently merged with Yeager, Ford & Warren. Until that time, the only accountant members of the Louisville Rotary had been members of the Harris firm.

Overton S. Meldrum (1859-1933) was one of the wheel-horses in the accounting profession, both in Kentucky and in the American Institute of Accountants. He began practice as

an individual around 1905 and in 1913 organized the firm of Meldrum & Meldrum with his brother, George F. Meldrum, as a partner. He was one of the organizers of the Kentucky Association of Public Accountants in 1908, and in 1918-1920 was president of the Kentucky Institute of Accountants. In 1916, he was first elected to a three year term as a member of Council of the American Institute of Accountants, and he served as a vice president in 1929. In 1932, after becoming a CPA and a member in 1929, he was elected president emeritus of the Kentucky Society of Certified Public Accountants.

ACCOUNTANTS, circa 1885

Alvey, Thomas A., 302 West Main

Boyd, Theodore B., 560 Fourth Street

Ewing, George B., 210-212 West Main

Macrae, W. S., 529 West Main

Venningerholz, C. T., 142 West Main

Caron's Directory of the City of Louisville listed only these five men as "accountants" practicing in Kentucky's largest city about 1885. Ewing appeared as early as 1875.

EXPERT ACCOUNTANTS circa 1900

Alvey & Co., 255 Fourth  
Banta, C. W., 420 West Main  
Comingor, L., 420 West Main  
Crozier, C. W., 800 First  
Daviss, W. B., 128 East Jefferson  
Dohrman, H. W., 441 East Gray  
Eastwood, Sam S., Bank of Kentucky  
Hayes, J. J., 205 West Main  
Jenkins, W. M., 302 West Main  
Schwartz, G. W., 2227 West Jefferson  
Spencer, Enos, Board of Trade Building  
Truman, W. H., 311 Fourth  
Turner, Thos. E., Board of Trade Building  
Weaver, Ben C., 307 Columbia Building  
Weaver, B. Perry, 307 Columbia Building  
Weaver, Burton R., 307 Columbia Building

By the turn of the Century, "Expert" had been added to the accountant listings in Caron's Directory of the City of Louisville. In 15 years, the number of practicing accountants had increased from 5 to 16.





## CHAPTER THREE

### *Professional Consciousness*

1903-1915

#### GETTING ORGANIZED

IT WAS AT LOUISVILLE'S WORLD-RENOWNED Galt House, on September 29, 1903, Kentucky's competing expert accountants saw fit to sit down for the first time and talk it over as professional men. There were present: James W. Baird, Leonard Comingor, S. S. Eastwood, William S. Parker, and B. Perry Weaver. Charles W. Banta and Ben C. Weaver sent regrets.

Little of a lasting nature occurred. However, accountants had started to get together and discuss their mutual problems. Those present agreed to form the Kentucky Association of Public Accountants. Real interest and actual incorporation, however, were five years away.

The American Association of Public Accountants, organized and chartered in the State of New York on September 20, 1887, was to hold its eighteenth annual convention in St. Louis in 1904 in the Administration Building of the World's Fair. The Secretary, George Wilkinson, had sent out urgent

appeals to all the known accountants in the United States to attend the meeting for the purpose of laying the ground work for the formation of state societies in all states of the Union.

In 1903, the Louisville firm of Charles G. Harris & Company had been organized with Enos Spencer, president of Spencerian Commercial School, as a silent partner. Six months later, when Thomas E. Turner joined the organization, the firm name was changed to Turner, Harris & Spencer. In 1904, the three men decided to accept the invitation and attend the St. Louis meeting of the American Association of Public Accountants. Returning from the meeting with zeal and ardor aplenty, they tried unsuccessfully for a year to get other accountants in Louisville and Kentucky interested.

Not until October 27, 1905, were the three pioneers able to organize a meeting. It, too, was held at the Galt House. Richard F. Ring (holder of Illinois Certificate No. 48 issued in 1904 and the first Kentuckian to style himself a CPA) was temporary chairman; Charles G. Harris acted as temporary secretary. Among those present were James W. Baird, Enos Spencer and Thomas E. Turner.

On December 22, 1905, formal Articles of Incorporation were filed under the name of the Kentucky Society of Public Accountants. Incorporators were Turner, Harris, Spencer, and Samuel M. Wilhite. Turner was elected the president; Spencer, vice president and treasurer, and Harris, secretary. In 1906, application was made to affiliate with the American Association of Public Accountants, but recognition was not received, apparently, because the Kentucky Association had been organized or agreed to be organized in 1903. However, Turner, Harris and Spencer were members-at-large from 1906.

On October 13, 1908, the Kentucky Association of Public Accountants was formed. Ben C. Weaver was president and

KENTUCKY ASSOCIATION OF  
PUBLIC ACCOUNTANTS

Members: 1908-1912

James W. Baird 1345 Cherokee Drive	G. W. Schwartz Second and Walnut
*Charles W. Banta 611 Columbia Building	Enos Spencer Union National Bank Building
*Leonard Comingor 407 Urban Building	William H. Truman 209 South Fourth Street
T. W. Dryden Second and Walnut	Thomas E. Turner Union National Bank Building
*James S. Escott 716 Columbia Building	A. Howard Ummethun Union National Bank Building
Charles G. Harris Union National Bank Building	*Ben C. Weaver 611 Columbia Building
Homer F. Harris Union National Bank Building	*B. Perry Weaver 611 Columbia Building
Overton S. Meldrum 514 Keller Building	*W. L. Weaver 611 Columbia Building
*J. C. Mahon 512 Keller Building	John S. Woods Franklin Bank
W. S. Parker Illinois Life Building	A. J. Wrege (no address)
T. A. Pedley Owensboro, Kentucky	Associates: W. J. Ryans Edward F. Stoll

\*These influential members and others of the profession were not members of the other Kentucky organization, the Kentucky Society of Public Accountants. However, Comingor, Escott and Mahon joined in a reorganization in 1912.

Charles W. Banta was secretary. The Kentucky Association was immediately affiliated with the American Association. Mr. Weaver was a highly regarded accountant, but at that time he was 71 years old. He apparently provided little leadership as he dropped out of the Kentucky Association in 1909.

For the next few years, interest in both organizations and professional development waned. Several members of the Kentucky Association dropped out and dues were not paid to the national organization. The Kentucky Association had failed in its purpose and was, in effect, dead. Turner's letter in the 1909 American Association of Public Accountants Year Book tells the story.

"We, the undersigned, attending members of the Kentucky Association of Public Accountants, beg to state that our Association had been quite inactive during the past year. That by-laws were adopted which called for only one meeting per annum, and such meeting to be held in January. A special meeting, however, was called for October 4, 1909, at which a quorum failed to be present, and the president and the secretary were out of the city both at the time of the meeting and also at the date of our leaving for Denver.

The following members had deposited with the treasurer their dues for the National Association up to the date of our leaving home, namely: Thomas E. Turner, Charles G. Harris, Enos Spencer, O. S. Meldrum, George W. Schwartz, W. S. Parker, and Thomas W. Dryden.

We trust that others have paid or will pay, and that the same will be promptly remitted to the American Association.

We feel confident that at the end of the year better conditions will prevail in our state."

Turner's interest in both Kentucky organizations may have been the saving grace. Along with two other Kentucky

Society workhorses, Harris and Spencer, he joined with the Association's Overton S. Meldrum and W. S. Parker, and the quintet set out to revive professional interest through the Kentucky Society. Turner, Harris and Spencer were also members of the Kentucky Association. They petitioned the American Association to recognize the Kentucky Society rather than the Kentucky Association. The national body sent its secretary, A. P. Richardson, to Kentucky to straighten the situation out. The officers of the Kentucky Association, however, would not call a meeting for him. Leonard Comingor was president at the time. So, the Kentucky Society was finally recognized in 1912 with W. S. Parker assuming presidency.

The American Association 1912-1913 Year Book records this happy report from Turner who followed Parker as president:

“Gentlemen: On behalf of the Kentucky Society of Public Accountants I have the honor to report that after five years of earnest labor by a few accountants who have faith in the profession, and who desire to see it take the right standing that its merits deserve in the Commonwealth of Kentucky, the society is now fully organized with eleven fellows and eight associates.”

The Kentucky Society was working against a deadline. The American Association had voted that no members would be admitted after January 1, 1913, who did not hold CPA certificates. Leonard Comingor, then president of the Kentucky Association, capitulated in the closing days of the year, got his membership re-instated in the national body and applied for membership in the Kentucky Society. However, B. Perry Weaver, vice president of the Kentucky Association, passed up the opportunity.

Today, we glibly use the term “accepted principles of

accounting.” Accountants of this early era had never heard the expression. They were busy experimenting, debating, formulating, and proving those concepts later to be recorded in the text books and manuals as “accepted principles.” They may have been short on techniques, methods, and accounting concepts, but they were long on integrity. Men of sterling character, they established for the accounting profession in Kentucky, a reputation for honesty, reliability, accuracy, and secretiveness that was the foundation upon which Kentucky accountancy has developed.

#### AUDITORS BEGIN TO CERTIFY

In this period, expert accountants began certifying their reports. These certifications usually stated that the financial

#### PRESIDENTS

##### KENTUCKY SOCIETY OF PUBLIC ACCOUNTANTS

Thomas E. Turner .....	1906-1908
William S. Parker .....	1909-1913
Thomas E. Turner .....	1914-1915
James S. Escott .....	1916-1917

##### KENTUCKY INSTITUTE OF ACCOUNTANTS\*

Overton S. Meldrum .....	1918-1920
James C. Mahon .....	1921-1922
L. C. Barnett .....	1923-1924
Charles G. Harris .....	1925
L. Tipton Young .....	1926-1929

\* Incorporated May 18, 1917, this organization merged with and was successor to the Kentucky Society of Public Accountants four months later.

statements were, in the auditor's opinion, properly drawn up to exhibit a true and correct view of the company's affairs as shown by the books.

Frequently the books of the company did not conform to good accounting practice as measured by present-day standards. For example, it was common practice to hold the cash book open a week or more after the close of the fiscal period. Cash received and relating to the year just closed was recorded as received on the last day of that year. The customers' accounts, to which such payments applied, were treated as paid by the year end. In turn, the cashier issued checks in payment of creditors' accounts and recorded them as having been paid before the end of the year just closed. This resulted in a kind of liquidation that failed to portray the true picture of customers' accounts, floating trade, debt, and cash.

In the matter of inventories, the accountant assumed no responsibility for physical quantities. The consistency of the method of pricing was a matter to be resolved decades later. Depending upon the prosperity of the particular year and the view of the management, a new piece of equipment would be expensed or capitalized. Capitalizing expenditures and rationalization of depreciation charges were among the first inconsistencies of accounting brought to a head by the Federal Income Tax Law of 1913.

Contemporary accountants have seen the tremendous improvement in payroll accounting resulting from social security, wages and hours, and tax withholding legislation. Prior to 1936, payrolls were a bugaboo to the public accountant. There was always the possibility of manipulation or padding. Accepted auditing practice was for the auditor quietly to ascer-

tain when the payoff was to be made. Just as it was about to start, he would assume the paymaster's function. Accountants today are little concerned with non-existent workers appearing on payrolls; social security numbers and income tax withholding are comparatively new but adequate safeguards. This tremendous improvement in one segment of accounting has been witnessed by many now in practice. There are few practitioners remaining, however, who witnessed the astounding changes in accounting that resulted from the enactment of the Federal tax on incomes.

The tax on incomes effective March 1, 1913, did not then appear very important to the developing Kentucky accounting profession. The discussions of the Society group during 1913 (regarded today as probably the most important year in the development of the profession) concerned such subjects as: Purposes and Advantages of an Audit; Accountancy, its Benefits to the Public; A Trial Balance, Schedules Prepared from Same; A Few Things We Come in Contact With in our Work, and Bank Examinations. Even these discussions had their lighter side as was recorded by the Society's secretary, Charles G. Harris. Of the February 12, 1913 meeting, his minutes report:

"The regular monthly meeting of the Society convened on the above date at the Old Inn.

Members called on the table at 6:15 p.m. by the President. The dinner was then served and fourteen good efforts were put forth in trying to realize their investment.

After the watered assets were disposed of and some of the Green Goods stored away out of sight, the real assets were produced.



A hasty mental inventory was seen to be made by all present followed up by the determination to make the proper disposition.

The market seemed to be steady, the bulls being on the board well fenced in. While some worked rapidly to make a clean up, others took great pains not to make a turnover.

Tom set the pace as the best Turner and it was at his signal that the trays backed upon and removed the debris.

Then followed the Sundry Assets consisting of Chocolate-I-declare, they had to be opened in order to arrive at their true value.

Then the imported goods were produced, ground and boiled down until it took the cream and sugar of the investment to make it palatable.

While the table was being cleared he who had, smoked, and he who had not, sponged and smoked also."

## FEDERAL LAWS AID DEVELOPMENT

It was not until October 21, 1913, seven months after its enactment, that the Kentucky Society of Public Accountants instructed its secretary to write Congressman Shirley for copies of the new law. About two months later, he mailed them 20 copies. On November 18, the group heard a talk by attorney Robert McDowell on the "Income Tax."

As always, the matter of professional fees was a subject of discussion. In January, 1914, it was suggested that a schedule of \$15 a day for principals and \$10 a day for assistants would be preferable to the then prevailing rates and more in keeping with the prices charged by accountants in other states.

Another development of utmost importance to the budding public accounting profession was the Federal Reserve Act, from which stemmed the custom of annual audits for bank credit purposes. From then on, the profession that had largely rendered an internal audit service in the past was to head toward its present day function of independent auditor, tax advisor, and business consultant.

Yet, the commencement of the Federal Reserve System, November 16, 1914, drew no attention in Kentucky from the profession that was to have the whole course of its future changed by it.

NO CPAs YET!

Instead, Kentucky accountants were far more concerned about CPA legislation. They did not feel any thing in particular was to be gained by it but there was a pressure from the outside. After January 1, 1913, new members joining the Kentucky Society of Public Accountants were ineligible for membership in the national organization unless they were CPAs. Since the Kentucky Society considered itself to be a chapter of the national group, the development and future importance of the organization had run into a definite roadblock. The Commonwealth of Kentucky had no legislation for CPAs.

Today, with the accounting profession occupying a prestigious and necessary place in our complex economic system, it may seem odd that there should have been any difficulty in getting the legislature to give it legal recognition. The lawmakers seemed to regard the proposed legislation, however, as nothing more than an attempt by a bunch of bookkeepers to

pull themselves up by their own bootstraps. The whole thing was of too little public interest to merit their consideration.

In 1912, a bill concerning the establishment of CPAs had been introduced in the House and died in committee. In 1914, a bill was again introduced. A note of bitterness seems to have crept into Tom Turner's reaction to the accountants' failure in the 1914 legislature:

"We attempted to have an accountancy law passed last winter, but I regret to say that the legislators, as usual, paid more attention to politics than to business, and we only succeeded in getting a favorable report from the Committees of both Houses."

## KENTUCKY INSTITUTE OF ACCOUNTANTS\*

Members: 1905-1929

<i>Name</i>	<i>Elected</i>	<i>Class</i>	<i>Firm</i>
H. H. Ackerman	Dec. 12, 1922	Associate	
L. C. Barnett	Jan. 18, 1916	Fellow	Escott & Barnett
Harry E. Baumgarten	Jan. 18, 1916	Fellow	Escott & Barnett
John A. Braun	Nov. 14, 1922	Associate	
F. L. Brigham	Dec. 5, 1912	Associate	Turner & Spencer
Phil J. Bohne	Nov. 13, 1923	Associate	Phil J. Bohne
Thos. W. Bullock	July 20, 1920	Associate	Escott & Barnett
J. Bernard Brown	April 12, 1927	Associate	
Leonard Comingor	Jan. 21, 1913	Fellow	L. Comingor & Co.
H. D. Cardwell	April 12, 1927	Associate	
W. H. Dennes	Nov. 14, 1922	Associate	
Henry J. Dorenkamp	July 20, 1920	Associate	Turner, Spencer & Co.
Clifton R. Escott	July 20, 1920	Associate	Escott & Barnett
Jas. S. Escott	Dec. 5, 1912	Fellow	Escott & Barnett
William Evering	July 20, 1920	Associate	Escott & Barnett
E. B. Fontaine	Nov. 14, 1922	Associate	
O. O. Funk	July 20, 1920	Associate	Escott & Barnett
Thos. Graham	Nov. 14, 1922	Associate	
W. H. Habitt	July 20, 1920	Associate	Escott & Barnett
L. P. Hailey	July 20, 1920	Associate	Meldum & Meldrum
Chas. G. Harris (Charter)	Dec. 22, 1905	Fellow	Chas. G. Harris & Co.
Homer F. Harris	Dec. 5, 1912	Fellow	Chas. G. Harris & Co.
Orville D. Harris	Feb. 18, 1913	Fellow	Chas. G. Harris & Co.
E. Sidney Howard	Sept. 4, 1917	Associate	Turner, Spencer & Co.
H. D. C. Loemker	July 20, 1920	Associate	Escott & Barnett

<i>Name</i>	<i>Elected</i>	<i>Class</i>	<i>Firm</i>
V. O. Lothman .....	Nov. 14, 1922	Associate	
Jas. C. Mahon .....	Dec. 5, 1912	Fellow	Jas. C. Mahon
George R. Mayo .....	Feb. 18, 1913	Fellow	Bowling Green, Kentucky
J. E. Mason .....	Nov. 12, 1925	Associate	
Geo. F. Meldrum .....	Sept. 9, 1913	Fellow	Meldrum & Meldrum
Overton S. Meldrum .....	Sept. 28, 1908	Fellow	Meldrum & Meldrum
John Ford Morris .....	Nov. 7, 1921	Fellow	John Ford Morris
W. S. Parker .....	Sept. 28, 1908	Fellow	W. S. Parker
T. A. Pedley .....	Dec. 5, 1912	Fellow	Owensboro, Kentucky
Edw. J. Reichmuth .....	July 20, 1920	Associate	Turner, Spencer & Co.
William J. Ryans .....	Dec. 5, 1912	Fellow	Ryans & Young
W. P. Shouse .....	July 20, 1920	Associate	Escott & Barnett
J. Herbert Snyder .....	July 20, 1920	Associate	Chas. G. Harris & Co.
Enos Spencer (Charter) .....	Dec. 22, 1905	Fellow	Turner, Harris & Spencer
Edw. F. Stoll .....	Dec. 5, 1912	Associate	Turner, Spencer & Co.
H. H. Timmering .....	Nov. 14, 1922	Associate	
E. A. Thomson .....	Jan. 18, 1916	Associate	Meldrum & Meldrum
Thos. E. Turner (Charter) .....	Dec. 22, 1905	Fellow	Turner, Harris & Spencer
A. H. Ummethun .....	Dec. 5, 1912	Fellow	Turner, Spencer & Co.
W. S. Wetterer .....	Nov. 14, 1922	Associate	
E. J. Wells .....	Nov. 12, 1925	Associate	
S. M. Wilhite (Charter) .....	Dec. 22, 1905	Associate	
Jas. M. Williams .....	Nov. 14, 1922	Associate	
Arthur J. Wrege .....	Dec. 5, 1912	Fellow	Turner, Spencer & Co.
L. Tipton Young .....	Jan. 18, 1916	Fellow	Young & Ryans
A. B. Zubrod .....	Dec. 5, 1912	Associate	Meldrum & Meldrum

\* This organization was successor to the Kentucky Society of Public Accountants. This reorganization took effect in September, 1917.

