Accounting trends and techniques, 10th annual survey, 1956 edition

American Institute of Accountants

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ACCOUNTING TRENDS AND TECHNIQUES

TENTH EDITION

1956

TENTH ANNUAL SURVEY BY THE RESEARCH DEPARTMENT OF THE

AMERICAN INSTITUTE OF ACCOUNTANTS

ACCOUNTING TRENDS AND TECHNIQUES

In Published Corporate Annual Reports • Tenth Edition • 1956

Tenth annual cumulative survey of the accounting aspects of the annual reports of 600 industrial and commercial corporations to which are added excerpts from and comments upon unusual accounting treatments found in 700 additional reports. The reports analyzed are those with fiscal years ending within the calendar year 1955.

AMERICAN INSTITUTE OF ACCOUNTANTS

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PREFACE

Accounting trends and techniques in published corporate annual reports—tenth edition—1956 incorporates the results of a study of the accounting aspects of financial reports issued annually by 600 industrial and commercial corporations to their stockholders. Over 40 varied industries are represented in the group although public utilities, insurance companies, banks and other companies whose accounting procedures are subject to regulatory bodies have been excluded. The financial statements of the 600 companies were accompanied by opinions from 72 firms of certified public accountants. This edition, which is the tenth in the series of such surveys, represents a continuation of the long-range program initiated by the Council in 1946 for the analysis of annual corporate reports. The current survey has been conducted by Mrs. Helen T. Farhat, C.P.A., M.B.A., a member of the research staff of the American Institute of Accountants with special acknowledgement due to cooperating accounting firms and their respective staff members for their assistance in the analysis of the financial reports.

Recent accounting bulletins issued by the American Institute of Accountants, Committees on Terminology, Accounting Procedures, and Auditing Procedures, have been included in this edition for the first time as an appendix. Each bulletin has been reproduced in its entirety and has been mentioned in the related sections of the text.

Significant accounting trends, as revealed in the reports of the companies included in the survey, are presented in numerous comparative tabulations throughout the study. In this edition, as in previous editions, all of these tabulations, some of which contain comparative data over a period of ten years, are based upon an analysis of the reports of the same 600 companies for each of the years involved although the years intervening 1946 and 1950 have been eliminated.

In the future, however, the statistics shown for the years 1946 and 1950 will be preserved as they are presented in this current (tenth) edition. This change in policy has been adopted because of the increasing difficulty in obtaining copies of reports for all of the prior years whenever new companies must be substituted in the group. Comparative results for the current years will continue to be provided on the basis of the 600 identical companies for each of the current years.

In the previous editions, the annual reports included in each survey were those with fiscal years ending in the period from May 1 of the prior year to April 30 of the current year. In this edition, the annual reports included in the survey are those with fiscal years ending within the calendar year 1955; and in future editions this practice will be continued. This revision results in a duplication of reports in the statistics for the years 1955 and 1954 for those companies having fiscal years ending between January 1 and April 30, 1954. However, since these reports represent only 6% of the total, the statistical results are affected very little. The fact that many of these reports are not available until late in the year with attendant delays in the compilation of data for this publication has been the deciding factor in making this change.

The tables show the current trends in corporate reports in such diverse accounting matters as the various types of financial statements presented, the form thereof and the terminology employed therein, and the accounting treatment accorded the transactions and items reflected in such statements.

Accounting techniques employed by the 600 survey companies are presented in the form of quotations and examples taken directly from the 1955 reports. Nearly 700 additional reports were informally reviewed and referred to, wherever appropriate, throughout the study.

The 600 survey companies included in this edition are listed in the Company Appendix Section together with their respective fiscal years. An identification number is assigned to each company (in alphabetical order) and these numbers are used for reference throughout the text in the discussion of pertinent information. The list of corporations included remains fairly stable from year to year with the exception of eliminations occurring as a result of corporate liquidations, mergers, etc., and the addition of new companies as substitutes.

CARMAN G. BLOUGH, *Director of Research*
AMERICAN INSTITUTE OF ACCOUNTANTS

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Section 1 FINANCIAL STATEMENTS

THIS SECTION OF THE SURVEY is concerned with the form, title, terminology, and frequency of use of the various types of financial statements presented in the published annual reports of the 600 companies which were included in the survey. The financial statements as considered here comprise not only the certified and uncertified statements, but also the summaries and supplementary schedules contained in the annual reports.