## CHAPTER FOUR

### *Transition*

1916-1933

#### STRUGGLE FOR LEGISLATIVE RECOGNITION

IT WAS JANUARY, 1916, AND THE HEAT was on.

The biennial session of the General Assembly of the Commonwealth of Kentucky is held in the even years in January and February. These are always busy months for accountants. They were even busier in 1916. The original income tax law of 1913 had recognized only the calendar year. Although this was later corrected, the original law requiring that all returns be filed on the calendar year created a mountain of work for accountants in a limited space of time.

Despite their preoccupation, Kentucky's organized accountants realized that their continued recognition by the national professional organization demanded legislative action; they were determined to get it. At this point, the traditional Kentucky dark horse entered the race in the person of James Robert Mayes, (1889-1925).

In 1912, Thomas Scott Mayes, of Springfield, had been selected to audit, for Congress, the disputed accounts between the United States and the District of Columbia, covering the period from 1874 to 1911. To assist him, he had summoned his son, James Robert, who was born August 26, 1889, in Springfield, and educated at the University of Kentucky. Following this Washington engagement, Thomas Scott Mayes received the appointment as the first Federal Collector of Internal Revenue at Louisville. James Robert Mayes followed his father to Louisville in 1914, establishing an office for the practice of accounting and income tax in The Louisville Trust Building.

That young Mayes' political connections were excellent can naturally be inferred from the fact that his father had received such a juicy political plum, the collectorship.

The Kentucky Society learned that Mayes had drafted an accountancy bill and proposed to introduce it to the General Assembly. They asked him to come to a dinner meeting at the Watterson Hotel December 19, 1915. At that time he was 26. The meeting was attended by James S. Escott, Thomas E. Turner, Enos Spencer, Charles G. Harris, Homer F. Harris, Orville D. Harris, Leonard Comingor, and W. J. Ryans. They read to him, paragraph by paragraph, the bill the Society proposed to introduce. Mayes agreed to all paragraphs but one. He asked for further time to consider this paragraph and said he would report to President Escott later. The paragraph in question related to the discretionary power of the proposed Board of Accountancy granting CPA certificates by waiver. After Mayes excused himself from the meeting, the group continued with a discussion of their legislative plans.

Came February. James S. Escott and Charles G. Harris went before the Legislature's committee to which their bill had been referred. To their surprise and chagrin, they learned that Mayes had introduced his own bill prior to theirs. In their word, he had the committee "fixed." While they had no opportunity to compare the two bills, they learned in the committee room that the differences were of such minor importance that there were no grounds on which to make a strong fight. At any rate, they heatedly argued their case before the committee for two hours. A few minutes after they left, the committee voted unanimously in favor of the Mayes bill.

No doubt it was a bitter pill to swallow. The organized accounting profession of Kentucky had been rebuffed in 1912 and 1914. But in 1916, an outsider, a newcomer with political know-how stepped in, killed their bill, and put in his own. — "And politics the damndest — in Kentucky."

Nursing their wounded feelings, the "Old Guard" went into consultation. Should they now attempt to get Mayes' bill defeated or what? They finally decided that, since his was about as good as theirs, they would let him proceed with lobbying his bill through and lay for him when the selection of the State Board of Accountancy was made. A letter, drafted to the Governor on the subject, was held up pending the passage and signing of the bill.

March 4, 1916, the Mayes bill became law and the fortieth state had recognized the CPA. It was a permissive act. For its era, it was good legislation, having no really objectionable feature except that it contained neither a residence nor place of business requirement. As a result, Kentucky was flooded by out-of-state applicants. In common with other permissive type CPA laws, it created the legal title "Certified Public

Accountant” and provided for the appointment, by the Governor, of a Board composed of three CPAs. The law provided for the issuance of waiver certificates to persons in practice at the time the law went into effect; set up qualifications for the future issuance of certificates by examination or reciprocity. It also provided for revocation of certification for knowingly issuing or certifying to any false statement or statements, for conviction of a crime involving moral turpitude, and for failure to pay the annual dues (not exceeding \$2.00) within 60 days after the due date.

In no way did the 1916 law attempt to regulate the practice of public accountancy. In fact, Article 14 of the law provided: “Nothing herein contained shall be so construed as to prevent any persons from being employed or practicing as an accountant in this state.” The statute merely created a legal title and sought to put up safeguards around its use.

The 1916 law remained on the statute books for 30 years. During these three decades, no legal case involving the law or the practice of public accounting ever reached the Court of Appeals of Kentucky.

In 1932, there was introduced in the Kentucky General Assembly a bill to provide for the regulation of the practice of public accounting. This bill died in committee. Had it been enacted, it would have hastened the recognition of accounting as a profession by many years. Legislation was not enacted until 1946.

## ACCOUNTANTS VS. STATE BOARD

Following the passage of the act, Mayes sent word to the Kentucky Society that if they would nominate two members



for the Board of Accountancy, he would use his influence to get them appointed. Instead, President James S. Escott and L. Tipton Young went to Governor A. O. Stanley demanding that all three Board members be selected from the membership of the Kentucky Society of Public Accountants.

The Governor said that he was committed to the appointment of Mr. Mayes to the Board. However, he would gladly name the other two from nominees from the Society.

Maybe the "Old Guard" was justified. Maybe their humiliation was greater than it seems today. At any rate, they indulged themselves in a fit of petulance that was to put a scar on the development of the profession for many a year. To them, it was whole hog or none. They told the Governor so!

Left to his own devices, the Governor proceeded to appoint the first State Board of Accountancy. He named Mayes, E. C. Conley, Catlettsburg and R. E. Klein, Fort Thomas. The question of their qualifications have been cussed and discussed.

The act provided that Board members should be "persons skilled in the knowledge and practice of accounting, each of whom shall have been a citizen of the state of Kentucky for at least one year and shall have been for at least three years immediately preceding such appointment actively engaged as a professional public accountant as herein after defined." The public accountant was defined as "a person skilled in the knowledge and science of accounting, who holds himself out to the public as a practicing accountant for compensation, and who maintains an office for the transaction of such, and whose time during the regular business hours of the day is devoted to the practice of public accounting as a professional public accountant."

Since Mayes had not established his practice in Louisville until 1914, he had not been engaged in public accounting in Kentucky for three years. Certainly, he did not rely upon his time spent in his father's employ in the District of Columbia. For, while serving on the Board, he refused to recognize a similar experience by Robert B. Rouse. Such refusal made the decision for posterity that Mayes himself did not qualify for the Board.

Another member of that first Board, E. C. Conley, was born, by his own statement, on August 3, 1893. His certificate was issued on July 6, 1916, when he was 22 years of age. The law required also that Board members be no less than 25. Conley was educated in the public schools of Kentucky and attended Valparaiso University and Bowling Green Business University. He taught commercial subjects in Kentucky high schools. The Kentucky Society's investigation revealed that, at the time of appointment, he was "bookkeeper of a dry goods firm in Catlettsburg, that he might do some accounting at night, but in a town that size his work would be limited."

The third member, Raymond E. Klein, had been on the staff of Guy H. Kennedy, CPA, Cincinnati, as early as 1910. In 1912, he opened his own office in Cincinnati. He was actively engaged in accounting in Ohio at the time of his appointment as a member of the Kentucky State Board of Accountancy. At least, he was qualified under the law for the appointment by virtue of his residency in Kentucky!

In retrospect, the thing the "Old Guard" should have done was to exercise a little patience. Since State Board terms are only for three years, time and a little judgment would have resolved the problem. Instead, they climbed out on the proverbial limb and sawed it off!

Did any state CPA law ever commence functioning under gloomier auspices? Not only was the law to be boycotted by the established state professional organization, but the bitterness of its members was such that they chose to wash their dirty linen in public to the extent of asking their national professional organization to refuse recognition of the younger men who would follow in their footsteps.

On September 26, 1916, the Kentucky Society of Public Accountants unanimously voted to "refrain from making application for CPA certificates from the Kentucky State Board of Accountancy as now constituted." The following day, there appeared in the Louisville newspapers this statement:

The Kentucky Society of Public Accountants, composed of seventeen of the leading members of the profession in the City and State, has by unanimous action, repudiated the appointments of the Governor, of the members of the State Board of Accountancy, under the Act passed by the last session of the legislature, as not in its opinion measuring up to the requirements of the Act, nor to the standards set by the profession.

Accordingly the members of the Society will not apply for CPA certificates issued by that Board, nor recognize those issued to others.

Similar action was taken by the Institute of Accountants in the United States of America at its annual convention held in New York City. The latter organization is national in character and its membership is composed of the leading accountants of the United States, and its chief aim is for high standards in the profession. It has steadfastly refused to recognize CPA certificates issued by any state board of accountancy unless the board represents the experience and other qualifications necessary to pass upon the applications which come before it.

In the other 39 states where CPA laws had been enacted, the leaders of the profession had set about building up the reputation and meaning of the Certified Public Accountant certificate. Right or wrong, the organized accounting profession of Kentucky set out to belittle the CPA certificate from the kickoff.

The new Board held its first meeting in Frankfort on July 6, 1916, and issued certificates 1, 2, and 3 to Mayes, Klein, and Conley respectively. Mayes was elected president, Klein, secretary, and Conley, treasurer. By-laws were prepared by Conley and adopted. Forms and regulations for receiving applications for waiver certificates, provided for in the act, were readied. The act read:

“Said board of accountancy shall waive the examination of and issue a certificate as a certified public accountant to any person who furnishes said board with evidence of satisfactory work in accounting completed by him, and who possesses the qualifications mentioned in section four of this act, as to age, citizenship, moral character, preliminary education, and experience in practice of accountancy, who is a citizen of the state of Kentucky, and who for more than three years immediately preceding the passage of this act shall have been practicing on his own account as a public accountant, and who shall apply in writing for such certificate within ninety days after the passage of this act.”

Think of it! CPA certificates for the asking! And how many applied? Exactly 16! Eleven of this group, including the Board members, were issued waiver certificates; five were turned down. Among those whose applications were not approved were John William R. Bradford, James Hawley Youtsey, and Robert B. Rouse. Residents of northern Kentucky, they were employed or engaged in practice in Ohio.

In December, 1916, the three brought suit against the Board in the Jefferson Circuit Court.

In May, 1917, the original Board held its first and only examination at the YMCA in Louisville. Why an examination was held at all, since any qualified applicant could have a certificate for the asking a few months prior, is answered by the addresses of the three successful candidates. On June 30, 1917, certificate number 12, the first issued by examination, was awarded Charles J. Anderson, Chicago. Numbers 13 and 14 were awarded Edgar Biggs and Frank C. Deckeback, both of Cincinnati.

In 1917, the American Institute had written the presidents of the various state societies and the various state boards about the adoption of the uniform CPA examination. The Kentucky Board replied courteously, indicating its interest in the American Institute examination. The Society replied, however, "The Society is in accord with the movement, but cannot officially give its endorsement on account of the fact that members of the society have not approved the Governor's appointments to the state board."

Kentucky's Overton S. Meldrum was a member of the 32-man council of the American Institute. Since the wishes of the Society's die-hards governed, the Kentucky Board did not then have an opportunity to adopt the American Institute examination.

On October 3, 1917, certificate number 15, the first issued by reciprocity, was granted Frank A. Willison, Pittsburgh. It was based upon his West Virginia certificate. This and the filing of answers to the three pending lawsuits were the last official acts of the first Board.

At time of Bradford's application, the Board had before it a business card reading: J. W. R. BRADFORD, ATTORNEY-AT-LAW. The Board took the position that he could not have been practicing accounting for the requisite period in the manner defined in section seven of the act.

The Board maintained that James H. Youtsey was the contract (sales) manager of the Cincinnati office of Ernst & Ernst. As such, he was not engaged in the practice of public accounting.

Robert B. Rouse was a staff accountant for Guy H. Kennedy, CPA, and the Board held, was not in practice on his own account as required by section seven.

The three suits were before the Jefferson Circuit Court several times. Finally, May 10, 1919, they were heard together. The Court sustained a motion for mandamus and the clerk was ordered to issue a mandamus on the Board requiring the issuance of the waiver certificates.

Klein had left Kentucky, in 1917, and moved west. Conley had moved to Huntington, West Virginia, in 1918, and opened an accounting office. He practiced there until 1957, under the name The Federal Audit Company. Mayes refused to act. There the matter stood!

Mayes' term expired in 1919. When Republican Ed Morrow became Governor in 1920, there was no State Board of Accountancy. So, he appointed Bradford and Youtsey and Benhard Bernstein of Louisville, holder of CPA certificate number 8, to the Board.

On September 29, 1920, this new Board issued waiver certificates to John William R. Bradford (#16), James H. Youtsey (#17) and Robert B. Rouse (#18). Not only did

the first Board members award certificates to themselves, two-thirds of the second Board did the same.

Bradford was born in Florence, Kentucky, in 1881. He engaged in practice in Cincinnati, first as a partner in Reichardt-Bradford Audit Company. From 1914 until his death, the firm carried his name, J. W. R. Bradford & Company. He was one of the three incorporators of the Kentucky Society of Certified Public Accountants.

James H. Youtsey was a resident and native of Kentucky. At the time of his application for a waiver certificate, he was employed by Ernst & Ernst, Cincinnati. Subsequently, he engaged in practice in Dayton, Ohio. He returned to Cincinnati and was a partner in the firm of Youtsey & Schneider until his death. He, too, was one of the incorporators of the Kentucky Society of CPAs.

Benhard Bernstein was born in Eufala, Alabama, on September 5, 1862. He attended Eastman's Business College, Poughkeepsie, New York, and came to Louisville in 1883. He was first listed as an accountant in the Louisville City Directory in 1915.

The second Board prepared and graded its own examinations, held in Frankfort, in the Senate Chamber, in May and October. Deserved or not, these examinations soon earned the reputation of being a pushover. The examining room was filled with candidates from Ohio, West Virginia, New York, Illinois, Alabama, New Jersey, Missouri, Texas, North Carolina, Michigan, Connecticut, and elsewhere. The number of certificates issued during the six-year period were:

by reciprocity .....	6
by examination .....	76
	<hr/>
Total	82

The box score of those issued as a result of examination shows:

Kentuckians .....	25
Non-Kentuckians .....	51
	<hr/>
Total	76

Through 1925, there had been exactly 100 Kentucky CPA certificates issued; 30 went to persons residing or practicing in Ohio. In 1954, the Ohio Board granted a reciprocal certificate to one of them, the first and only one of that group ever recognized by Ohio.

In 1926, W. A. Hifner, Jr. and Sam W. Eskew, followed by M. B. McMullen in 1927, were appointed to the State Board of Accountancy. This trio set about the task of salvaging the reputation of the CPA certificate in Kentucky. They immediately instituted policies and standards to elevate the standing of the CPA certificate of Kentucky, not only in the Commonwealth, but in the eyes of the profession throughout America.

Examinations were set at a level more in keeping with the national concept of the title "Certified Public Accountant." The following tabulation of the number of certificates issued to successful candidates by examination tells the story:

1925.....	22
1926.....	12
1927.....	9
1928.....	1
1929.....	0
1930.....	0
1931.....	8
1932.....	6
1933.....	9
1934.....	7



After serving his three year term, starting in 1926, Hifner was re-appointed in 1932. Robert Miller and William Cotton were the other appointees. This group served three successive three-year terms. Thus, Hifner served on the Board for 12 years. During his years of service on the Board, he and his fellow members saw to it that the CPA certificate was accorded its full dignity and meaning.

A letter, dated November 29, 1955, from Hifner recalled Hifner's experiences on the Board. "At the outset we were confronted with the perennial problem of examination questions. It had been the practice of our predecessors to prepare their own examination questions and do their own grading of the answers. Our Board continued this practice. The grading of the answers was never burdensome, but the preparation of the questions, after the first few times, became an onerous task. . . . it was thought that the State Board was created by the State for the purpose of administrating the accountancy law within the state, and that it had no right to delegate its authority or be subservient to any institution or body without the state. . . . We did think, however, that we had the right to employ help in the preparation of questions. . . . Such a service was provided the Kentucky Board by the American Society from 1927 until the merger with the Institute. . . . This service was very satisfactory in numerous ways. It provided material which the Kentucky Board could trim and fit to what it conceived to be the needs of accountants practicing in Kentucky, and where the Board could grade a candidate not only by papers submitted but also by personal contact and oral examination. I recall at least two instances where the candidate failed upon the basis of papers submitted, but upon oral examination it was determined the candidate was entitled to a

## KENTUCKY STATE BOARD OF ACCOUNTANCY

### Members: since inception

<p>1916-1920 J. R. Mayes R. E. Klein E. C. Conley</p>	<p>1949 J. S. Petot, Sr. J. O. Boswell L. C. J. Yeager</p>	<p>1959-1960 Austin H. Gresham Jess C. Paris Bradley O. Turner</p>
<p>1921-1925 J. W. R. Bradford J. H. Youtsey Benhard Bernstein</p>	<p>1950-1952 J. O. Boswell Albert Christen L. C. J. Yeager</p>	<p>1960-1961 Jess C. Paris Bradley O. Turner G. Byron Kirby</p>
<p>1926 J. W. R. Bradford W. A. Hifner, Jr. Sam W. Eskew</p>	<p>1952-1953 Albert Christen J. O. Boswell L. C. J. Yeager</p>	<p>1961-1962 Bradley O. Turner G. Byron Kirby Howard M. Jones</p>
<p>1927-1928 Sam W. Eskew W. A. Hifner, Jr. M. B. McMullen</p>	<p>1953-1954 L. C. J. Yeager J. O. Boswell W. Kenneth Simpson</p>	<p>1962-1963 G. Byron Kirby Howard M. Jones Durbin Oldham</p>
<p>1929-1931 M. B. McMullen J. S. Petot, Sr. W. J. Ryans, Sr.</p>	<p>1954-1955 J. O. Boswell Austin H. Gresham W. Kenneth Simpson</p>	<p>1963-1964 Howard M. Jones Durbin Oldham G. Byron Kirby</p>
<p>1932-1940 W. A. Hifner, Jr. Robert Miller William Cotton</p>	<p>1955-1956 W. Kenneth Simpson Austin H. Gresham Jess C. Paris</p>	<p>1964-1965 Durbin Oldham G. Byron Kirby Emmett W. Kottke</p>
<p>1941-1944 Sam W. Eskew Espy Bailey W. Waller Grogan</p>	<p>1956-1957 Austin H. Gresham Jess C. Paris William Cotton</p>	<p>1965-1966 G. Byron Kirby Emmett W. Kottke Duard N. Thurman</p>
<p>1945-1947 Espy Bailey J. S. Petot, Sr. W. Waller Grogan</p>	<p>1957-1958 Jess C. Paris William Cotton Austin H. Gresham</p>	
<p>1948 Espy Bailey J. S. Petot, Sr. L. C. J. Yeager</p>	<p>1958-1959 William Cotton Austin H. Gresham Jess C. Paris</p>	



J. R. Mayes  
1916-1920



E. C. Conley  
1916-1920



J. W. R. Bradford  
1921-1926



J. H. Youtsey  
1921-1925



Benhard Bernstein  
1921-1925



W. A. Hifner, Jr.  
1926-1928  
1932-1940



Sam W. Eskew  
1926-1928  
1941-1944



M. B. McMullen  
1927-1931



J. S. Petot, Sr.  
1929-1931  
1945-1949

\*R. E. Klein 1916-1920, no picture available



W. J. Ryans, Sr.  
1929-1931



Robert Miller  
1932-1940



William Cotton  
1932-1940  
1956-1959



Espy Bailey  
1941-1948



W. Waller Grogan  
1941-1947



L. C. J. Yeager  
1948-1954



J. O. Boswell  
1949-1955



Albert Christen  
1950-1953



W. Kenneth Simpson  
1953-1956



Austin H. Gresham  
1954-1960



Jess C. Paris  
1955-1961



Bradley O. Turner  
1959-1962



G. Byron Kirby  
1960-



Howard M. Jones  
1961-1964



Durbin Oldham  
1962-1965



Emmett W. Kottke  
1964-



Duard N. Thurman  
1965-

certificate. In both instances, the men have proven their worth and are a credit to the profession.”