CERTIFIED FINANCIAL STATEMENTS

Customary Certified Statements

The customary certified financial statements are the balance sheet, the income statement, the retained earnings statement, the combined income and retained earnings statement, the capital surplus statement, the combined capital surplus and retained earnings statement, the unclassified surplus statement, the combined income and unclassified surplus statement, and the stockholders' equity statement.

Number of Customary Statements

The 1955 reports of the 600 survey companies contained 1726 customary certified financial statements. The various types of such statements are summarized in Table 1, on a comparative basis, for the years 1946 through 1955. This tabulation discloses that during this period there has been a steady decrease in the use of separate statements of income, and a corresponding increase in the use of the combined income and retained earnings statement. There has also been a recent moderate increase in the number of companies presenting a separate statement of capital surplus, and a decrease in the use of an unclassified surplus statement.

Combination of Customary Statements

Each of the 600 companies in the survey included one or more of the customary certified financial statements in its annual report for 1955. The reports of 597 of the companies contained a balance sheet and an income statement and the majority of such reports also presented one or more other customary certified financial statements. There were, however, two companies that submitted a balance sheet only (*Co. Nos. 267, 435) and one company which provided only a balance sheet and a summary of changes in consolidated capital (*Co. No. 576).

In addition to a balance sheet and separate statements of income and retained earnings, two companies also provided separate analyses of stockholders' equity (*Co. Nos. 121, 134). One company (*Co. No. 528) presented, in addition to a balance sheet and income statement, separate statements of capital and retained earnings; the capital statement included the values of capital stock and surplus.

The most frequent combination of customary certified

*Refer to Company Appendix Section.

TABLE 1: CUSTOMARY CERTIFIED FINANCIAL STATEMENTS

Number of Statements	1955	1954	1953	1952	1951	1950	1946
Balance Sheet	600	600	600	600	600	600	600
Income Statement	377	385	385	390	404	407	429
Combined Income & Retained Earnings	216	210	209	204	191	188	163
Combined Income & Unclassified Surplus	3	2	3	3	3	2	2
Retained Earnings	321	318	320	325	337	341	355
Combined Retained Earnings & Capital Surplus	13	15	14	17	18	15	30
Capital Surplus	167	162	154	161	149	168	220
Stockholders' Equity	23	22	20	20	20	17	8
Unclassified Surplus	6	8	9	8	12	14	16
Total	1726	1722	1714	1728	1734	1752	1823

statements shown in the 1955 reports (194 companies) consisted of a balance sheet and a combined income and retained earnings statement. The use of this combination of statements has steadily increased each year since 1946. In that year, 141 survey companies presented this combination of statements. This increase is largely attributable to the greater use of the combined income and retained earnings statement. The next most frequently used combination of certified statements appearing in the 1955 annual reports (172 companies) consisted of a balance sheet, an income statement, and a retained earnings statement. The only other combination of certified statements which was extensively presented in the 1955 reports (146 companies) consisted of a balance sheet, an income statement, a retained earnings statement, and a capital surplus statement. The above three groups account for 512 of the 600 companies included in the survey. The various combinations of the customary certified financial statements presented by the remaining 88 of the 600 survey companies are given in Table 2. This tabulation also shows, on a comparative basis, the various combinations of customary certified financial statements presented by the 600 survey companies in their published annual reports for the years 1946, and 1950 to 1955 inclusive.

Notes to Financial Statements

An examination of the 1955 financial statements of the 600 survey companies revealed that 372 companies included notes to the financial statements with direct reference to related balance sheet or income statement captions. In the statements of 95 companies such notes were indicated by reference, such as: "The accompanying notes to