#### PROFESSIONAL RE-ORGANIZATION

In 1916, the American Association of Public Accountants changed to the Institute of Accountants in the United States of America. The following year, the name was changed to the American Institute of Accountants. Provision was made for admitting Kentucky members of the State Society who had come in as “fellows” after January 1, 1913. As a result, by September 19, 1916, L. C. Barnett, Harry E. Baumgarten, George F. Meldrum, L. Tipton Young, and Orville D. Harris were admitted into the national body. In due course, they became members of the American Institute.

On September 4, 1917, the Kentucky Society of Public Accountants voted to turn over its assets to the Kentucky Institute of Accountants formed May 15, 1917. Functioning under the latter name, the group aimed at a closer association with the American Institute.

For the next eight years, Kentucky had a statutory, but hardly recognizable accountancy profession. During this period, 65 CPA certificates were issued; largely to non-Kentuckians. Then, W. A. Hifner, Jr., (1881-1959) sent an invitation to all certificate holders to meet in Lexington, May 16, 1924, to form a state society of CPAs. W. L. Harrison, the secretary of the American Society of Certified Public Accountants, came from Washington to guide them in the formulation of articles of incorporation, by-laws, and rules of procedure. Officers and directors were elected. They were W. A. Hifner, Jr., Lexington, Kentucky, president; D. W.

Quinn, Jr., Dayton, Ohio, vice-president; R. E. Morrison, Cincinnati, Ohio, secretary, and Benhard Bernstein, Louisville, Kentucky, treasurer. Directors were J. H. Youtsey, Dayton, Ohio; J. R. Mayes, Louisville, Kentucky; C. J. Dieterle, Cincinnati, Ohio; J. W. R. Bradford, Cincinnati, Ohio, and C. E. Kaase, Cleveland, Ohio. And there it was — The KENTUCKY Society of CPAs — two-thirds of its officers and directors from OHIO!

A month later, June 19, 1924, Hifner, Bradford, and Youtsey, as the incorporators, obtained a corporate charter from the Secretary of State. The Kentucky Society of Certified Public Accountants came into being; its office was in Lexington.

Kentucky is generally regarded as a state where betting on the outcome of an event is considered a normal expression of opinion. Certainly, the quoted odds would have been against this new venture. One would have never guessed that this group of CPAs and Twentieth Century carpetbaggers, who had been repudiated in the public press by those who styled themselves “the leading members of the profession,” had founded an organization that would ultimately dominate and develop the profession of public accounting in Kentucky.

The comments of Hifner, at the completion of the first year, throw some light on the subject.

“Your President has been rather severely criticized as being partial in his support of our State Board, and that the Society was organized merely to uphold the actions of the State Board. The State Board is our Alma Mater and so long as it functions properly it should not only be supported by each and every member of the Society, but should also be given due praise for an arduous task well performed. If it does not function prop-

erly then it should be assisted to the position where it may do so. Certainly none of us desires to see the State Board annihilated or even crippled, and certainly all of us wish to see the State Board grow in its influence and power for good. It will so grow only as you give it your support and influence. Likewise will your Society. In his defense of your State Board probably the most severe criticism that your President has had to combat is the assertion that two of the Board members are moral if not legal residents of the State of Ohio. The fact that President and Secretary of the Board maintain their offices in Ohio and spend at least the bulk of their time outside the borders of the state, makes this charge rather hard to refute. . . .

“So much for history. What doth the future hold in store? The Kentucky Society is yours. If it would survive it must be bigger than any man or any set of men. The greatest may only contribute towards its success. The humblest and most meek are necessary for its life blood. It needs us all and when it has our unqualified support it will become a factor for good in our profession, and that good will rebound to the credit of us, each individually, just in exact proportion to the amount of ourselves that we put into it. It does not need a great deal of our money, but it does need our loyalty and energies and enthusiasm. As its retiring President, these I beg of you, — these I expect to give.”

The new Society, as one of its first objectives, decided to publish bulletins to provide the public with better information of the services of CPAs. So, in December, 1924, Bulletin No. 1 was issued, the first and last until 1949.

The “Old Guard,” the Kentucky Institute of Accountants, took immediate note of the formation of the new Kentucky Society of CPAs. Within weeks after its incorporation, a letter of inquiry about it was received by the Kentucky Institute from A. P. Richardson, secretary of the American Institute. Mr. Meldrum replied adversely and Mr. Richardson



agreed. The "Old Guard" then decided to appoint a committee composed of L. C. Barnett and Clifton R. Escott to investigate whether the name of the new organization constituted an infringement of the corporate name "Kentucky Society of Public Accountants." From then on, the Kentucky Institute withered on the vine. Only three more meetings were held, the last in 1928.

Availing themselves of a clause in the Indiana law, the members of the Kentucky Institute, (none of whom had been CPAs), secured waiver certificates as CPAs in that state. On May 1, 1929, Overton S. Meldrum, George F. Meldrum, Charles G. Harris, William J. Ryans, James S. Escott, L. C. Barnett, Orville D. Harris, and L. Tipton Young were granted Kentucky certificates by reciprocity. They were now in a position to and soon joined the Kentucky Society of CPAs, and the bitter struggle within the profession came to an end.

This marked the temporary cessation of any real American Institute participation in Kentucky. While the old members continued to hold their memberships in the national body, they ceased to function as a state chapter. It was not until the merger of the American Institute and the American Society some few years later that the American Institute was recognized by the developing Kentucky profession.

## BANKERS DRAW REIN

We have seen where the development of accountancy in Kentucky faced a cleavage following the passage of the first CPA law. The organized profession had thrown a roadblock in its own path insofar as development was concerned. They,

by their own election, constituted a dying class. It would take some years for the new professionals, the CPAs, to develop. In retrospect, we can analyze the situation and appreciate that they had created a vacuum. Always, in such cases in history, the unexpected has happened. Some new force from seemingly out of nowhere steps in and takes command.

Thus, it happened in Kentucky.

Humphrey Robinson, (1869-1931), was not a member of the organized accounting profession nor was he a member of the new group of CPAs. He never became a CPA nor a member of any professional accounting association. Approaching the age of 50, he had never styled himself a public accountant, nor had he ever worked a day on the staff of a public accountant.

A native of Louisville and a graduate of Louisville Male High School, he went into the leaf tobacco business. At age 30, he was bookkeeper for Brinley, Miles & Hardy. The following year, 1900, he became a clerk at the American National Bank. He rose to bookkeeper and later note teller.

In 1914, Robinson became the examiner for the Louisville Clearing House Association. Those 1914 banks were not the financial giants of today. They were many in number but small in resources. For their mutual protection, the banks were to be examined, by a clearing house examiner, and reports made to the Clearing House. Clerks recruited from the various banks assisted the examiner because it was not required of him to carry a full staff. Eventually, it developed that the amount of work did not even require the full time of the permanent organization.

Robinson, realizing the need of the banks and their customers for audits designed to meet credit requirements, agreed with member banks that he would organize a public accounting firm and continue to serve the banks. He would do audit work for the banks' customers and the public as well.

The firm of Humphrey Robinson & Company set sail in 1919. The following had already or shortly thereafter associated themselves with the founder: P. Robert Miller, a teacher of commercial subjects at Louisville Male High School; Stanley P. McGee, manager of the discount department of the Federal Reserve Bank; Larry I. Boone, clerk, J. M. Buckner & Co., tobacco brokers; Henry C. Heimerdinger, clerk, Citizens Union National Bank; William H. Hartman, agent, U. S. Internal Revenue Agent's office; Albert M. Kellerman, accountant on the staff of Meldrum & Meldrum, and eventually, Malcolm B. McCullen, second president of the Kentucky Society of CPAs and member of the third state board.

The proposed scope of endeavor of this new organization is best explained in its own advertising as shown on the following page.

The prohibition against advertising by public accountants was not in effect in 1919. Furthermore, at the time of its publication, none of the participants in this venture were members of any professional group that may have had such a restriction.

Most people feel that the Federal income tax is first, last, all the time the force behind the growth of public accounting. It is true that this tax during World War I created a vast amount of work. It was work spurned by many members of the legal profession. Naturally, it gravitated to bookkeepers and accountants. But, if income tax had been the only force,

## ANNOUNCEMENT

While we continue as the official Bank Examiners for the Banks and Trust Companies of the Louisville Clearing Association

WE ARE NOW ENGAGED INDEPENDENTLY  
IN PUBLIC ACCOUNTING, AUDITING AND  
BANK EXAMINING IN LOUISVILLE AND IN  
KENTUCKY, INDIANA AND THE SOUTH

with an enlarged staff of Accountants and Examiners  
we are prepared

To make audits of all classes of books and accounts  
To install modern and simplified business and cost systems  
To certify to business statements for credit purposes  
To serve as business consultants and as industrial engineers  
To examine Banks and Trust Companies generally and to install systems for them.

An income tax department is maintained

For compiling Income and Excess Profits Tax Returns  
For making amended Tax Returns  
For reviewing additional assessments by the Government.

We refer, by permission, to any Bank or Trust Company in Louisville.

HUMPHREY ROBINSON & CO.

Columbia Building

Louisville, Kentucky

there would have developed a group of tax experts rather than public accountants.

The creation of the Federal Reserve System, in 1914, really set up the field for public accountancy. The public accountants and the tax experts soon found their fields so related that the practice of both commingled and became one. The practice of Kentucky banks was to stay loaned to the hilt. Seasonally, it was necessary to lay off their loans with the Federal Reserve. This rediscounting was extensively practiced. To rediscount, in most instances, the Federal Reserve required the submission of an audited statement from the bank's customers.

In 1918, the Federal Reserve Board had issued a pamphlet known now as "Verification of Financial Statements" which became the Bible of accountants for many years. The Humphrey Robinson organization was quick to embrace the principles of auditing propounded by the Federal Reserve Board, whereas the organized accounting group proceeded more slowly. Robinson audits were satisfactory to the FRB and the banks had an open field in advocating the services of this group. The service helped lower the bank's examining costs and expedited rediscounting. From 1919 on, the "Old Guard" had the pitiful experience of seeing their practices dwindle as bankers handed it over to this new competitor.

Humphrey Robinson made a great contribution to the future development of accountancy in Kentucky. Until this period, many Kentucky companies had followed the practice of engaging auditors. Their reports, however, were made to and for the directors and were not fully developed as an annual report to the stockholders or credit grantors. The necessity for making paper eligible for rediscount was the final urge

needed to bring this about. Thus, many bank lending officers who did not know what an audit report was or should be were insisting that their borrowers submit audited statements prepared by Humphrey Robinson & Company to satisfy Federal Reserve requirements. During this period, Louisville businesses adopted the general practice of the annual audit that has continued to date.

The eminently satisfactory job rendered by the Robinson organization had its bad and good effects. It placed other local firms in a declining position, but it also discouraged the national accounting firms from attempting to take over in Kentucky as they had so successfully done in most of the other larger cities of the country.

In 1922, Loomis, Suffern & Fernald came in and went out. In 1921, Marwick, Mitchell & Co., later to be known as Peat, Marwick, Mitchell & Co., appeared, leaving two years later. Ernst & Ernst established their office in 1924. Lybrand, Ross Bros. & Montgomery came in 1931. Haskins & Sells opened and closed and reopened in 1964, and Peat, Marwick, Mitchell & Co. reappeared in 1954, later merging with Escott & Grogan in 1958.

The bank failures of Louisville brought about great changes in the relationship of the banking group and the Certified Public Accountants. One of the significant developments was the promulgation of a joint statement by the bankers and the Kentucky Society of CPAs in 1931, entitled "Information Essential in Analyzing a Financial Statement for Credit Purposes." The majority of present day CPAs in Kentucky probably think that the responsibility for physical verification of inventories and confirmation of accounts re-

ceivable came about after the McKesson & Robbins scandal unfolded in 1939. Not so in Kentucky!

The following was included in the joint statement of 1931: “. . . where at all possible actual physical check (of inventories) should be made by auditor; . . . verification should be made of accounts receivable and payable, by direct correspondence in most cases; if this is not done, that fact should be clearly stated . . .”

### BORN OF DISASTER

The grip of the local bankers over the development of public accounting came to an abrupt end. On November 17, 1930, the National Bank of Kentucky failed to open. The biggest national bank failure in American banking history, this is the worst financial disaster ever to strike Kentucky. It was a blessing in disguise to the accountancy profession in Kentucky. It marked the end of a united effort by the bankers of Louisville to exclude all but one firm from the practice of public accounting. When the smoke cleared, the Bank of Kentucky had pulled other banks down with it. New faces appeared on all sides. Men came to the fore who were not a party to the abuses of the past and had no commitments to perpetuate them.

In the development of professional accounting in Kentucky, one of the forces generated during this period of transition was the firm of Cotton & Eskew. Natives of Nelson County, Sam W. Eskew and William Cotton (1892-1963) were brothers-in-law. Cotton had come to Louisville to associate himself with J. R. Mayes, the author of the Kentucky CPA law. Eskew had been secretary to U. S. Congressman

Ben Johnson of Bardstown. Later, he joined the Mayes organization. His original task was to collaborate with B. Perry Weaver in the development of a correspondence course in accounting, called the Pyramid. Cotton became a CPA in 1921. The next year, after Eskew became a CPA, they withdrew from the Mayes organization and founded the firm of Cotton & Eskew. It developed along normal commercial lines, but not until it had made a substantial contribution to the profession in the development of the demand for audits of public funds.

The attitude of Louisville bankers and the fact that Humphrey Robinson & Company was rendering satisfactory services, forced this new firm to seek new areas in which to practice accountancy. The firm soon found itself engaged in auditing the accounts of city after city, county after county, and, from time to time, most of the departments of State government.

Then, the auditing of public affairs was under the office of State Inspector and Examiner. This post was held during a part of this period by Thomas Scott Mayes. The satisfactory work of the independent professionals, Cotton & Eskew, as compared with the work of the State's own examiners, can be traced to regulations and statutes on the books today. So far as is known, no accountant or group of accountants has ever attempted to influence any legislation affecting accountancy other than the enactment of the accountancy acts themselves. So, the laws and regulations today requiring audits of the Highway Department, securities dealers, highway contractors, bridge bond projects, the parimutuels, cities of the second, third and fourth classes, etc. are the result of public demand and a tribute to the quality of service rendered in the past.



An outstanding personality in the development of modern accountancy in Kentucky who emerged during this period was William Alexander Hifner, Jr. (1881-1959) of Lexington. He originated the movement which resulted in the founding of the Kentucky Society of CPAs. Born in Jessamine County, he attended Transylvania University for two years and studied at Lexington Business College. Successively book-keeper, manager, and head of a lumber firm in Lexington, he embarked in the practice of public accounting in Lexington in 1918, and obtained his certificate in 1923. In 1934, he was elected president emeritus of the Kentucky Society. Following the merger of the two national bodies, he was the first Kentuckian to be sent as a Member of Council of the combined national organizations.

Another development of this period was the virtual re-birth of the Escott firm. Started by James S. Escott in 1908. by the end of World War I, it had become the major accounting organization in the State. There followed the years of bank domination of the selection of accountants. Escott, Barnett & Company was probably the one most affected. Only two principals, James S. Escott and his son, Clifton, remained. In the early 1930's the son took over the leadership and associated with W. Waller Grogan. Within a few years, they restored the firm to a major position in the accounting practice of the State.

September 1, 1933, the firm known now as Yeager, Ford & Warren saw its birth. Yeager was joined in 1934 by Gordon Ford and, in 1936 by James C. Warren. The latter were graduates of Bowling Green College of Commerce, now a division of Western Kentucky University. The firm adopted

the policy of restricting admission to their firm to college graduates. This was unusual at that time.

#### EDUCATION: THE MEANS TO AN END

While this was a period of many developments in the accounting profession in Kentucky, one of the most significant has gone unnoticed by most CPAs. That is the recognition of accounting as a discipline by the institutions of higher learning. As early as 1869, General Robert E. Lee had proposed the inauguration of a department of accounting, commerce, economics, and finance, at what is now Washington and Lee University. His untimely death in 1870 prevented the development of his policy. It was not until 1881 that the University of Pennsylvania established its Wharton School. Thirty-five years later, when Kentucky enacted its CPA law, no college nor university in the State offered a course in accounting. In 1918, the University of Louisville pioneered by offering a course that combined accounting and statistics. The University of Kentucky, in 1919, gave a six-hour course in principles of accounting. Centre College undertook the teaching of accounting in 1921, when six hours of principles of accounting were included in the curriculum for the first time. Bowling Green Business University offered instruction at the college level in 1922. In 1924, Bowling Green was the first college in the State to employ a Certified Public Accountant to teach accounting courses. A. J. Lynn, A.B., Indiana University; M.A., Toledo University, became dean and teacher of accounting January 2, 1924. On April 8, 1924, he was granted Indiana Certificate No. 527.

In 1925, the College of Commerce of the University of Kentucky was established. An outgrowth of the Department

of Economics, its first CPA was employed that year to teach accounting courses. The following year, both Berea College and Eastern Kentucky State College offered instruction in accounting. Transylvania offered instruction in accounting for the first time in 1931.

These may seem to be humble beginnings. Only six colleges and universities in Kentucky had instituted the teaching of accounting within the decade. It was indicative, however, of the vigorous growth of the accounting profession and gave promise that the CPA of the future would be a learned professional.

Born in the boom of war prosperity and ending in the depths of a great world-wide depression, the Period of Transition witnessed the birth in Kentucky of the CPA, the entrenchment of accountants in the field of tax practice, and recognition of the audit report for credit purposes. It saw the emergence of the Kentucky Society of Certified Public Accountants as the state organization of a united profession and the recognition of accounting as a discipline by the colleges and universities of the Commonwealth. The future could hardly be expected to be more momentous. But history has a way of repeating itself.

KENTUCKY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

May 16, 1924 to December 31, 1925  
(Approximately 19 months)

OFFICERS

President.....	W. A. Hifner, Jr.
Vice President.....	D. W. Quinn, Jr.
Secretary.....	R. E. Morrison
Treasurer.....	B. Bernstein

DIRECTORS

Term expired June 30, 1925

J. H. Youtsey J. R. Mayes C. J. Dieterle

Term expired June 30, 1926

B. Bernstein R. E. Morrison W. A. Hifner, Jr.

Term expired June 30, 1927

J. W. R. Bradford C. E. Kaase D. W. Quinn, Jr.

1926

OFFICERS

President ..... M. B. McMullen
Vice President ..... C. E. Kaase
Secretary ..... S. W. Eskew
Treasurer ..... B. Bernstein
Assistant Treasurer ..... S. K. Bernstein

DIRECTORS

Term expired June 30, 1928

M. B. McMullen E. C. Conley S. W. Eskew

1927

OFFICERS

President ..... M. B. McMullen
Vice President ..... C. E. Kaase
Secretary ..... S. W. Eskew
Treasurer ..... B. Bernstein
Assistant Treasurer ..... S. K. Bernstein

DIRECTORS

Term expired June 30, 1929

John S. Petot F. J. Murphy Robert Rouse

1928

OFFICERS

President ..... W. A. Hifner, Jr.
First Vice President ..... William Cotton
Second Vice President ..... Robert Rouse
Secretary and Treasurer ..... Irvin W. Imhof

DIRECTORS

Term expired June 30, 1928

R. S. McGlasson      J. Bernard Brown      E. C. Conley

Term expired June 30, 1929

William Cotton      Robert Rouse      Irvin W. Imhof

Term expired June 30, 1930

W. A. Hifner, Jr.      M. B. McMullen      Robert Miller

1929

OFFICERS

President ..... S. W. Eskew  
First Vice President ..... J. Bernard Brown  
Second Vice President ..... Buell E. Henry  
Secretary and Treasurer ..... Irvin W. Imhof

DIRECTORS

Term expired June 30, 1931

Buell E. Henry      J. Bernard Brown      S. W. Eskew

1930

OFFICERS

President ..... J. Bernard Brown  
First Vice President ..... Buell E. Henry  
Second Vice President ..... Robert Miller  
Secretary and Treasurer ..... Irvin W. Imhof

DIRECTORS

Term expired June 30, 1932

William Cotton      Robert Rouse      Irvin W. Imhof

1931

OFFICERS

President ..... William Cotton  
First Vice President ..... W. A. Hifner, Jr.  
Second Vice President ..... Irvin W. Imhof  
Secretary and Treasurer ..... Buell E. Henry

DIRECTORS

Term expired June 30, 1933

W. A. Hifner, Jr.                      Robert Miller                      A. J. Nauman

January 1, 1932 to June 30, 1933

OFFICERS

January 1, 1932 to July 22, 1932

President .....Overton S. Meldrum  
First Vice President .....Robert Miller  
Second Vice President .....A. J. Nauman  
Secretary and Treasurer .....Buell E. Henry

OFFICERS

July 22, 1932 to June 30, 1933

President .....Irvin W. Imhof  
First Vice President .....Robert D. Haun  
Second Vice President .....Harvey D. Cardwell  
Secretary and Treasurer .....Buell E. Henry

1933-1934

OFFICERS

President .....Harvey D. Cardwell  
First Vice President .....Robert D. Haun  
Second Vice President .....L. Tipton Young  
Secretary and Treasurer .....Buell E. Henry

DIRECTORS

Term expired June 30, 1934

George E. Meldrum\*                      S. W. Eskew                      Buell E. Henry

Term expired June 30, 1935

Irvin W. Imhof                      Harvey D. Cardwell                      Robert D. Haun

Term expired June 30, 1936

W. A. Hifner, Jr.                      L. Tipton Young                      Bradley O. Turner

\* To fill unexpired term of Overton S. Meldrum



W. A. Hifner, Jr.  
1924, 1925, 1928



M. B. McMullen  
1926, 1927



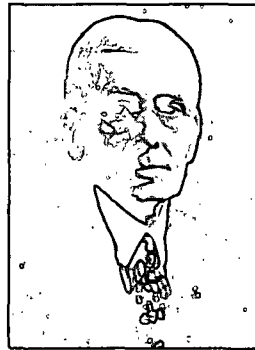
S. W. Eskew  
1929



J. Bernard Brown  
1930



William Cotton  
1931



Overton S. Meldrum  
1932



Irvin W. Imhof  
1932



Harvey D. Cardwell  
1933



Bradley O. Turner  
1934



A. J. Nauman  
1935



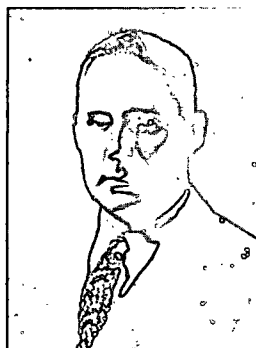
Robert Miller  
1936, 1942



Kenneth White  
1937



Eugene M. Heimerdinger  
1938



C. R. Escott  
1939



L. I. Boone  
1940



L. C. J. Yeager  
1941



Charles M. Wheeler  
1943



Robert N. Dennis  
1944





Maurice Luker  
1945



Paul F. Halloran  
1946



Austin H. Gresham  
1947



Gordon Ford  
1948



W. Waller Grogan  
1949



W. Kenneth Simpson  
1950



Wilbur R. Williamson  
1951



J. Wesley Huss  
1952



Jess C. Paris  
1953



James C. Warren  
1954



Albert Christen  
1955



Emmett W. Kottke  
1956



G. Byron Kirby  
1957



Harold W. Glore  
1958



Howard M. Jones  
1959



Durbin Oldham  
1960



John E. Brown  
1961



Fred H. Bower  
1962



Duad N. Thurman  
*1963*



Joseph P. Jones, Jr.  
*1964*



Samuel W. Lyverse  
*1965*



*The Period of Development*

1934-1945

DOWN BUT NOT OUT

THE YEAR 1933 NOT ONLY MARKED THE END of a period in the history of accounting, it marked the end and beginning of distinct periods in the social and economic history of the nation. In March of that year, virtually every bank in the nation was closed; some 12 million or more people walked the streets in vain in quest of jobs. Not one CPA in Kentucky was recorded as a member of this great jobless group!

Prior to this time, the college graduate in the ranks of the accounting profession was the exception rather than the rule. The bottom of the depression witnessed a complete reversal of this trend. Since the depression, the proportion of non-college men entering the field of public accounting has lessened with each succeeding year.

The New Deal has been praised, lauded, ridiculed, and vilified. No matter whether one approved or disapproved each measure which came into being, in retrospect, it must be

acknowledged that these principles created a new American way of life. CPAs are traditionally a conservative group. During this period of great social and economic change, there were more of them critics than partisans. The leadership of the profession attacked each new problem more from the analytical rather than critical viewpoint. Whether the individual CPA approved or disapproved had little affect. The end result was that the accountants likely benefited more from these changes than any other professional group in the nation.

Public accounting, a service that was optional during the Roaring Twenties, became, by the end of World War II, a necessary part of the pattern of our complex and somewhat controlled economy.

One of the first measures to affect Kentucky's economy was the repeal of national prohibition. In the closing months of 1933, there started the feverish rush to create the distilleries, warehouses and other structures necessary for the reactivation of the Commonwealth's best known industry.

William H. Hartman, the acknowledged dean of Kentucky tax accountants of that period, Ishmael Planck, and others of their associates prepared and circulated among bankers a model form of audit report for distilleries. This reborn industry posed certain unique accounting problems; their treatment of an almost forgotten subject did much to solidify professional thinking.

## THE NEW DEAL

Came the National Recovery Act (1933) and the Blue Eagle. This was legislation of a more or less voluntary nature to establish minimum wages and curb frantic price

cutting. Here, too, CPAs came into action, making checks for industrial organizations of both wages and prices and developing cost finding methods for various trade and industry groups.

The Securities and Exchange Act of 1934 was of tremendous importance to the developing accounting profession. During the hectic days of the financing during the 1920's, it had become the norm to have an accountant's certificate included in the brochure offering new issues of securities. However, the emphasis was on the selection of a well-known firm whose name might help to sell the issue. With the passage of the Securities and Exchange Act, the public no longer needed to be impressed with publicized accounting firm names. The knowledge that the issue had passed the scrutiny of the Federal watchdogs sufficed. Then, lesser known CPA's work was accorded the respect it deserved. In Kentucky, this was a rewarding development. So many times during the Twenties, the CPA had seen a blustering broker or uninformed underwriter insisting upon calling in an out-of-state accounting firm to take over his account when a new offering of securities was involved.

The Agricultural Adjustment Act (1933) and its accompanying processing taxes did not, at first, seem to involve the public accountants. However, a 1936 decision of the Supreme Court held such taxes unconstitutional and recoverable. The hasty move by the Congress to prevent recovery through the Tax on Unjust Enrichment posed problems that only the accountants were willing to attack. Certainly no member of the bar took the stand that this snarl was a problem for the legal profession. The accountants, as always when their skills are required, dug right in.

Next came the taxes imposed to create the funds to finance certain measures of Social Security; the Old Age Benefits tax, Federal Unemployment Insurance tax, and Kentucky Unemployment Insurance tax. During the months preceding the imposition of such taxes, CPAs were making talks all over Kentucky to trade and press associations, luncheon groups, civic, business, and labor groups, explaining the new measure and the new taxation. During this period, when business sought information from their legal counsel on this new problem, the answer most often was, "See your CPA."

Kentucky enacted a State income tax law in 1936. It generally followed the income determination of the Federal law. The simple calculation of the two taxes for taxpayers on the accrual basis, with the probability that bonuses or profit-sharing plans were also involved, resulted in a problem where there were not only two unknowns but frequently three or four. Until this time, there were still many attorneys, bank clerks and other non-accountants preparing corporate tax returns. As it became increasingly necessary to possess a full working knowledge of the income tax law, the preparation and the advice on tax returns and tax problems steadily gravitated to the CPA.

The depression did not end with the inception of the New Deal in 1933. Business and businessmen wallowed in an economic depression that endured until about the beginning of World War II. Many businesses had their working capital depleted as the result of losses suffered during the years 1930-1935. Banks were reluctant to provide business with the necessary loans. The Reconstruction Finance Corporation came into being during the Hoover administration. Expansion of its resources and facilities was the touch given it by the



Roosevelt administration. It became for many businesses, the only available source of credit. Many strong companies in business in the Commonwealth today were saved by the infusion of credit made possible by RFC.

CPAs soon became aware of this source of credit for their clients and familiarized themselves with the techniques of applying for such loans. Thus, the CPAs saw their role expanded to encompass that of financial and economic advisor. World War II brought about the extension of credit through the V-loans of the Federal Reserve. The CPAs, in their new role of financial advisors, immediately began to play a large part in expediting the flow of these funds to producers of goods and services for the war effort. When the contracts for such goods and services came up for renegotiation with the various branches and departments of the armed forces, it was the CPA who took one of the leading roles. The profession was usually represented on both sides. The government had CPAs in the armed forces who were assigned the task of renegotiating for the government. Across the table sat the contractor with his CPA.

The tremendous service rendered by CPAs in war procurement has gone almost unnoticed. It is fitting that some record be made of it for posterity. It is not inferred that only CPAs functioned in the renegotiation field. Many businessmen volunteered and performed outstanding service. But, in the final analysis, the CPAs were the essential ingredient. Following World War I there was a national outcry against so-called war profiteers. As a result of the policy of renegotiating government contracts, no such charge came out of World War II. In a quiet unadvertised way, the accounting profession had rendered a great national service. Among Kentucky CPAs

sitting on the government's side of the table during this period were: Lawrence Long, W. D. Selby, and Bradley O. Turner.

At the beginning of World War II, the armed forces and draft boards paid scant attention to the skills of CPAs. Most Kentucky CPAs who entered the armed forces as volunteers were given commissions in recognition of their professional attainments. However, induction officers paid little heed or deliberately ignored the potential of the drafted CPAs. Most of them were dispersed throughout the services, assigned to duties foreign to their training and skill, while the services clamored for accountants. It was eventually brought home to the Selective Service Board that CPAs were essential to the civilian economy for the prosecution of the war effort. Thereafter, deferments were granted to practicing CPAs.

#### KENTUCKY HAS LED THE WAY

Since the enactment of the first accountancy law in Kentucky in 1916, many state officials, including the Governor, Treasurer, Auditor, Superintendent of Public Instruction, Highway Commissioner, Banking Commissioner, Securities Commissioner, Insurance Commissioner, and others have used the services of CPAs for assistance in the performance of their official duties.

Many times in the past when the Governor and the legislature were considering legislation, CPAs were consulted with reference to the enactment of what is now known as the County Budget Law, the State Reorganization Act, the Unemployment Insurance Act, and the Income Tax Act. Members of the accounting profession who participated in these

discussions contributed worthwhile suggestions in connection with the enactment of these laws.

During the depression years, there were several bank failures and bank shortages throughout the state of Kentucky. The Banking Commissioner at that time availed himself of the knowledge of CPAs in the reorganization or orderly liquidation of many of these banks. Members of the accounting profession contributed substantially through these services to depositors, creditors, and stockholders of various banks.

For many years the Insurance Commissioner has used CPAs in assisting him in connection with the rehabilitation of insurance companies doing business in the state of Kentucky. The services of CPAs aided policyholders and stockholders.

The Highway Commissioner has used the services of CPAs not only in connection with the financial affairs of the department but also in obtaining information from highway contractors and others dealing with the Highway Department.

Certified public accountants have been used by the Superintendent of Public Instruction in connection with audits of various school districts and colleges throughout the State.

#### CPAs ON THE HOME FRONT

No doubt the most important event in the national accounting history during this period was the merger of the two national accounting societies, the American Society of Certified Public Accountants and the American Institute of Accountants in 1936.

At its outset, professional accounting in our Commonwealth had been allied with the American Association, later named American Institute of Accountants. With the forma-

tion of the Kentucky Society of CPAs in 1924, however, that group immediately affiliated with the American Society of Certified Public Accountants. Subsequently, the Kentucky Institute group ceased its activities and was absorbed into the Kentucky Society of CPAs. The few in Kentucky who were taking any interest or part in national accounting organization were members of the American Society. In the merger of the two national organizations, the few Kentucky members involved were issued membership certificates in the American Institute.

The first meeting of the merged national organization was held in New York in 1937, the fiftieth anniversary meeting of the American Institute. Those attending from Kentucky were L. C. J. Yeager, Kenneth White, Max Waldman and Robert Miller. L. C. J. Yeager was highly impressed with its conduct and with the possibilities that closer cooperation with the Institute offered to the development of the profession in Kentucky. In 1938, he was granted permission to put on a membership drive in the state. Within two years, with the exception of two persons, every practicing CPA in Kentucky had become affiliated. Kentucky took top spot in the nation in the percentage of practitioner membership and has continued to be among the leaders in this respect.

A great influence of the Institute was the affect on the meetings of the state organization. As more and more Kentuckians attended national meetings, ideas were brought home on programs and purposes. State meetings, which in the past had been more on the social and boisterous side, grew more formalized and meaningful. More Kentuckians began to take an active part in Institute affairs, serving on committees, rendering a contribution to the profession nationally, and

bringing phases of their committee work home for the development of the profession within the state.