TABLE 2: CUSTOMARY CERTIFIED FINANCIAL STATEMENTS

Combination of Statements	1955	1954	1953	1952	1951	1950	1946
A: Balance Sheet, Income, and Retained Earnings Statements (*Co. Nos. 112, 150, 161, 163, 169, 181)	172	174	181	179	195	191	157
B: Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements (*Co. Nos. 60, 66, 82, 89, 95, 99, 151, 300)	146	143	138	145	141	149	198
C: Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings Statements (*Co. Nos. 37, 51, 53, 76, 116, 122)	13	15	14	17	18	15	30
D: Balance Sheet, Income, Retained Earnings, and Stockholders' Equity Statements (*Co. Nos. 121, 134)	2	1	1	1	1	1	—
E: Balance Sheet, Income, and Stockholders' Equity Statements (*Co. Nos. 17, 31, 62, 86, 227, 276)	19	20	18	18	18	15	6
F: Balance Sheet and Combined Income & Retained Earnings Statements (*Co. Nos. 27, 88, 117, 154, 165, 191, 558)	194	190	192	188	173	168	141
G: Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements (*Co. Nos. 193, 214, 285, 287, 289)	21	20	17	16	18	20	22
H: Balance Sheet and Income Statements (*Co. Nos. 10, 22, 54, 67, 107, 137)	18	24	24	21	17	21	20
I: Balance Sheet, Income, and Unclassified Surplus Statements (*Co. Nos. 46, 55, 92, 142)	6	8	9	8	12	14	15
J: Balance Sheet and Combined Income & Unclassified Surplus Statements (*Co. Nos. 65, 321, 462)	3	2	3	3	3	2	2
K: Balance Sheet—alone or in other combinations of statements not mentioned above (*Co. Nos. 129, 267, 435, 520, 528, 576)	6	3	3	4	4	4	9
	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

TABLE 3: INCOME PRESENTATION IN REPORTS

Manner of Presentation	1955	1954	1953	1952	1951	1950	1946
A. As a separate statement of income*	375	382	386	389	402	407	427
B. As a combined statement of income and retained earnings*	218	212	207	204	191	187	164
C. As a combined statement of income and unclassified surplus*	3	2	3	3	3	2	2
D. As a section within the statement of stockholders' equity*	1	1	1	1	1	1	1
E. As an item within the balance sheet*	1	1	1	1	1	2	5
F. Set forth in uncertified supplementary schedule*	1	1	1	1	1	1	1
G. As a combined statement of "income, costs, and changes in capital investment"*	1	1	1	1	1	—	—
Total	600	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 4, 77, 151, 540, 598; B: Co. Nos. 19, 109, 117, 363, 531; C: Co. Nos. 65, 321, 462; D: Co. No. 576; E: Co. No. 267; F: Co. No. 435; G: Co. No. 520.

financial statements must be read in conjunction herewith" or "The accompanying notes form an integral part of this statement." Notes were included by 59 companies by placement at the foot of the statements or within the statements. No "notes" as such were provided by 11 companies; however, supplementary information was given at the foot of the income statement, for example: "Provision for depreciation amounted to $xxx." There was *no reference* to "notes" in the statements of 4 companies although notes were presented separately. Notes were omitted from the statements of 59 companies.

INCOME PRESENTATION IN REPORTS

Table 3 discloses that all except three of the 600 survey companies provided either a separate statement of income, a combined statement of income and retained earnings, or a combined statement of income and unclassified surplus in their 1955 annual reports. A separate statement of income was presented by 375 companies. There were 218 companies that utilized a combined statement of income and retained earnings. Table 3 indicates a moderate trend over the past ten years in the annual reports of

TABLE 4: RETAINED EARNINGS PRESENTATION IN REPORTS

Manner of Presentation	1955	1954	1953	1952	1951	1950	1946
As a separate statement of retained earnings (*Co. Nos. 110, 213, 447, 477, 484, 509)	316	310	321	326	337	340	356
As a combined statement of retained earnings and capital surplus (*Co. Nos. 16, 37, 51, 53, 76, 116, 122, 139, 153, 177, 205, 231, 342, 369, 440, 563, 573)	17	18	15	18	19	17	30
As a combined statement of retained earnings and income (*Co. Nos. 325, 354, 448, 498, 532, 556, 586)	218	215	207	202	190	188	164
As a section within the statement of stockholders' equity (See Table 18) (*Co. Nos. 17, 31, 62, 86, 227, 270, 276, 335, 384, 419, 494, 495, 511, 512, 523, 525, 526, 544, 552)	19	19	17	18	18	14	5
As a section within the balance sheet (*Co. Nos. 9, 10, 22, 54, 67, 107, 267, 353, 431, 441, 501, 502, 541, 545)	14	18	20	19	15	19	22
As an item within the balance sheet (*Co. Nos. 137, 216, 337, 356, 435, 570)	6	8	7	5	5	6	4
As a combined statement of income and net worth (*Co. Nos. 525, 576)	2	2	2	2	2	1	1
Total Retained Earnings	592	590	589	590	586	585	582
Surplus not classified	8	10	11	10	14	15	18
	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

the 600 survey companies toward the adoption of the combined income and retained earnings statement with a corresponding decline in the use of a separate income statement.

RETAINED EARNINGS PRESENTATION IN THE REPORTS

The 1955 annual reports of 316 of the survey companies contained a separate statement of retained earnings. In 235 other reports there was presented either a combined statement of retained earnings and income (218 companies) or a combined statement of retained earnings and capital surplus (17 companies). As indicated in Table 4, there has been a moderate trend over the past ten years toward the adoption of a combined income and retained earnings statement by the 600 companies included in the survey. There were 218 companies presenting this form of statement in 1955 as compared with 164 companies using it in 1946.

TABLE 5: CAPITAL SURPLUS PRESENTATION IN REPORTS

Manner of Presentation	1955	1954	1953	1952	1951	1950	1946
As a separate statement of capital surplus (*Co. Nos. 35, 45, 52, 60, 97, 103, 144, 193, 360, 381, 433, 449, 471)	168	163	152	163	160	170	224
As a combined statement of capital surplus and retained earnings (*Co. Nos. 4, 37, 51, 53, 106, 153, 177, 192, 573)	16	18	15	18	19	16	31
Total	184	181	167	181	179	186	255
As a section within the statement of stockholders' equity (See Table 18) (*Co. Nos. 233, 276, 525, 552)	18	18	19	19	19	15	6
As an item within the balance sheet and changes set forth:							
Under balance sheet caption (*Co. Nos. 7, 9, 42, 112, 125, 229, 257, 280, 297)	16	22	17	27	25	28	12
In notes to financial statements (*Co. Nos. 57, 64, 105, 117, 223, 240, 320, 453, 492, 564, 583)	81	61	53	45	38	17	13
In other certified statements (*Co. Nos. 126, 334, 358)	3	—	1	1	1	1	1
In uncertified statement (*Co. No. 88)	1	—	1	—	—	—	—
In letter to stockholders (*Co. No. 554)	1	2	6	2	3	2	—
Not set forth in report (*Co. Nos. 18, 187, 232, 268, 271, 295, 329)	30	25	13	5	9	6	1
As an item within the balance sheet:							
Stated to be "Not changed during the year" (*Co. Nos. 10, 100, 124, 133, 154, 170, 267, 273, 472, 549)	42	42	54	50	49	54	54
Indicated to be not changed during year (*Co. Nos. 91, 157, 307, 323, 335, 336, 401, 466, 500)	91	103	114	109	107	119	88
Total	265	255	259	239	232	227	169
Set forth within certified statement of capital (showing capital stock and capital surplus)—no details set forth (*Co. No. 528)	1	1	—	—	—	—	—
Set forth in note to certified statements	—	2	3	3	2	2	—
Number of Companies							
Presenting capital surplus	468	457	448	442	432	430	430
Not presenting capital surplus (*Co. Nos. 59, 81, 194, 225, 308, 497, 551, 570, 594, 599)	124	132	139	148	154	156	156
Not classifying surplus (*Co. Nos. 46, 55, 92, 142, 321, 445, 462, 470)	8	11	13	10	14	14	14
	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

TABLE 6: INCOME STATEMENT TITLE

Terminology Used	1955	1954	1953	1952	1951	1950	1946
Income	362	348	347	338	331	329	317
Earnings	132	134	125	119	110	92	10
Profit and loss	58	69	78	95	108	127	236
Operations	35	34	32	31	30	30	10
Income and expense	5	5	6	6	8	8	5
Profit	2	3	3	3	4	4	1
Income and profit and loss	1	2	2	2	2	1	10
Operating results	—	1	1	1	1	3	3
Income, costs	1	1	1	1	1	1	—
Profits and income	—	—	1	1	1	—	1
Loss	1	—	1	—	1	1	—
Total	597	597	597	597	597	596	593
No income statement	3	3	3	3	3	4	7
	600	600	600	600	600	600	600

CAPITAL SURPLUS PRESENTATION IN THE REPORTS

In the current survey, 468 companies included capital surplus in their 1955 annual reports. Separate statements were provided by 185 companies, presenting a capital surplus analysis either alone or in combination with retained earnings. There were 18 companies which included capital surplus as a section within a statement of stockholders' equity. Capital surplus was shown as an item within the balance sheet by 264 companies; 40 companies stated that the balance was unchanged from the prior year; in the reports of 93 companies, a comparison of the current balance with the prior year's balance indicated that there were no changes in the accounts. A parenthetical note with the balance sheet caption was used by 16 companies to disclose the changes in the account and 79 other companies revealed such information in the notes to financial statements. These and other methods of presentation found in the reports of the 600 survey companies are disclosed in Table 5.