The following have served as members of Council from Kentucky of the American Institute of Certified Public Accountants and predecessor organization:

Overton S. Meldrum .....	1916-1923
Charles G. Harris .....	1924-1928
William A. Hifner, Jr. ....	1939-1943
Samuel W. Eskew .....	1945-1950
Robert Miller .....	1951-1953
L. C. Y. Yeager .....	1954-1956
Samuel W. Eskew (at large) .....	1955-1957
Albert Christen .....	1957-1959
Emmett W. Kottke .....	1960-1962
W. Kenneth Simpson .....	1963-
Gordon Ford (at large) .....	1965-
Joseph P. Jones, Jr. ....	1966-

## KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

1934-1935

### OFFICERS

President .....	Bradley O. Turner
First Vice President .....	L. Tipton Young
Second Vice President .....	Robert D. Haun
Secretary and Treasurer .....	Buell E. Henry

### DIRECTORS

	Term expired June 30, 1935	
Irvin W. Imhof	Harvey D. Cardwell	Robert D. Haun
	Term expired June 30, 1936	
W. A. Hifner, Jr.	L. Tipton Young	Bradley O. Turner
	Term expired June 30, 1937	
S. W. Eskew	George F. Meldrum	Buell E. Henry

1935-1936

OFFICERS

President .....	A. J. Nauman
First Vice President .....	L. Tipton Young
Second Vice President .....	Kenneth White
Secretary and Treasurer .....	Buell E. Henry

DIRECTORS

Term expired June 30, 1938

Irvin W. Imhof	A. J. Nauman	Kenneth White
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1936-1937

OFFICERS

President .....	Robert Miller
First Vice President .....	George F. Meldrum
Second Vice President .....	Eugene M. Heimerdinger
Secretary and Treasurer .....	Kenneth White

DIRECTORS

Term expired June 30, 1939

W. A. Hifner, Jr.	Robert Miller	Eugene M. Heimerdinger
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1937-1938

OFFICERS

President .....	Kenneth White
First Vice President .....	C. R. Escott
Second Vice President .....	W. T. Boden
Secretary and Treasurer .....	Eugene M. Heimerdinger

DIRECTORS

Term expired June 30, 1940

C. R. Escott	W. T. Boden	William Cotton
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1938-1939

OFFICERS

President .....	Eugene M. Heimerdinger
First Vice President .....	L. C. J. Yeager
Second Vice President .....	Buell E. Henry
Secretary and Treasurer .....	C. R. Escott

DIRECTORS

Term expired June 30, 1941

Epsy Bailey                      L. C. J. Yeager                      Irvin W. Imhof

1939-1940

OFFICERS

President ..... C. R. Escott  
First Vice President ..... Epsy Bailey  
Second Vice President ..... Mrs. Helen Fortune  
Secretary and Treasurer ..... L. I. Boone

DIRECTORS

Term expired June 30, 1942

Mrs. Helen Fortune              L. I. Boone                      Eugene M. Heimerdinger

1940-1941

OFFICERS

President ..... L. I. Boone  
First Vice President ..... Epsy Bailey  
Second Vice President ..... L. Tipton Young  
Secretary and Treasurer ..... Albert Christen

DIRECTORS

Term expired June 30, 1943

L. Tipton Young                      Albert Christen                      C. R. Escott

1941-1942

OFFICERS

President ..... L. C. J. Yeager  
First Vice President ..... Orville Harris  
Second Vice President ..... Charles M. Wheeler  
Secretary and Treasurer ..... J. H. Diersen

DIRECTORS

Term expired June 30, 1944

L. C. J. Yeager                      Orville Harris                      Charles M. Wheeler

1942-1943

OFFICERS

President ..... Robert Miller  
First Vice President ..... Orville Harris  
Second Vice President ..... Robert N. Dennis  
Secretary and Treasurer ..... Charles M. Wheeler

DIRECTORS

Term expired June 30, 1945

Robert Miller                      Robert N. Dennis                      Paul F. Halloran

1943-1944

OFFICERS

President ..... Charles M. Wheeler  
First Vice President ..... Orville Harris  
Second Vice President ..... Maurice Luker  
Secretary and Treasurer ..... Robert N. Dennis

DIRECTORS

Term expired June 30, 1946

Maurice Luker                      Austin H. Gresham                      Grover Greweling

1944-1945

OFFICERS

President ..... Robert N. Dennis  
First Vice President ..... Paul F. Halloran  
Second Vice President ..... Louis T. Roth  
Secretary and Treasurer ..... Maurice Luker

DIRECTORS

Term expired June 30, 1947

Charles M. Wheeler                      J. B. Brown                      Louis T. Roth  
James O. Boswell



## CHAPTER SIX

### *Professional Maturity Since World War II*

#### PERMISSIVE VS. REGULATORY STATUTES

IT IS DIFFICULT TO POINT OUT THE FACTORS which indicate the maturing of a profession. In those older professions, law and medicine, the development has been long and gradual. Certainly two factors are of primary consideration: the regulation of a profession in the public interest and the establishment of adequate educational facilities for the preparation of those who would enter the profession.

If the regulation of the profession in the public interest is one of the principal factors indicative of a maturing profession the accounting profession nationally had failed to recognize it. As late as 1965, only half of the states had statutes regulating the practice of public accounting. Kentucky can make no claim to pioneering in this field. Legislation of this kind was defeated in the 1920's. However, when regulation was enacted in 1946, the Commonwealth was among the first one-third of the states of the nation in this progressive step.

When accounting legislation commenced in America around the turn of the century, the statutes attempted only to

establish the title "Certified Public Accountant", to provide for certain qualifications for those who would acquire the title, and to provide for examinations. No statute attempted to regulate the practice of public accounting; none required any education above high school level and very few granted authority to enforce rules of professional conduct. These permissive laws have remained virtually unchanged on the statute books in approximately half of the states.

During the 1920's, an evolution in thinking began to assert itself. Several states enacted statutes regulating the practice of the accounting profession, among them Maryland, Louisiana, Florida, Iowa, Michigan, Mississippi, and Illinois. This type of law was commonly known as restrictive. Possibly this term defined the underlying motive behind the enactments. A study of the statutes would lead one to believe that the CPAs were more intent on building a fence around their own personal domain than in putting up safeguards in the interest of the public. None of them required any education above the level of a high school graduate; none gave the Board the legal authority to enforce adequate rules of professional conduct.

The accounting profession had "put on long pants" by the early 1940's. Public accounting services, which had been a business option, had become an economic necessity. In 1945, the Council of the American Institute of Accountants endorsed the idea of extending the regulation of the accounting profession by the enactment of regulatory accountancy legislation. The legislative committee of the Institute was empowered to draw up a model bill for the guidance of profession. Kentucky's contribution was the work of Sam W. Eskew, a member of the committee and one of the principal

authors. The model bill included two prime concepts: the need for a state board to have legal authority to promulgate and enforce rules of professional conduct and the recognition of an educational requirement higher than the high school level.

In late 1945, the members of the Kentucky Society of Certified Public Accountants were submitted a proposed new accountancy law, based upon the Institute's model bill with certain unique improvements.

History should record that the Certified Public Accountants of the state were not unanimously and vociferously in favor of the enactment of this progressive legislation. When the decision as to the national language of the newly established American Nation was made, English won over German by 1 vote, and the whole course of world history was subsequently affected by this narrow margin. On November 15, 1945, the tabulation of a mail ballot on the proposed legislation showed 37 members of the Kentucky Society favored it and 36 opposed. And there we have it. One of the most important developments in our whole profession decided by a margin of one vote out of 73.

So, the General Assembly of the Commonwealth of Kentucky had before it, in the 1946 session, the opportunity of enacting a piece of progressive legislation. The struggling accountants of Kentucky had in 1912 and 1914 asked of their legislators an innocuous act that would merely recognize a title and had been denied. In 1946, a vigorous and accepted profession asked for the enactment of the most progressive accounting legislation until then proposed. It passed without the change of a sentence or word and became law on June 19, 1946.

When any state enacts a law regarding the regulation of a profession, there must be taken into account those persons who are then engaged in practice. No law would be constitutional that would deny them the right to continue, nor would it be in the public interest. The 1916 Kentucky accountancy law had merely created the legally recognized title "Certified Public Accountant." It had in no way attempted to regulate accountancy practice in the Commonwealth. Therefore, in 1946, when the new law became effective, there were many persons who were in practice, using the title "Public Accountant." The new law provided for their registration and licensing.

The new law provided that all persons who had received the right to use the CPA title would be permitted to register and obtain permits to practice using that title. Accountants (not CPAs) who were in the employ of licensed practitioners were likewise permitted to register and obtain permits to practice. All licenses and permits were of equal privilege, except for the matter of title. All persons entitled to register were permitted to do so until July 1, 1946. Thereafter, the law provided that only those persons who met all the requirements of the law, including the passing of the written examination for the certificate of Certified Public Accountant, could register and obtain permits to practice.

#### KENTUCKY LAW CLAUSE AN AMERICAN FIRST

One of the unique improvements the Kentucky Society had made in its model bill enacted by the 1946 Legislature was the addition of a provision to restrict the appointment of Board members to the nominees of the state professional society, a common proviso for other professions in Kentucky

and elsewhere. It was, however, the first provision of its kind in any accountancy statute in the entire United States.

The Kentucky law, as enacted, still recognized the high school graduate as qualified for examination for the certificate. However, it provided for six years' actual experience in public accounting in such cases. The six years' experience requirement was modified to two years for the holder of a bachelor's degree with a major in accounting and economics. The practical result of the education and experience requirement in Kentucky has been that more and more the beginning accountant is a college graduate. The time will soon come that the CPA candidate without a bachelor's degree will be a rarity.

No Kentucky accountancy law has ever attempted to restrict practice of the profession to men only. Though small in number, the ladies have served professionally for several decades. One of the first in Kentucky was Mrs. Helen Fortune, Lexington, daughter of W. A. Hifner, Jr., founding father of the Kentucky Society of CPAs. Mrs. Fortune has retired from professional practice. However, her son, Kenneth Fortune, Jr., has joined the CPA ranks to become the third generation of his family to serve in this young profession.

Under the 1946 law, the Board is empowered to promulgate and enforce rules of professional conduct; regulations for the orderly administration of the act, and rules for the conduct of examinations. The law, in effect, provides that only persons who have been registered and hold permits may practice public accounting in the Commonwealth. The funds of the Board do not revert to the general fund of the State, but constitute a revolving fund for the uses and purposes of the Board. Ownership of working papers by the accountant and

privilege of communication are other important features of the law.

Tax practice, a matter of general privilege, is not mentioned in the Kentucky accountancy law, despite the prevailing public opinion that Kentucky accountants are licensed to perform such service. The rendering of bookkeeping service, another matter of public privilege, is also not mentioned in the law. The performance of this service, as such, does not come within the purview of the law so long as the bookkeeper does not use the words accountant, accounting, accountancy or auditor and expresses no expert opinion on financial statements.

While the regulatory bill was being considered by the Kentucky Society, a request was made by employees of the Bureau of Internal Revenue that provision be made in the law for recognition of their experience gained in the field of examining tax returns as qualifying experience. The law as introduced and passed contained no such provision. In the next session of the Legislature (1948), on behalf of the Revenue Agents and Deputy Collectors, Seldon R. Glenn, then Collector of Internal Revenue at Louisville, lent his support to an amendment to the accounting act recognizing their experience as meeting the requirements of the law. For a second time, Kentucky accountancy law felt the influence of the Collector's Office, a post now abolished. While this amendment was passed, it had been vigorously opposed by the practicing profession on the grounds, among others, that tax practice represents only a portion of the practice of public accounting and the CPA certificate represents a license to practice a profession rather than a degree or a diploma.

With the enactment of the new law, the Board composed of Espy Bailey, W. Waller Grogan, and John S. Petot, Sr. was reappointed. Advertisements were inserted in newspapers advising of the new statute and the registration requirements. The Board was flooded with applications from those engaged in accounting practice and from individuals preparing tax returns, performing bookkeeping services, even from attorneys and bankers. Although criticized for it at the time by those actually in practice, the Board adopted a rather open policy and registered 359 persons as public accountants. In 1948, the amendment for the Federal employees added another 153, a total of some 512 public accountants registered under the law.

Prior to the enactment of the 1946 law, the function of the Board had largely been the holding of the CPA examination and the issuance of certificates to successful candidates. The old Board had adopted the policy of using the uniform examination prepared by the committee on examination of the American Institute of Accountants and the accompanying grading service. With the advent of the new law, however, a new situation arose. The Board function was transformed by law into one of administering a law affecting not only practitioners but the public. Board member, Waller Grogan, wrote in 1956 of his reflections on the matter.

“Looking back at the inception of the law in 1946, it was a tremendous undertaking to set up the “machinery” and commence operations under the new law. With the aid of some sample forms from other states, forms for registration, character references, etc. had to be designed. The screening of applicants was a difficult and tedious task. Many persons — desirous of receiving the license to practice accountancy —

sought to obtain the permit, although the practice of accountancy was not, in many cases, their principal occupation. . . . From neighboring states of Ohio, Indiana, and Tennessee many licensed CPAs sought Kentucky CPA certificates by reciprocity. During the initial stages of work on the new law . . . the Board . . . adopted a somewhat liberal attitude in the granting of CPA certificates by reciprocity and . . . for the Public Accountant license generally endeavored to give the benefit of doubt in favor of the applicant, feeling that the "police" powers of the law would be sufficient to remove or punish those found unworthy or undesirable. In the early years of the new law the work of the State Board was a hard and trying task. . . . We had no investigating agency to look into character references or verify the accuracy of many statements made in the application forms. With the benefit of hindsight, I am sure we would have done some things differently."

In July, 1948, L. C. J. Yeager was appointed to the Board. He soon saw that administration of the new law required a full-time executive secretary. No funds had been provided for such an office. Fortunately, the fee of \$5 collected from those who had registered as public accountants had swelled the coffers of the Board.

Until then no medium sized or small state, such as Kentucky, had found it possible to establish and maintain a full-time office. Yeager was elected secretary (the then nominal head) of the Board. At the same time, his partner, Gordon Ford, became president of the Kentucky Society. Through their united efforts, a full-time office was established and opened September 1, 1948. An executive secretary, serving both the State Board of Accountancy and the Kentucky So-



ciety of Certified Public Accountants, was employed with expenses shared by the two groups.

The modern accounting law had provided for an annual permit fee of \$5. Persons, once registered, were not required to pay the annual fee unless they actually engaged in active practice as principals. A year after the office had been opened and the profession had experienced the full-time administration of the law, a mail ballot was taken among the persons registered. It was pointed out that the office had been maintained by the windfall of registration fees from those registering as public accountants. To continue, it would be necessary to require a permit fee of \$15 annually from all registrants. From persons in practice, approval was virtually unanimous. Non-practitioners wanted to continue their free ride. In 1950, the Legislature amended the Accountancy Act, providing for a compulsory annual permit fee of \$15.

Under the authority granted by the 1946 law, the State Board adopted as a Code of Ethics the professional rules of the American Institute. These did not conform to local conditions, however. On April 19, 1951, the Rules of Professional Conduct of the State Board, having been codified with those of the State Society, were formally adopted.

On September 23, 1952, the State Board of Accountancy of Kentucky, the first or one of the initial states, officially adopted the practice of conferring certificates in conjunction with the following oath:

#### OATH

"I accept this certificate as a Certified Public Accountant with full realization of the responsibilities and obligations which I thereby assume.

"I hereby solemnly swear to support the Constitution of the United States and to support the Constitution of the Commonwealth of Kentucky so long as I remain a citizen thereof or practice therein.

"I further swear that I shall, to the best of my ability, perform my duties in the practice of my profession; that I shall abide by the rules of professional conduct as promulgated by constituted authority; and, that I shall always endeavor to uphold the honor and dignity of the accounting profession."

Although the taking of this oath is not a requirement of the accountancy law, the application of candidates for the certificate, either by examination or reciprocity, contains a provision that the acceptance of the application by the board constitutes an agreement between the applicant and the board that the applicant will take such oath.

## RELATIONS WITH THE BAR

The relations of CPAs and attorneys in Kentucky have been cordial. Both groups have attempted to serve the public in their respective fields; there have been but few real points of friction. These, when they became outbursts, did not truly reflect the opinions of the two professions but were mere random occurrences. At the turn of the century, for example, in a court case, to combat the payment of a fee the defense against the claimant was that the accountant, although he had rendered the service was practicing law illegally. In *Dunlap vs. Lebus* (112 Ky. 237), the Court of Appeals held that the services rendered by an expert accountant in securing the reduction of a tax claim did not constitute the practice of law.

In 1913, when the Federal tax on incomes was first imposed, businessmen and individuals sought the advice of their

EXECUTIVE SECRETARIES

jointly serving

The Kentucky State Board of Accountancy

and

The Kentucky Society of Certified Public Accountants

EARLE B. FOWLER

September 1, 1948 to June 30, 1952

STOLLINGS T. DE JOURNETT

July 1, 1952 to June 30, 1955

WILLIAM J. CALDWELL

September 1, 1955 to date

attorneys. The legal profession generally regarded this taxation in about the same category as filling out a form for a postal money order, except that it involved a certain amount of bookkeeping detail. The lawyers usually advised their clients that this was more a matter of bookkeeping than law. Better advice could be obtained from the accountants who were more closely related professionally to the bookkeepers than were the attorneys.

Had income taxes remained at the initial rates of 1913, unquestionably the attitude of the attorneys in not adding

another nuisance to their already complex sphere would have been sensible. But, in the tax on income the central government had tapped the well that would give America a centralized government; the idea of states' rights for which a war had been fought 50 years earlier was dying on the vine.

With World War I, the pumps were truly applied to this new source of national revenue. Tax rates soared, along with the imposition of a tax on excess profits, a phrase designed to make the many enthusiastic about taxing the few. At the war's end, the politicians were more inclined to the old way of international life. President Wilson's dream of a League of Nations was repudiated by Mr. Lodge's Republicans; the pumps at the new well were shut back, and President Harding coined a new word when he declared America had returned to a state of "normalcy."

Because of the spurt in income tax rates during the war, a few tax cases arose. Only a limited number of lawyers in Kentucky were interested in tax matters, then only at the level of litigation. With the return to normalcy, income tax again reverted to the status of a 'percentage of bookkeeping income' and did not concern the legal profession as a group. No law school in Kentucky then included in its curriculum any type of instruction in the field of Federal taxation on income.

For the 20 years after the end of World War I, the legal profession was quite happy to see the accountants undertake the chore of solving this irritating and unremunerative problem of businesses and individuals. True, some attorneys were making tax returns; the same individuals would probably have collected rents, sold insurance or publicized their services as notaries public. Those generally regarded as the leaders of

the bar had scant patience with matters pertaining to Federal income tax.

With the New Deal, central government began to assert itself. Each new enactment seemed to cause the businessman to look somewhere for advice. Kentucky CPAs, seeking somehow for their place in the sun were buying the published reporting services that dealt with these new problems common to all of their clients. When income tax arose, it was easy for the attorneys to advise, "Consult your CPA." Businessmen heeded; the CPA began to find himself in a new role. Between the beginning of income taxes and the time the real impact of Federal taxation reached its World War II peak, the accounting profession had attracted a new group of professionals, men who had graduated from schools of commerce and whose collegiate studies had been directed toward the problems of the new economy. The problems of Federal taxes became enormous by prior standards and were accompanied by professional fees of increasing dignity. Then, a fringe element of the bar throughout the nation decided that maybe the CPA had developed something worthwhile in the matter of tax practice. If so, then it should become the exclusive domain of the legal profession.

Elsewhere in the nation, there were signs of an approaching struggle between attorneys and CPAs. Kentuckians decided, however, to investigate the situation and take what steps appeared prudent to maintain harmony here between the two professions. Committees composed of C. R. Escott, Sam W. Eskew, and James C. Warren, representing the Kentucky Society of Certified Public Accountants, and Andrew W. Duncan, Lee S. Jones, and Robert L. Sloss, representing the Louisville Bar Association, undertook a study of the matter.

Their findings resulted in the first agreement of this kind in the nation. Kentucky CPAs were proud of this evidence that theirs was indeed a maturing profession. The text of this historical 1949 document follows:

TEXT OF AGREEMENT  
between  
LOUISVILLE BAR ASSOCIATION  
and  
THE KENTUCKY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

STATEMENT OF POLICY

With the primary objective of assuring that professional services, as rendered by members of the subscribing organizations, shall conform to a high standard of quality, so that persons with legal and accounting problems will be served only by those with adequate professional qualifications, it is declared to be the policy of each of the subscribing organizations to confine its members' activities scrupulously to those properly exercised by the profession in which such member has qualified.

The futility of attempting any all-inclusive statement defining specifically the activities which may be engaged in solely by either profession to the exclusion of the other is recognized. That there are many situations wherein either profession may render qualified service to clients, as well as other situations wherein the service of both professions is highly desirable for the best interests of the clients, is also recognized.

Therefore, this general statement of policy is subscribed to by both organizations, and should different opinions arise from time to time as related to any specified activity engaged in by a member of either profession, the parties agree to handle such differences in the manner hereinafter set out, as long as this agreement and renewals thereof shall be effective.

An appendix containing definitions and statements has been adopted for the guidance of the members of the respective subscribing professions and has been attached to and made a part of this agreement.

This appendix may be amended from time to time by the joint action of the practice committees (as hereinafter defined). It is recognized that such a list of definitions cannot be comprehensive and that differences of opinion may arise from time to time, but the parties agree to handle such differences in the manner hereinafter set out, as long as this agreement and renewals thereof shall be effective.

#### PRACTICE PROCEDURE

1. During the existence of this agreement and any renewals thereof, no steps shall be instituted by either party hereto against the other party, or any member thereof, except in accordance with the terms thereof.
2. Each party shall designate and maintain a standing committee of three to be known as its Practice Committee.
3. When there is any alleged infraction of this contract, the Practice Committee of the organization to which the accused belongs shall report in writing within thirty days to the Practice Committee of the other party (a) the facts and (b) the action it proposes to take. Within fifteen days after the report is received, the Practice Committee receiving such report shall review the proposed action and either approve it, request further information, or request conference.
4. Should the reviewing Practice Committee request conference, conference with the initiating Practice Committee shall be held within fifteen days after request for conference, and the parties will attempt to reach agreement on action to be taken.
5. The accused shall have the unqualified right to counsel, to examination and cross-examination of witnesses, and to such other privilege as are customarily accorded an accused person.
6. If the Practice Committee, meeting jointly, cannot agree on action respecting the accused, they may agree to arbitrate, or failing this, proceed in accordance with such other rights as would be available to the parties in the absence of this agreement.
7. As a matter of policy, it will be desirable for the organization to which the accused belongs to handle offenses to a conclusion, and the initial recommendation of the initiating Practice Committee will accordingly be given substantial weight.

8. The extent to which the accused advised his client of his professional limitations will be given consideration, though it is recognized that the client cannot authorize a member of one profession to exercise the functions of another profession.

9. When requested, either or both Practice Committees will render an advance ruling on any matter respecting which a member of either contracting organization feels doubt concerning his future conduct in a particular case.

#### DURATION OF AGREEMENT

This agreement shall be effective from the date of signature, for a period of one year, and will continue in force from year to year thereafter unless canceled by either party giving notice in writing to the other party at least thirty days before the end of any contract year.

IN WITNESS WHEREOF, the parties hereto, acting and through their duly authorized officers and pursuant to resolutions adopted by their respective governing boards, have executed this agreement this 24th day of February, 1949.

Attest: LOUISVILLE BAR ASSOCIATION  
Charles B. Zirkle HENRY L. BROOKS  
Secretary *President*

Attest: KENTUCKY SOCIETY OF  
Waller Grogan CERTIFIED PUBLIC ACCOUNTANTS  
Secretary GORDON FORD  
*President*

#### TEXT OF APPENDIX TO AGREEMENT

between

LOUISVILLE BAR ASSOCIATION

and

THE KENTUCKY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

The subjects covered in this appendix are not intended to be all-inclusive, and the statements set forth herein are intended as guides for



the members of the two professions. These statements will undoubtedly be amended from time to time as new situations arise and as the ideas of the members of the two professions crystallize.

Various fields of activity in which the professional services of both accountants and lawyers overlap have been included. These fields and the statements for the guidance of the members of the two professions are as follows:

## I. CORPORATIONS

*Generally* — The corporate entity, a creature of the law, requires legal services in matters intimately affecting its form or existence. It is also recognized that the fiscal affairs of a corporation require the services of the accounting profession.

*Strictly Legal Functions* — Incorporations, amendments, dissolutions, preparation of by-laws, terminology of stock certificates, advising which business form is most desirable considering the legal aspects of the choice, and the application of corporate law generally.

*Strictly Accounting Functions* — Preparation of audit reports or any statements of a primarily accounting nature which purport to show the financial position or operating results, determination of proper accounting system and records, and all matters dealing with fiscal affairs.

*Either Profession* — Preparation of corporate income tax returns is a service which may be rendered by either profession, although it is recognized that the problems involved are primarily accounting and require the services of an accountant.

*Joint Action Recommended* — It is believed that both the legal and the accounting professions should be utilized in the matter of advice concerning proper capitalization, and whether or not the corporate form of doing business is desirable from a tax viewpoint. The writing of, or advice concerning, corporate minutes will frequently affect the fiscal affairs of the corporation, and joint consultation in these matters is recommended.

## II. CONTRACTS

*Generally* — Preparation of contracts, and rendering of opinion as to validity and construction of contracts, is exclusively a legal function. However, members of the bar are sometimes reliant upon accountants for

data bearing upon, or desired to be included in, contracts, and when such reliance exists, accounting advice should be sought. It is also recognized that accountants must render opinions concerning the fiscal, as distinguished from the legal, effects of contracts generally.

*Strictly Legal Functions* — Contracts of all sorts, including preparation of and opinions as to validity and construction of, and approval or disapproval of, partnership agreements, leases, releases, collective bargaining agreements, deeds, bills of sale, contract settlements, notes and bills of exchange, mortgages, and bonds.

*Strictly Accounting Functions* — The interpretation of contracts as to proper fiscal reflection in accounting records, statements of financial position, or operating results, is exclusively within the field of accounting.

### III. ADMINISTRATIVE AGENCIES

*Generally* — The right to practice before administrative agencies, whether Federal, state, or local, is established in most instances by law, administrative regulations, or administrative permission, and nothing in these definitions and statement shall be interpreted contrary thereto, but the legal profession reserves the right to attack the power of such agencies to permit persons who are not practicing lawyers to practice before them. It is believed impossible to anticipate the wide variety of questions which may be raised by the administrative agencies, many of which may be legal and many of which may be accounting and the members of each profession are charged with the responsibility of recognizing the line of demarcation beyond which it is improper to function.

### IV. ESTATES AND TRUST

*Generally* — Large or complicated estates and trusts are likely to require the services of both the legal and accounting professions.

*Strictly Legal Functions* — The actual preparation of wills and trust instruments, applications for probate or letters of administration, and filing of inventories and settlements are exclusively legal functions.

*Strictly Accounting Functions* — The preparation of complicated corpus and income statements, and the rendering of opinions concerning the financial condition and fiscal affairs of estates and trusts are exclusively accounting functions.

*Either Profession* — The preparation and filing of income tax returns for estates and trusts may properly be handled by either profession. The preparation and filing of estate and inheritance tax returns may be handled by lawyers. Accountants may prepare estate and inheritance tax returns for estates represented by lawyers.

## V. INCOME TAX RETURNS

Individual and partnership income tax returns may be prepared by either profession.

When the American Institute of Certified Public Accountants began drafting a statement of principles and agreement with the American Bar Association, Sam W. Eskew has noted, "the statement was patterned largely after an agreement between the Kentucky Society of Certified Public Accountants and the Louisville Bar Association which had been in existence for several years." The National Conference of Lawyers and Certified Public Accountants had conferred with members of the Kentucky Society in drafting their statement of principles issued in 1951.

Prior to this agreement between attorneys and CPAs, however, the office of the Kentucky Attorney General received an inquiry from an individual residing in a small community in Eastern Kentucky. A part-time school teacher and a part-time employee of a country store, he also prepared Federal income tax returns for persons in his community. He stated that he had been advised that such tax preparation by him was unlawful. In late December, Attorney General Eldon S. Dummitt replied that the activity in question appeared to be the practice of law. This reply was highly publicized by the press as indicating that accountants were barred from tax practice. Mr. Dummitt's term of office expired on December

31, a few days after the reply was written. The incoming Attorney General reversed the ruling within a few days after taking office. The matter was closed.

In early 1957, a small group of attorneys influenced the Kentucky Bar Association to request a ruling from the Kentucky Court of Appeals to have the preparation of income tax returns declared the practice of law. This action, too, drew widespread notice in the press. However, the leaders of the legal profession were instrumental in having the request for a decision withdrawn. Again, the matter was closed. All in all, the relations of the legal profession and the accounting profession are on a high and friendly plane in the Commonwealth as, of course, they should be.

#### EDUCATION ON THE MARCH

From rather humble beginnings, the accounting curricula of many of the colleges and universities in Kentucky have been expanded to meet requirements of Chapter 325 of the Kentucky Revised Statutes. The law specifies that one who is a college graduate with a major in accounting may sit for the Kentucky CPA examination upon completion of two years of practical experience. The statute further requires that the college graduate complete 30 or more semester hours in the study of accounting, business law, finance, and economics, of which at least 20 semester hours must be in the study of accounting.

Colleges and universities in Kentucky which now meet the requirements of a minimum of 20 semester hours of study in accounting are Bellarmine College, Bowling Green Business University, Division of Western Kentucky University, Eastern Kentucky University, Kentucky Wesleyan College, More-

head State University, Murray State University, University of Kentucky, and the University of Louisville.

A school of Business at the University of Louisville had been discussed during the 1940's. It was not until June 26, 1950, that concrete efforts began to develop. On that date, the membership of the Kentucky Society of Certified Public Accountants approved the following resolution submitted by L. C. J. Yeager:

Be it resolved, that the members of the Board of Trustees of the University of Louisville are hereby respectfully petitioned to establish within the University, a College of Commerce with appropriate entrance requirements and courses comparable to similar accredited schools in our own and other states, including provision for a bachelor's degree in accounting, and

Be it further resolved, that the College of Commerce thus established should include in its curriculum insofar as possible, courses in economics, accounting, banking, transportation, marketing, life insurance, and the like which are now provided through the Division of Adult Education, and

Be it further resolved, that the President of this Society be, and he hereby is, directed to send a copy of this resolution to the President of the University of Louisville and to offer the cooperation of this Society to the President and Board of Trustees in furthering the establishment of a College of Commerce within the University of Louisville, and

Be it further resolved, that the President of this Society be, and he hereby is, directed to send copies of this resolution to the presidents of the Kentucky and Louisville Chambers of Commerce and other interested business and civic organizations, inviting their support for this movement.

Other organizations joined ranks and adopted similar resolutions. Although the establishment of a School of Busi-

ness had been under consideration by the University administration for some time, it is believed that this public support to the idea did much to clear the way. In September, 1953, the School of Business opened with Dr. John R. Craf as dean.

#### KEEPING ABREAST

Continuous efforts are made by the Kentucky Society to provide its members with services and facilities for self-improvement in the practice of the accounting profession. The Society's first major effort came just prior to the end of World War II when it sponsored the Wartime Accounting Conference June 5, 1945 in Louisville. Nationally prominent speakers were brought in for the event attended by lawyers, bankers, businessmen and CPAs.

Where good intentions had failed in 1924, they succeeded in 1949. In January of that year, under the instigation of the Kentucky Society president Gordon Ford, the *Kentucky Accountant* was published. This monthly publication of information is mailed to all accountants holding Kentucky permits to practice, to other state societies, and to colleges and universities in the Commonwealth.

The Institute on Accounting was first held May 9-10, 1950, by the Kentucky Society at the University of Kentucky. The two-day program, attended by Society members, lawyers, public accountants, students, and others is devoted to matters of timely interest in the field of accounting and taxation.

In 1916, L. C. Barnett suggested starting an accountancy library. It was 35 years before his suggestion became a reality. The joint office of the State Board and Kentucky Society now boasts a fine accountancy library. The library was

opened during the presidency of Wilbur R. Williamson, 1951-1952.

By the end of the 1950's, the issue had to be faced. Computerization was here. Operating on the principle that when you can't beat 'em, join 'em, initial steps were taken as early as 1959 for the International Business Machine Corporation to conduct an IBM school for Kentucky CPAs. Thus, another milestone in progress was achieved by members of the Kentucky Society of Certified Public Accountants who numbered 765 as of June 30, 1965.

## KENTUCKY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

1945-1946

### OFFICERS

President .....	Maurice Luker
First Vice President .....	Joseph A. Hunter
Second Vice President .....	Austin H. Gresham
Secretary and Treasurer .....	Paul F. Halloran

### DIRECTORS

Term expired June 30, 1946		
Maurice Luker	L. C. J. Yeager	Grover Greweling
Austin H. Gresham		
Term expired June 30, 1947		
Charles M. Wheeler	Louis T. Roth	James O. Boswell
J. B. Brown		
Term expired June 30, 1948		
Paul F. Halloran	Robert N. Dennis	Joseph A. Hunter
Espy Bailey		

1946-1947

### OFFICERS

President .....	Paul F. Halloran
First Vice President .....	Joseph A. Hunter
Second Vice President .....	James O. Boswell
Secretary and Treasurer .....	Austin H. Gresham

## DIRECTORS

Term expired June 30, 1949

W. Waller Grogan  
Austin H. Gresham

Gordon Ford                      Albert Christen

1947-1948

## OFFICERS

President ..... Austin H. Gresham  
First Vice President ..... Joseph A. Hunter  
Second Vice President ..... James O. Boswell  
Secretary and Treasurer ..... Gordon Ford

## DIRECTORS

Term expired June 30, 1950

James O. Boswell  
Irvin W. Imhof

Charles M. Wheeler            Wilbur R. Williamson

1948-1949

## OFFICERS

President ..... Gordon Ford  
First Vice President ..... James O. Boswell  
Second Vice President ..... Wilbur R. Williamson  
Secretary and Treasurer ..... W. Waller Grogan

## DIRECTORS

Term expired June 30, 1951

Charles W. Erskine  
J. Wesley Huss

Jess C. Paris                      W. K. Simpson

1949-1950

## OFFICERS

President ..... W. Waller Grogan  
First Vice President ..... Wilbur R. Williamson  
Second Vice President ..... Jess C. Paris  
Secretary and Treasurer ..... W. Kenneth Simpson

## DIRECTORS

Term expired June 30, 1952

John E. Brown  
Sam W. Eskew

Gordon Ford                      W. Waller Grogan



1950-1951

OFFICERS

President ..... W. Kenneth Simpson  
 First Vice President ..... Jess C. Paris  
 Second Vice President ..... J. Wesley Huss  
 Secretary and Treasurer ..... Wilbur R. Williamson

DIRECTORS

Term expired June 30, 1953

Robert L. Collins                      Thad J. Schuler                      Wilbur R. Williamson  
 William Cotton                      Charles M. Wheeler

1951-1952

OFFICERS

President ..... Wilbur R. Williamson  
 First Vice President ..... Jess C. Paris  
 Second Vice President ..... Robert L. Collins  
 Secretary and Treasurer ..... J. Wesley Huss

DIRECTORS

Term expired June 30, 1954

Louis E. Ackerson                      Jess C. Paris                      Harry Welenken  
 J. Wesley Huss                      W. Kenneth Simpson

1952-1953

OFFICERS

President ..... J. Wesley Huss  
 First Vice President ..... Robert L. Collins  
 Second Vice President ..... John C. Meredith  
 Secretary and Treasurer ..... Jess C. Paris

DIRECTORS

Term expired June 30, 1955

Austin H. Gresham                      John C. Meredith                      Irvin L. Wasserman  
 Emmett W. Kottke                      James C. Warren

1953-1954

OFFICERS

President .....	Jess C. Paris
First Vice President .....	John C. Meredith
Second Vice President .....	Irvin L. Wasserman
Secretary and Treasurer .....	James C. Warren

DIRECTORS

Term expired June 30, 1956

William Cotton	G. Lane McCroskey	Wilbur R. Williamson
Allen R. Galloway	Duard N. Thurman	

1954-1955

OFFICERS

President .....	James C. Warren
First Vice President .....	Emmett W. Kottke
Second Vice President .....	Duard N. Thurman
Secretary and Treasurer .....	Albert Christen

DIRECTORS

Term expired June 30, 1957

Harold W. Glorc	William O. Laslie	W. D. Selby
Anthony Frerman	John S. Petot, Jr.	

1955-1956

OFFICERS

President .....	Albert Christen
First Vice President .....	Allen R. Galloway
Second Vice President .....	John S. Petot, Jr.
Secretary and Treasurer .....	Emmett W. Kottke

DIRECTORS

Term expired June 30, 1958

G. Byron Kirby	Fred Bower	Ray E. Gayheart
Carl N. Kelley	Emmett W. Kottke	

1956-1957

OFFICERS

President .....Emmett W. Kottke  
First Vice President .....William O. Laslie  
Second Vice President .....Harold W. Glore  
Secretary and Treasurer .....G. Byron Kirby

DIRECTORS

Term expired June 30, 1959

William Cotton                      Durbin Oldham                      James C. Warren  
Harold Kelley                      Ralph Schuette

1957-1958

OFFICERS

President .....G. Byron Kirby  
First Vice President .....Carl N. Kelley  
Second Vice President .....Durbin Oldham  
Secretary and Treasurer .....Harold W. Glore

DIRECTORS

Term expired June 30, 1960

John E. Brown                      Harold W. Glore                      Howard Jones  
Frank Doheny                      John Guthrie                      Joseph P. Jones, Jr.  
Lyman Everly

1958-1959

OFFICERS

President .....Harold W. Glore  
First Vice President .....Howard M. Jones  
Second Vice President .....Joseph P. Jones, Jr.  
Secretary and Treasurer .....Durbin Oldham

DIRECTORS

Term expired June 30, 1961

Stanley Bergmann                      Carl Kelley                      John S. Miller  
Fred Bower                      John V. McReynolds, Jr.                      Otwell Rankin  
Ray E. Gayheart

1959-1960

OFFICERS

President .....	Howard M. Jones
First Vice President .....	Durbin Oldham
Second Vice President .....	Fred Bower
Secretary .....	Otwell C. Rankin
Treasurer .....	John E. Brown

DIRECTORS

Term expired June 30, 1962

Sylvain K. Bernstein, Jr.	William D. Hammer	Ralph Schuette
A. Luke Brown	Durbin Oldham	U. S. Whalin
Edward M. Dooley		

1960-1961

OFFICERS

President .....	Durbin Oldham
First Vice President .....	John E. Brown
Second Vice President .....	Ralph H. Schuette
Secretary .....	Carl N. Kelley
Treasurer .....	Fred H. Bower

DIRECTORS

Term expired June 30, 1963

John E. Brown	Charles C. Shields	Duard N. Thurman
Joseph H. Keller, Jr.	Louis S. Sorbo	Frank Van Overbeke, Jr.
Samuel W. Lyverse		

1961-1962

OFFICERS

President .....	John E. Brown
First Vice President .....	Fred H. Bower
Second Vice President .....	Sylvain K. Bernstein, Jr.
Secretary .....	Duard N. Thurman
Treasurer .....	U. S. Whalin

DIRECTORS

Term expired June 30, 1964

William E. Adams	Charles R. Hatton	Bethel Richardson, Jr.
Nolen Allen	Harold E. Kelley	Joseph R. Wermeister
Fred H. Bower		

## 1962-1963

### OFFICERS

President ..... Fred H. Bower  
First Vice President ..... Duard N. Thurman  
Second Vice President ..... Louis S. Sorbo  
Secretary ..... Joseph N. Keller, Jr.  
Treasurer ..... Joseph P. Jones, Jr.