TITLE OF THE CERTIFIED INCOME STATEMENT

The word "income" is the term most commonly used (362 companies in 1955) as the key word in the title of the income statements of the 600 survey companies. Table 6 shows, however, that there is a trend toward the use of the term "earnings" in the income statement title, with 132 companies using this terminology in 1955 as compared with only 10 companies employing it in 1946. This tabulation also discloses a continuing decrease in the use of the words "profit and loss" in the income statement title. In 1955 there were only 58 companies using this terminology as compared with 236 companies which used it in 1946.

Changes During 1955

During 1955 there were 18 survey companies that made changes in the terminology of the title of their certified income statements. These changes are summarized below:

The term "income" was *adopted* by 14 companies as the key word in the title of their 1955 income statements. Nine of these companies had formerly used the wording "profit and loss" (*Co. Nos. 48, 148, 166, 198, 228, 255, 379, 472, 591); two had used "earnings" (*Co. Nos. 468, 487); two had used "income and profit and loss" (*Co. Nos. 278, 438); and one other company had used the term "operating results" (*Co. No. 317).

*Company No. 343 *adopted* the term "earnings" in its 1955 income statement and *abandoned* the use of the term "profit."

One of the companies *adopted* the term "operations" and *abandoned* the use of the term "profit and loss" (*Co. No. 13).

*Company No. 242 *adopted* the term "loss" in its 1955 income statement while *abandoning* the use of the term "earnings." *Company No. 119 *adopted* the term "income and profit and loss" and *abandoned* the use of the term "profit and loss."

Examples

Examples of the various titles of the certified income statements contained in the 1955 annual reports of the survey companies are quoted below. The examples show the manner in which the key words, which are summarized in Table 6, are supplemented with additional words or phrases to form the complete titles of the income statements.

Income—(362 companies):

"Income Account" (*Co. No. 29); "Income and *Earned Surplus Account*" (*Co. No. 310); "Statement of Income" (*Co. Nos. 128, 231, 367, 463, 502, 534); "Statement of Income and *Earnings Retained in Business*" (*Co. No. 373); "Statement of Income and *Earnings Retained and Employed in the Business*" (*Co. No. 478); "Statement of Income and *Earned Surplus*" (*Co. No. 297); "Statement of Income and *Retained Earnings*" (*Co. No. 539); "Summary of Income and *Earned Surplus*" (*Co. No. 363).

*Refer to Company Appendix Section.

Penn Fruit Co., Inc. and Subsidiaries

Statement of Consolidated Paid-in Capital in Excess of Par Value of Capital Stock

Year (52 Weeks) Ended August 27, 1955

Balance at August 28, 1954		$2,913,676
ADD:		
Excess of par value of 12,980 shares of 5% Convertible Preferred stock, par value $50., exchanged for 51,920 shares of Common stock, $5. par value issued in conversion thereof	$ 519,200	
Excess of par value of 11,429 shares of 4.68% Convertible Preferred stock, par value $50., exchanged for 17,703 shares of Common stock, $5. par value issued in conversion thereof	482,935	
Excess of sales price over amount assignable to Capital stock for shares issued on exercise of subscriptions or options under stock ownership plan	167,924	
Excess over amount assignable to Capital stock of shares of Common stock charged to earnings retained and invested in the business, issued as a stock dividend:		
December 15, 1954	613,103	
June 15, 1955	662,472	
Excess over amount assignable to Capital stock of shares issued on return of cash paid for fractional shares	193	
Premium applicable to the issuance of 100,000 shares of 4.68% Convertible Preferred stock in November 1954, at $52.25 per share, $225,000.; net after underwriting commissions	5,785	
		2,451,612
		$5,365,288
DEDUCT:		
Expenses applicable to the retirement of 5% Convertible Preferred stock	$ 542	
Transfer to Common stock account in connection with 2 for 1 stock-split (611,443 shares)	3,057,215	
		3,057,757
Balance at August 27, 1955		$2,307,531

See accompanying notes to consolidated financial statements.