### DIRECTORS

Term expired June 30, 1965

William H. Bennett  
C. J. Cunningham, Jr.  
Benjamin Goldfarb  
Richard L. Hitchcock  
Joseph P. Jones, Jr.  
Irvin L. Wasserman  
Richard E. Weafer

## 1963-1964

### OFFICERS

President ..... Duard N. Thurman  
First Vice President ..... Joseph P. Jones, Jr.  
Second Vice President ..... Samuel W. Lyverse  
Secretary ..... Nolen C. Allen  
Treasurer ..... Joseph R. Wermeister

### DIRECTORS

Term expired June 30, 1966

James M. Amick  
Arthur G. Hendricks  
Samuel W. Lyverse  
John C. Owens  
A. Davis Rufer  
Duard N. Thurman  
Harold P. Wilcoxson

## 1964-1965

### OFFICERS

President ..... Joseph P. Jones, Jr.  
First Vice President ..... Samuel W. Lyverse  
Second Vice President ..... Benjamin Goldfarb  
Secretary ..... C. J. Cunningham, Jr.  
Treasurer ..... Nolen C. Allen

### DIRECTORS

Term expired June 30, 1967

Nolen C. Allen  
Henry A. Cox  
R. Milton Goolsby  
John B. Hughes  
Robert E. Martin  
Frank G. Overton  
Joseph C. Von Lehman

1965-1966

OFFICERS

President ..... Samuel W. Lyverse  
First Vice President ..... Nolen C. Allen  
Second Vice President ..... Harold P. Wilcoxson  
Secretary ..... Charles C. Shields  
Treasurer ..... A. Davis Rufer

DIRECTORS

Term to expire June 30, 1968

J. Mark Adams	Bernard Himmelfarb	Charles C. Shields
C. J. Cunningham, Jr.	James M. Ratcliffe	Wallace B. Southhall, Jr.
Leslie N. Gatz		

*The Future?*

WHAT'S AROUND THE CORNER FOR THE CPA?

There has been an effort herein to report the development of a profession. The period from 1875 to 1965 has been without doubt the most dynamic period in the history of mankind. The medical, social, chemical, scientific and other technological advances made will mark it as the golden era of civilization. As all of these things developed under the capitalistic system of free enterprise, it was only natural that a profession such as that of public accountancy had to develop.

Could a practicing physician of the year 1875 step into the operating room of a modern hospital, he would, no doubt, think he was visiting with men from another planet. Even their use of common terms such as germs, antibiotics, sulfa drugs and vaccines would sound like a foreign language.

Likewise, could our predecessor, George B. Ewing, checker of books of the year 1875, visit the office of a present day CPA and overhear a usual conversation with a client, he would be dumbfounded. He would be amazed to find that from the menial beginning of his period that a profession composed of talented, alert, and educated business counsellors has evolved.

But what about the future?

As a profession, practitioners have achieved recognition. Accounting now constitutes the second largest professional field for men in America. According to the U. S. Department of Labor there are almost a half-million accountants in the nation. The men licensed by their states to serve the public as independent professionals, as Certified Public Accountants, now number slightly under 100,000. There were less than 250 CPAs in the United States at the turn of the century!

As a discipline, accounting includes both simple and very complex management information systems; it provides the basic data for many economic statistics; it is used in determining the validity of economic information for a great variety of users; it has become essential to an equitable tax structure and to many regulatory functions of government; it is a closer approximation to an international language than any spoken language.

The Planning Committee of the American Institute of Certified Public Accountants in its work has developed the following conceptual description of what it believes the professional practice of public accounting to be and what it is reasonably expected to be in the foreseeable future:

Certified public accountants practice in the broad field of accounting. Accounting is a discipline which provides financial and other information essential to the efficient conduct and evaluation of the activities of any organization.

The information which accounting provides is essential for (1) effective planning, control and decision making by management, and (2) discharging the accountability of organizations to investors, creditors, government agencies, tax-



ing authorities, association members, contributors to welfare institutions, and others.

Accounting includes the development and analysis of data, the testing of their validity and relevance, and the interpretation and communication of the resulting information to intended users. The data may be expressed in monetary or other quantitative terms, or in symbolic or verbal forms.

Some of the data with which accounting is concerned are not precisely measurable, but necessarily involve assumptions and estimates as to the present effect of future events and other uncertainties. Accordingly, accounting requires not only technical knowledge and skill, but even more importantly, disciplined judgment, perception and objectivity.

Within this broad field of accounting, certified public accountants are the identified professional accountants. They provide leadership in accounting research and education. In the practice of public accounting CPAs bring competence of professional quality, independence, and a strong concern for the usefulness of the information and advice they provide, but they do not make management decisions.

The professional quality of their services is based upon the requirements for the CPA certificate — education, experience and examination — and upon the ethical and technical standards established and enforced by their profession.

CPAs have a distinctive role in examining financial statements submitted to investors, creditors and other interested parties, and in expressing independent opinions on the fairness of such statements. This distinctive role has inevitably encouraged a demand for the opinions of CPAs on a wide variety of other representations, such as compliance with rules and

regulations of government agencies, sales statistics under lease and royalty agreements, and adherence to covenants in indentures.

The examination of financial statements requires CPAs to review many aspects of an organization's activities and procedures. Consequently they can advise clients of needed improvements in internal control, and make constructive suggestions on financial, tax and other operating matters.

In addition to furnishing advice in conjunction with their independent examinations of financial statements, CPAs are engaged to provide objective advice and consultation on various management problems. Many of these involve information and control systems and techniques, such as budgeting, cost control, profit planning, internal reporting, automatic data processing, and quantitative analysis. CPAs also assist in the development and implementation of programs approved by management.

Among the major management problems depending on the accounting function is compliance with tax requirements. An important part of the practice of CPAs includes tax planning and advice, preparation of tax returns, and representation of clients before government agencies.

CPAs also participate in conferences with government agencies such as the Securities and Exchange Commission, and with other interested parties, such as bankers.

Like other professional men, CPAs are often consulted on business, civic and other problems on which their judgment, experience, and professional standards permit them to provide helpful advice and assistance.

The complexities of an industrial society encourage a high degree of specialization in all professions. The accounting profession is no exception. Its scope is so wide and varied that many individual CPAs choose to specialize in particular types of service.

Although their activities may be diverse, all CPAs have demonstrated basic competence of professional quality in the discipline of accounting. It is this which unites them as members of one profession, and provides a foundation for extension of their services into new areas.

\* \* \* \* \*

The complexities of the Twentieth Century society encourage a high degree of specialization in all professions. Specialization leads to interdisciplinary dependencies and approaches to specific problems. Some practitioners have already acquired competency in more than one discipline. It has been forecast that future success will depend on proficiency in a minimum of three technical disciplines! The trend is already reflected in such terms as physiochemist, social psychologist, astrophysicist! CPAs are finding their specialization leading them into fields of industrial engineering, operations research, and management consultation. In every case, the education and training of the CPA must expand commensurately.

All CPAs begin as generalists with a broad understanding of the basic discipline of accounting and essential skill in its application. Many CPAs will remain generalists while continually widening their general knowledge and improving their skills. As in medicine, the generalist CPA will seek, when necessary, the assistance of the specialist CPA. The generalist can view his client's organization as a whole and diagnose its

needs in a broad sense. He can pinpoint that specific area where the services of the specialist are needed in his client's accounting functions.

The CPA's future depends on the developing economic and social climate. The fundamental drive creating this new climate is the combined effect of a birth rate increase and a death rate decrease. In 1933, when America was suffering in the grips of depression, the U. S. population stood at 125,000,000. Three decades later, in 1965, U. S. population had grown to 194,000,000, an increase of 55%. By the year 1975, it is expected that the U. S. population will reach 225,000,000 and continue upward to approximately 350,000,000 by the year 2,000.

The implications of this population explosion should be obvious. More people will create a tremendous strain on the nation's natural resources. Food, timber, fuel and mineral resources will be at a premium to satisfy the needs of the ever increasing population. There will also be an increased demand for all forms of technology, those known and those yet to be developed. That there are new technologies around the corner is an elementary deduction. This is an era of radical change in which people still living have seen the Wright Brothers flying machine rise a few feet off the ground and seen via television an American astronaut's walk 200 miles above the earth in outer space!

Many new physical facilities will be needed to accommodate America's expanding population. More homes, churches, schools, libraries, hospitals, factories, stores and recreational areas will be needed. There will be a need of more services. Existing services will have to expand; new services, many

growing out of the new technologies to be developed, will have to be created.

Since the needs of the people will increase along with the population, it follows that more people will be required to satisfy these needs. So, the fear of unemployment is for the pessimist. It is a problem which the professional and the non-professional can overcome.

John L. Carey, executive director of the American Institute of Certified Public Accountants, in his book, *The CPA Plans for the Future*, states, "To hold their proper place the CPAs must identify themselves as active participants in the search for solutions to the country's problems. They must be recognized not only as specialists in a highly important technical field, but as citizens of culture and wide-ranging interest, willing and eager to do their part in any effort to help the community which requires their skill." Mr. Carey's words are axiomatic. Interdependency, cooperation, active responsibility, creativity, and flexibility are the essential characteristics required for CPAs to succeed and survive in the future.

The growth of accounting as a discipline and the increase in the number of accountants, non-certified and certified, shows that accounting and accountants have already filled an urgent need in the American society. One such need is the concept of accountability. Whatever society may decide regarding the accountability of men in their future economic relationships, the science of accounting is sufficiently advanced so that this accountability can be measured and communicated for generally accepted purposes.

Modern American society is characterized by the division of function, responsibility and power among many kinds of

institutions. The most important interrelationship between these institutions is economic. They must be measured and communicated in terms of economic principles — yardsticks — that are generally accepted, or at least recognizable. Here, the professional proficiency of the CPA can facilitate workable relationships among institutions via the examination and opinion function.

This is actually an existing area into which the CPA's practice can immediately grow! The CPA's involvement in the income tax field is past, present and future history. An adjunct to this is the growing demand by the American public to know how its tax dollar has been spent and the public's increasing insistence on an audit by an independent CPA. All levels of government are feeling this public pressure. In reality, most all services now rendered to private businesses by CPAs are adaptable to the existing needs of Federal, state and local governments, regulated agencies and industries, and to nonprofit organizations.

If "the best is yet to come" for the CPA, many feel it will come as the result of the somewhat awesome computer revolution. Already accounting makes greater use of the computer than any other discipline. IBM has estimated that 85 to 90% of all computer time is given over to accounting purposes. If there is to be intelligent direction in the computer revolution, accounting will have to play a major role. Not tomorrow, but today this is an issue which the CPA must face, a decision he must make, a challenge he should not shun.

Seeing the future is a favorite occupation for CPAs. It is, in one way, part of their service. The profession has also been changing so rapidly that every CPA can observe

the professional prestige and other rewards that flow to the forward-looking firm.

The future was the subject of an eight-year study conducted by the American Institute of CPAs. Both social scientists and CPAs contributed to the study. Two books resulted from it also. For the purposes of this chapter, some unpublished papers belonging to the contributors to the Eighth International Congress of Accountants, held in New York, in 1962, were made available.

A behavioral scientist noted that the development and application of information technology had advanced to the point at which a restructuring of managerial functions in business was in order. He noted that the person who became, in effect, the director of information in a business would also become, logically, the overall director. The pattern is already visible with controllers with computers to correlate information about all aspects of operations having at their command all the data required for overall management!

The same behavioral scientist also suggested broadening the independent CPA's opinion function to cover whether or not the proper level of employment and/or proper compensation has been maintained.

A political scientist foresaw the likelihood of a much more refined methodology for examining the rationality of public expenditures, particularly those for research and development. A sociologist expected great growth in the technology of measurement. He questioned if the examination and opinion function would not some day be applied to proving social objectives such as worker happiness or consumer satisfaction. Another contributor expects American CPAs may

soon be expected to give an opinion regarding management performance, a service already being rendered by Swedish accountants.

Management services rendered by CPAs present an area of practice in which growth is limited only by the CPA's ability to solve problems and create confidence in his judgment. As the population explosion creates greater competition in the business and financial worlds, the need for management services will grow. An adequate definition of management services is still a moot point. Many CPAs, however, are already expanding into this area. "The unique talent the CPA brings embraces such attributes as the ability to find and define problems, to structure problems so that attention is focused on fundamentals rather than symptoms and fringes; to communicate — to induce people to accept his definitions and to be disposed to take action; to find and sift alternative solutions; to know sources and technical information; to know what others have tried and what worked and what did not work and why; to adapt general and theoretical solutions to find particular situations in a practical manner; and to be objective." The CPA who possesses these talents, suggested by John L. Carey, will find through management services that the best for us is yet to come.

It will not come, however, to the CPA who fails to avail himself of an adequate and continuous education. Appropriate education is, indeed, the road to success in any profession. Space Age research is developing new knowledge so rapidly that many technical text books are out-of-date before they come off the press! A study by the Massachusetts Institute of Technology reports that a trained expert in a given



field can expect to find that his knowledge is obsolete within seven years.

The CPA who hopes for the best must also concern himself with the public image of his profession, practice according to its code of ethics, and be willing to sacrifice, if necessary, for the public good. He must recognize and be prepared to cooperate even more intensely with other professions whose internal problems are also increasing by virtue of the population and knowledge explosions.

What does the future hold for the CPA? Feast or famine? It can be feast for the CPA — or any professional — who works for the betterment of his profession and the public and who puts his profession to work for him. Famine it will be for those who cannot face, or will not face, the facts of progress.



## CHAPTER EIGHT

### *The CPA Of Tomorrow*

Twenty years from now, 1987, the profession in the United States will be 100 years old, as in 1887 the American Institute's predecessor organization was created. So you can say today we are recognizing and describing the profession at the end of the first 100 years, and The CPA of Tomorrow.

#### BACKGROUND

There is the belief by some that most of what happens in the future depends on things about which we are not now certain. I would like to take a position to the contrary, that most of the future depends on things about which we can today be quite certain. In effect, I'm saying the basis for the future should be the recognition of the inevitable rather than trying to forecast the uncertain. It is out of the recognition of the inevitable and the exploitation of it that lets some people move ahead.

Anyway, it's time for us to look ahead to the seventies and to the eighties, to the prospects for the accounting profession and our position in it.

*(A speech delivered on June 8, 1967 by Gordon Ford before the Middle Atlantic States Accounting Conference at The Homestead, Hot Springs, Virginia)*

Most large CPA firms and most big companies are now and have been in the past thinking long range. Some small ones do, too, those with alert managements. It's not that they've solved all the problems of the sixties, but it's because so many of today's decisions rest on projections of the future. The most successful plans are generally based on the long view.

In general the prospects for the seventies and eighties are bright. It is believed that this will be a period of prosperity and a good environment in which business will be operating. By any reasonable standard, it is expected that most lines of business and most sections of the country will continue to boom. There'll be minor downs, of course, but not deep, no depression.

The gross national product, now around 780 billion a year is expected to be around a trillion dollars by 1975 and two trillion by 1987. This is hard to comprehend, a trillion. By 1980 or before, it is expected that sales and profits of many businesses will double if the firm is average. This means double last year's figures, an all-time high, the best on record.

It's sad, but most people seem to be missing the greatest story of our time and that is that this is a period of rapid change, not just change but rapid change. Today there is great unrest, but in a few years, there will have been much settling down and the country will be much farther along on the road to progress.

Change is rushing over us in such torrents that the problems left overpower our understanding. As the world outruns its comprehension of itself, inherited knowledge and tradition are no longer in keeping with reality. "Folk-wis-

dom,” said the late Robert Oppenheimer, “can cry out in pain — but it can’t provide solutions.” We must have the solution. We must chart the future. This is what the Planning Committee of the Institute is attempting.

A generation is normally considered to be about thirty to thirty-three years. I consider myself very fortunate to have practiced accounting during roughly the middle third or the middle generation of this century — the twentieth century. Substantial change has come about during this middle third; but the exciting part is that we have just begun the last third of this twentieth century, and I predict that even more change will come about than has occurred in this past one.

I have practiced during precisely this middle third, from 1934 to 1967 — thirty-three years. It sounds like a long time but to me it has been a very short time. What I really want to impress upon you, however, is that it will be roughly this same space of time until the twenty-first century, the year 2000, just 33 years from now. Most of you here can expect to live this 33 years and perhaps live well into the twenty-first century.

In order for you to get some idea of just how much change has occurred during this 33-year period which I have practiced, the following information was accumulated:

	1934	1967	Change
Population of U. S.....	125 million	200 million	60% increase
Federal budget.....	5 billion	112 billion	22 times
Income tax receipts.....	746 million	90 billion	119 times
Dow-Jones industrial average.....	100	900	9 times
Life expectancy.....	61	71	16% increase

In developing information for this talk I reviewed our firm’s files for the year 1947, 20 years ago. I thought I would

go back twenty and then forward twenty. I find that our gross fees for the current year 1967 will be approximately 14 times those of 1947. I also found that the offering salaries for beginning accountants, those with a B.S. degree, were around \$175 a month. Our present offering salaries are \$650 a month. These salaries are slightly less than four times the offering salaries of twenty years ago. In my own case, I find that my earnings for 1967 will be approximately 6 times my earnings as a partner in the firm 20 years ago. And at that time, I had been a partner 8 years.

The membership in the American Institute in 1947, 20 years ago, was approximately 10 thousand. In 1967, it is 60 thousand, six times larger. Mr. John Lawler, Managing Director, said at the Spring meeting of Council, that the membership in 1987 will be approximately, 125 thousand. I would say this is a very conservative estimate. There are presently about 100,000 CPAs, approximately 60% are Institute members. In 20 years, I believe there will be more than 200,000 CPAs.

It is expected that the present population of about 200 million will rise to about 280 million by the year 1987, so we will have substantially more people in just a few years. With more people a substantial increase each year will be required in both goods and services. This means substantially increased demands on CPAs. The demands have more than doubled in the past ten years and it is expected that they will double again in the next ten. The future is bright for us.

It is expected that there will be many more audits of governmental units; more audits of banks; savings and loan institutions; non-profit organizations; more audits of small business required on account of the SEC; more consulting

services required by more scientific management; and certainly tax consulting will be more and more. So the future is bright for us as CPAs but we must be ready to take advantage of the opportunities.

All the changes and technological advances that we read about and know about are putting pressure on many old firms of CPAs. People do not like to change, but in every area there are newer and better ways of doing old things. And there are many new things that can be done so the management of an older firm must "shake itself up".

It must modernize and re-examine the way of managing the firm and seek out new services to render and better ways of doing old things. Yes, there are many things that can be done to improve and the people who do not make these changes will be left behind. If you do not know what these are, it's time to stop, look and listen for them.

Our big challenge in our own firm, I believe, is to keep asking ourselves, "How can we help our clients grow?" for if we can do this we are rendering a vitally needed service. There are many ways, of course, in which we can help our clients grow. All kinds of business problem solving — help with financial planning; forecasting and budgeting; assistance in obtaining financing such as long-term loans or by the sale of capital stock; systems and procedures studies; organizational planning; etc. These are just a few of the things that we are now doing but we believe that the future will require of us many more and we are making every effort to be prepared to render these services.

In recent years as we all know, the scope of practice of CPAs has been expanding rapidly and by 1987, it is expected

that the practice of CPAs will embrace the entire field of management information.

The Description of Practice, as outlined by the Planning Committee is very broad and goes far beyond the auditing of balance sheets and income statements, preparation of income tax returns, etc. The Description says plainly that accounting embraces the conversion of data — both financial and non-financial — into useful information, both for the purposes of management and for communication to interested parties outside of the organization.

#### MASTER OF INFORMATION SYSTEMS

The CPA of Tomorrow will be the master of management information systems in all kinds of organizations — profit, non-profit, governmental — and advise and assist in all the uses of the information system — planning, control, decision-making, and reporting to government, stockholders, creditors, labor unions, and others interested. At the same time his audit function will extend beyond the familiar financial statements to a wide variety of data for a wide variety of purposes.

#### COMMON BODY OF KNOWLEDGE

The Common Body of Knowledge recently developed jointly by the Carnegie Corporation and the American Institute, entitled *Horizons for a Profession*, is one of the most progressive steps ever taken by the profession.

The emphasis of the report on the Common Body of Knowledge for CPAs is on the inter-disciplinary nature of the desirable education; that being on a conceptual understanding, as opposed to the procedural program.



The authors feel that preparation for public accounting must come to include graduate study. For to perform the services which are within our reach and which the public will come to expect, requires the efforts of a professional.

With more emphasis on education at the graduate level, the Common Body suggests eliminating or diminishing the experience requirement.

Actions taken to diminish the experience requirement of professional training always raise a hue and cry. A profession epitomized by its leaders, elder statesmen, practitioners and professional societies, is more likely to highly regard experience, than new knowledge not possessed nor understood by them. However, restraints such as these impede but never halt the evolution of each learned profession. Medical training today depends less upon clinical experience than it once did. Accounting, it is believed, is on the threshold of changes of this kind.

The experience requirements as presently specified in most state laws or Board rules frequently discourage the best prospects. More and more recruits for CPA firms have Masters degrees and by 1987, it is expected that most recruits will have Masters and many even Doctors degrees. Military service is also required of most of these men. If the time for a graduate degree plus military service plus experience in public accounting is required before a candidate can be admitted to the profession, the gain may not seem worth the candle to many of the best young people.

In any event, the problem of evaluating experience has never been licked. Without the most elaborate and expensive procedures, it seems almost hopeless for the profession to police

the quality of experience which recruits may obtain in accounting firms of different sizes with different types of clientele, offering different scopes of service. In some states there is the additional problem where experience such as government service is counted.

#### EARNINGS OF CPA OF TOMORROW

The CPA of Tomorrow will be a learned individual. He will have more education and better education. He will possess a graduate degree, an M.B.S. degree or perhaps a doctorate. As I have said, his education will be more toward conceptual knowledge and understanding than to procedural skills. The experience requirement in general will be eliminated and not required for taking the CPA examination.

The offering salaries for the graduate entering the profession in 1987 will be \$20,000 to \$25,000 per year. This may be startling to you, but in view of the fact that the quality of the people entering the profession, the graduate level education of the people entering it and the general trend of inflation will make this projection not too much out of line.

The present offering salaries for graduates of the Harvard Graduate School of Business and other similar graduate schools is in the area of \$10,000 to \$12,000 a year and the offering salaries of those with only a B.S. degree is in the area today of \$8,000 a year. Remember that beginning salaries in 1967 were four times those of 1947.

By 1987 it is expected that the billable standard rate for a beginning accountant will be \$20 to \$25 an hour. This, of course, will be necessary with the graduates receiving offers of \$20,000 a year. Our present minimum rate is \$10 an hour

and perhaps there are some firms which have a higher rate than this. However, I know there are many who have a lower rate. As a matter of fact and unfortunately, many CPAs receive less than this.

By 1987 it will not be too unusual for the customary standard rate for experienced CPAs, partners, to be \$100 an hour and many CPA partners of the larger firms will earn \$100,000 a year or more. Presently, there are quite a few partners who receive this amount or more, but by 1987 it is my belief there will be many.

## A PROFESSION

The foundation of professional status is a belief on the part of the public that the professional man places service to his clients ahead of his desire for money. This doesn't mean that professional men should not make a good living. Everyone knows that they must make money to have a fine staff in order to do a good job. But it is assumed that they are motivated more by the satisfaction of public service than they are by commercial instincts.

There seems to be more aggressiveness, more competitiveness, a more commercialized approach to accounting practice among some firms, small as well as large, as time goes on. We cannot let the public get the impression that this is a business, instead of a profession. If we do, we have lost our greatest asset. We would not then receive the esteem accorded a profession.

From time to time I hear many of you refer to your practice as "my accounting business". This is disheartening! I would like to encourage you to think about the adverse

psychological effect this has on other CPAs, your clients and the public in general. How many Doctors have you heard refer to my medical business? Please refer to it as your accounting *practice*. You will help yourself and the profession by this.

#### CONCEPTS OF THE FIRM

If the profession as a whole is to render a distinguished public service throughout the economy, to organizations both large and small, it would seem essential that medium sized and smaller accounting firms should be able to look forward to increased scope of practice and to increased incomes, in order to attract high quality personnel and to render distinguished service appropriate to the needs of their clients. There, of course, can be no rules about how large or how small an accounting firm should be.

It seems clear, however, that under present conditions one CPA without any professional staff is necessarily limited in a number of respects. He cannot audit large clients. He cannot offer specialized services, even at elementary levels in *all* areas of public accounting, but he can be a general consultant to small business on their problems or confine himself to one field of practice as a specialist.

All this is not to say that there is no need for the individual practitioner or that he cannot live a happy and satisfying life with an adequate income if he chooses to accept what seems to be certain limitations on his growth. But the individual practitioner, perhaps in the future, cannot be considered typical of the practice of accounting in the present economic environment of this country.

Perhaps the ideal CPA firm should be regarded as one large enough to offer a well-rounded professional accounting service to its clients. This means simply satisfying the needs of its clients for internal information and external reporting.

In the profession of the future, most leading CPAs will be associated with firms and not practice as individuals. In these firms there will be many more partners and fewer employees than today. More consulting services and a much higher level of work will be performed than most firms are doing today.

#### ELIMINATION OF TAX RETURN FILING

Long before 1987, 50,000,000 or more individuals will be relieved of filing income tax returns. President Johnson has cited as a major goal, the simplification of the income tax law. Through withholding on earnings; withholding on dividends; the exemption of say \$500 of other income; and some adjustment in the standard deduction, most individuals would not be required to file returns.

Through this or some other rather simple plan, most individuals will not be required to file returns. This will eliminate a great deal of the practice of many individual CPAs. Actually most of the work in preparing these returns is very simple and not very challenging. It is also very routine and unfortunately not profitable.

#### THE COMPUTER

You will note that I have not said much about computers, but computers are here and will have a substantial effect upon our practice. They have affected some already. But it will be, perhaps, 6 or 8 years more before the tremendous impact will be felt by most here today.

In 6 or 8 years, there will be a substantial change in book-keeping services, or write up work, as some desire to call it. In fact, the actual write up will be eliminated. Of course, it will be necessary to prepare the proper input data for the computer.

Some people have indicated the Institute has been throwing a "big scare" into everyone about the computer. They might be a little early but it will be here, certainly.

This reminds me of the story about the two fellows fighting over their girlfriend. One said to the other, "I'm going to cut you up!" They were fighting with long, sharp razors, just slashing wildly back and forth at each other. After a few minutes they were out of breath and stopped. One said to the other, "Yeah! You didn't even touch me." To which the other replied. "No? — You just try to turn your head!"

Many CPAs feel that computers are not even touching them, but in 5 or 6 years, just try to turn your head!

#### INDIVIDUALS IN GROUPS

Now I have said that the majority of income tax returns filed today will in the future not be required. I have also said that write up services rendered primarily by individual practitioners will be out many, many years before 1987. The individual CPA of Tomorrow will necessarily be acting primarily as a specialist, as a consultant on taxes and other business problems. His practice will have changed radically from today.

As doctors have done by developing a small group of fellow specialists on a more or less social or informal basis, individual CPAs will also do this too. When the need arises,

it is customary today for a specialist in say, internal medicine, to refer his patient to a heart specialist, a radiologist, a surgeon, a psychiatrist, or some other specialized practitioner. This same procedure will be in effect by the individual CPA practitioner.

#### LOCAL FIRMS IN GROUPS

Many strong local firms, as an alternative to mergers, have formed national groups, such as the American Group of CPA Firms, CPA Associates, Associated Accounting Firms International, for example. These groups are national and international in scope. Some of the objectives are in part to enable them to deal with clients too large for any one member of the group to handle; to exchange information and assist each other in raising standards; to cooperate in such matters as recruiting and training of staff; and to provide one another with specialists when required.

These groups and others will continue.

#### SIZE OF FIRMS TODAY

Perhaps you would like to know that there are 14,196 practice units represented by membership in the Institute. 9,354 of these practice units are represented by only one member, most of these will be no doubt individual practitioners. You will probably find it interesting to note that about 25 firms provide approximately 11,000 members or 30% of the total number of practicing members.

Perhaps you would like to know also that there are six firms which have over 1,000 members each. Two firms from 500-900; three firms from 200-300; two firms from 100-

200; and ten firms from 50-100. That represents 23 firms. So you can see that there are 23 firms which have more than fifty members of the Institute. There are nine firms which have from 30 to 50 members. Our firm has 51 members and we are pleased to be able to be in this group of the first 23 firms.

#### TREMENDOUS FORCE IN SOCIETY

Perhaps many people, even CPAs, fail to realize that accounting is a tremendous force in society. People fail to grasp the primary fact that the evolution of public accounting is part of a revolution in economic and social thinking. The contributions of the profession to society are great. We must recognize that we live in an accounting economy! We make a substantial contribution toward "creating order" in the world.

Accounting has made possible the building of the most productive industrial system the world has ever known. It is clear that this could not have been accomplished without accounting. It seems to me that we CPAs do not think about or recognize the contributions we are making to society, such as, participation in the development of a working structure of the tax laws; the development of professional literature; the carrying on of research concerning accounting principles and practices; cooperation and participation with the stock exchanges; cooperation and participation with the Securities and Exchange Commission and other public and governmental bodies; assistance to the government, in budgetary matters and in accounting problems; the assistance to industry concerning innumerable problems of expansion, taxation, regulation, financing, creditor relationships, stockholder relationships, etc. and as the independent auditor, adding credibility to financial statements for all purposes. There are few, if any, decisions in our economic life that do not depend upon accounting.



Opportunities to make tremendous contributions to society are more available today to the profession than ever before and we must take advantage of them. If we do not, it is our own fault.

Recently, at a dinner meeting given by the Governor of Kentucky for 100 or so of the top level business and professional men of the state, I had the opportunity to meet an executive of one of our large corporations. During our dinner conversation, I told him I was a CPA. He said, "Oh, you CPAs are going to control the world." This was pleasing to me. No one had ever told me this before. Why not?

Broadness will characterize the CPA of Tomorrow. This indicates new dimensions. The broad range of CPAs' interests will be evidenced by more involvement of CPAs in public affairs. CPAs will become increasingly important, not only to business, but to society generally. Public awareness of our broad competence will penetrate important centers of policy making in the nation.

The result of this will be that public commissions and panels will include leading CPAs as they now include businessmen, educators, lawyers and representatives of other segments of the public. CPAs will speak more from important platforms and be heard more often in the centers of public policy making and will be named to Presidential and Cabinet level commissions.

#### CAREER OF A CPA REWARDING

I think all of us here will pretty well agree that there are few things as exciting; as challenging; and as rewarding; as a career as a CPA. We know we live in an accounting economy.

We all know how the CPA is being called on by business, industry and government to help maintain the economic health and strength of the nation, to create new jobs, new investments and new growth opportunities that keep us moving ahead.

We all know too that accounting has made possible the building of the most productive industrial system the world has ever known!

It would be wonderful if we could all be present in 1987 to celebrate the first century of progress and to participate in these exciting opportunities! For we must remember the future belongs to those who plan for it. It is not something that is already there, up ahead, waiting for us. We create it as we go.

## About The Authors



L. C. J. Yeager  
1902-1960

*L. C. J. Yeager*

L. C. J. YEAGER WAS AN UNUSUAL PERSON. He was keen and brilliant and had a great ability to get things done. Although his principal goal was not making money, he was one of the top earners in the profession. His primary goal was to build a quality firm and the largest one in Kentucky. He was very much interested in the accounting profession and wanted to make a real contribution to it.

Born in Boyle County, near Danville, Kentucky, on May 26, 1902, he was graduated from Centre College, receiving an A.B. degree in history. He started his career as a school teacher. From January until June, 1923, he taught history at the Mason Consolidated High School, near Williamstown,

Kentucky, where he was assistant principal at the age of 20. During his life, he traveled all over the world. His first trip was in June, 1923, when he went to Port O'Castilia, Honduras, to work as a timekeeper on a banana plantation of Truxillo Railroad Company (a subsidiary of United Fruit Company). After six months, he was promoted to mandador (overseer of plantation).

On return from Central America in September, 1925, he taught at the Riverside Military Academy in Gainesville, Georgia, until May, 1926. Then he went to Miami, Florida and became associated with the accounting firm of Sherman & Abess.

Returning to Kentucky in 1927, he became associated with the Louisville office of Ernst & Ernst. On January 14, 1928, he was married to Elizabeth Ewing of Louisville. After educating himself in the field of accounting, he sat for the CPA examination in 1929, and passed three parts at that time. In 1931, he became a CPA, when he passed the remaining subject. The State Board had not issued certificates to any one by examination in 1929 nor 1930.

He left the firm of Ernst & Ernst to become a partner in the firm of Escott & Escott in November, 1931. On September 1, 1933, L. C. J. Yeager established the firm now known as Yeager, Ford & Warren.

L. C. J. Yeager was always interested in education. Only 13 days prior to his death, he was elected president of the Centre College Alumni Association. An active leader in behalf of Centre's entire program, including athletics, he was a member of Centre's Board of Overseers. He was also a member of the Board of Overseers of the University of Louisville, a

school he adopted after moving to Louisville. He was instrumental in the formation of the U. of L. School of Business which opened in 1953.

Known to his friends and associates as Jake, he was a strong booster of the University of Louisville's athletic program and supported movements to develop a top national team. One of his oft-stated ambitions was to see the University of Kentucky and the University of Louisville play each other in their final basketball game of the season. He was one of the organizers and treasurer of the University of Louisville Associates, an organization which promotes athletics at the school.

He was a member and served a three-year term as a Member of Council of the American Institute of Certified Public Accountants. He was also a member and past president of the Kentucky Society of Certified Public Accountants. He was a past president and served on the State Board of Accountancy from 1948 through 1954.

A member of Big Spring Country Club, Pendennis Club, Filson Club, the 235 Club, and Masonic Lodge, he was also a lay reader at St. Andrews Episcopal Church.

Prior to his death, June 16, 1960, Jake had several heart attacks and must have had some premonition of another to come. He was secretary of three corporations in which James C. Warren and I were associated. Most of the corporate minutes had been behind; he had brought them up-to-date and completed them by May, 1960. He died suddenly, but he left no projects incomplete — except this history — and the first draft of much of it had been written.

G.F.



## ABOUT THE AUTHORS



*Gordon Ford*

GORDON FORD WAS BORN IN GREENVILLE, Kentucky on September 27, 1913, the son of Otha and Mattye Newman Ford. He was graduated with a B.S. degree from the Bowling Green College of Commerce, now a division of Western Kentucky University, in May, 1934 and has now completed more than 33 years of continuous practice of public accounting. Since 1934, he has been a member of the accounting firm of Yeager, Ford & Warren.

He has been active in Kentucky Society of Certified Public Accountants and American Institute of Certified Public Accountants; having been president of the Kentucky Society of Certified Public Accountants in 1948.

He is presently a Member of Council and Chairman of the new Planning Committee of American Institute of CPAs. He has served as a member of the By-Laws Committee; Management Services Committee; Management of Accounting Practice Committee; and the Professional Development Board of the American Institute of Certified Public Accountants.

Previously, he was on the Editorial Board of the *Journal of Accountancy*.

He has authored several magazine articles, including one for the *Journal of Accountancy*, entitled "Long-Range Plan For Development and Growth of a CPA Firm"; also one entitled "The Importance of Human Resources and How They Contribute to the Firm's Success."

Mr. Ford is interested in education and civic activities, having served as Mayor of the City of Mockingbird Valley, Kentucky; and recently as a Director of Louisville Chamber of Commerce. Now serving as a Trustee and member of executive committee of Kentucky Southern College, Louisville; Trustee and member of executive committee of Southern Baptist Theological Seminary; Trustee of the Yeager, Ford & Warren Foundation, a foundation organized to promote, primarily, higher education for accountants. He is a past Chairman of the Deacons of Broadway Baptist Church, Louisville, and is presently serving as Chairman of the Long-Range Planning Committee.

He loves to play golf, having had two holes-in-one and a low score of 70. He is a member of Louisville Country Club, Pendennis Club, Hunting Creek Country Club, The Seagate Club, Delray Beach, Florida, Rotary Club, Executives Club, and a Mason.

On September 1, 1935, he was married to Rubye Allen of Missouri. They have two children, a son, Gordon, Jr., a graduate of Princeton University, with a doctorate degree from Harvard Graduate School, who is an assistant professor at Northwestern University; a daughter, Gayle, a graduate of Wellesley College, now Mrs. Robert W. Greene, III, Louisville.



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