Penn Fruit Co., Inc. and Subsidiaries

Statement of Consolidated Earnings Retained and Invested in the Business

Year (52 Weeks) Ended August 27, 1955

Balance at August 28, 1954		$4,173,436
Net Earnings for the Year		1,911,062
		$6,084,498
DEDUCT:		
Dividends paid at $2.30 per share in cash on 4.6% Cumulative Preferred stock	$ 77,649	
Dividends paid at $1.872 per share in cash on 4.68% Convertible Preferred stock (Following issue on November 8, 1954)	174,360	
Dividends paid in cash on Common stock	418,424	
Stock dividend paid December 15, 1954 at rate of one share of Common stock on each twenty-five shares of Common stock outstanding as at October 20, 1954:		
48,181 shares at $17.725 per share	854,008	
Cash adjustments for fractional shares	18,923	
Stock dividend paid on June 15, 1955 at rate of one share of Common stock on each fifty shares of Common stock outstanding as at May 20, 1955:		
25,068 shares at $31.427 per share	787,812	
Cash adjustments for fractional shares	35,275	
Premium paid on redemption of 1,560 shares of 4.6% Cumulative Preferred stock through sinking fund	1,560	
Cash paid for fractional shares arising from conversion of 4.68% Convertible Preferred stock into Common stock through conversion fund	453	
		2,368,464
Balance at August 27, 1955		$3,716,034

See accompanying notes to consolidated financial statements.

"Consolidated Statement of Income" (*Co. No. 37, 233, 266, 428); "Statement of Consolidated Income" (*Co. Nos. 8, 112, 445, 517); "Consolidated Statement of Income Account" (*Co. No. 201); "Consolidated Income and *Earnings Retained in the Business*" (*Co. No. 87); "Statement of Consolidated Income and *Earned Surplus*" (*Co. Nos. 157, 171, 561); "Consolidated Statement of Income and *Earned Surplus*" (*Co. Nos. 274, 578, 599); "Statements of Consolidated Income and *Retained Earnings*" (*Co. No. 187); "Consolidated Statement of Income and *Retained Earnings*" (*Co. Nos. 1, 281, 331); "Consolidated Statement of Income and *Income Retained and Invested in the Business*" (*Co. No. 393); "Consolidated Statements of Income and *Earned Surplus Unappropriated*" (*Co. No. 409); "Consolidated Statement of Income and *Accumulated Earnings (Unappropriated)*" (*Co. No. 491); "Statements of Consolidated Income and *Earnings Employed in the Business*" (*Co. No. 421).

"Comparative Statements of Income (*Co. No. 257); "Comparative Statement of Income and Earned Surplus" (*Co. No. 301); "Comparative Statement of Consolidated Income" (*Co. No. 291); "Comparative Consolidated Statement of Income and *Earned Surplus*" (*Co. No. 557).

Earnings—(132 companies):

"Current Earnings" (*Co. No. 252); "Statement of Earnings" (*Co. Nos. 299, 337, 391, 482, 529, 566); "Statement of Net Earnings" (*Co. No. 328); "Statement of Earnings and of Earnings *Retained*" (*Co. No. 5).

"Consolidated Earnings" (*Co. Nos. 356, 549, 552, 598); "Consolidated Statement of Earnings" (*Co. Nos. 24, 77, 199, 364, 470); "Consolidated Statement of Net Earnings" (*Co. No. 400); "Statement of Consolidated Earnings" (*Co. Nos. 82, 103, 139, 464, 514, 519, 562, 596); "Statement of Consolidated Earnings and *Earned Surplus*" (*Co. No. 12); "Statement of Consolidated Earnings and Summary of Earnings *Retained and Employed in the Business*" (*Co. No. 444); "Net Earnings" (Consolidated Statements) (*Co. No. 370); "Consolidated Statements of Net Earnings and *Earnings Retained for Use in the Business*" (*Co. No. 179).

*Refer to Company Appendix Section.

TABLE 7: INCOME STATEMENT FORM

Form of Statement	1955	1954	1953	1952	1951	1950	1946
Multiple-step form	252	259	252	256	276	302	263
Multiple-step form with a separate last section presenting:							
Nonrecurring tax items	27	35	48	64	49	41	63
Nonrecurring tax and non-tax items	25	31	29	24	18	10	57
Nonrecurring non-tax items	28	27	30	27	35	31	85
Total	332	352	359	371	378	384	468
Single-step form	220	203	199	181	184	177	76
Single-step form with a separate last section presenting:							
Nonrecurring tax items	18	18	17	25	16	13	13
Nonrecurring tax and non-tax items	11	11	9	8	7	7	20
Nonrecurring non-tax items	16	13	13	12	12	15	16
Total	265	245	238	226	219	212	125
No income statement presented	3	3	3	3	3	4	7
	600	600	600	600	600	600	600
Current year-Federal income tax estimate:							
Listed among operating items—							
Multiple-step form	10	15	15	18	20	22	36
Single-step form	125	125	122	122	124	137	64
Total	135	140	137	140	144	159	100
Presented in separate last section—							
Multiple-step form	307	317	328	339	345	351	400
Single-step form	133	110	112	99	91	71	50
Total	440	427	440	438	436	422	450
Current estimate not required	22	30	20	19	17	15	43
No income statement presented	3	3	3	3	3	4	7
	600	600	600	600	600	600	600

"Comparative Consolidated Statement of Earnings" (*Co. No. 225); "Comparative Statement of Consolidated Earnings" (*Co. No. 580); "Comparative Condensed Statement of Earnings" (*Co. No. 53); "Statement of Comparative Consolidated Earnings" (*Co. No. 220).

Profit and Loss—(58 companies):

"Statement of Profit and Loss" (*Co. Nos. 54, 155); "Statement of Profit and Loss and *Earned Surplus*" (*Co. No. 340).

"Consolidated Profit and Loss" (*Co. No. 127); "Consolidated Statement of Profit and Loss" (*Co. Nos. 132, 186); "Consolidated Statement of Profit and Loss and *Earned Surplus*" (*Co. No. 309); "Statement of Consolidated Profit and Loss" (*Co. Nos. 15, 180, 530).

Operations—(35 companies):

"Statement of Operations" (*Co. Nos. 392, 582); "Statement of Operations and *Income Invested in Business*" (*Co. No. 117); "Statement of Operations and *Accumulated Earnings Used in the Business*" (*Co. No. 133); "Results of Operations" (*Co. No. 402); "Consolidated Results of Operations" (*Co. Nos. 129, 149); "Consolidated Statement of Operations" (*Co. No. 559); "Consolidated Statement of Operations and *Reinvested Earnings*" (*Co. No. 135); "Consolidated Statement of Operations and *Retained Earnings*" (*Co. No. 560).

Various Other—(10 companies):

"Statement of Income and Expense" (*Co. No. 452); "Statement of Consolidated Income and Expense" (*Co. Nos. 372, 411); "Consolidated Statement of Income and Expense" (*Co. No. 188); "Condensed Comparative Statement of Income and Expenses" (*Co. No. 61); "Summary of Profit" (*Co. No. 107); "Summary of Consolidated Net Profit" (*Co. No. 206); "Consolidated Statement of Net Loss" (*Co. No. 242); "Statement of Income and Profit and Loss" (*Co. No. 119); "Income, Costs, and Changes in Capital Investment" (*Co. No. 520).

FORM OF THE CERTIFIED INCOME STATEMENT

In the published annual reports of the 600 survey companies, the form of the certified income statement falls into two general types, namely, the "multiple-step" form and the "single-step" form. The multiple-step form contains the conventional grouping of items with intermediate balances, whereas the single-step form consists of an income grouping over a single total and an expense grouping over a second total. As disclosed in Table 7, a substantial number of the survey companies presented a variation in the form of each of the above-described types of certified income statements, in that they contained a separate last section in which there were set forth tax items or various non-tax items, or both.

Although the multiple-step form of income statement still predominates in the 1955 annual reports of the survey companies, Table 7 shows a continued trend over the past ten years toward the adoption of the single-step form.

*Refer to Company Appendix Section.

Changes During 1955

There was a net increase of twenty survey companies using the single-step form of certified income statement in 1955, as compared with 1954, and a corresponding decrease in the number of companies using the multiple-step form. The changes during 1955 are set forth below in detail.

Twenty-five companies *adopted* the single-step form of income statement (*Co. Nos. 52, 65, 96, 160, 214, 290, 292, 319, 325, 330, 357, 361, 363, 372, 374, 386, 462, 472, 515, 536, 541, 545, 560, 564, 577.) These companies had formerly used the multiple-step form.

Five companies *abandoned* the single-step form of income statement (*Co. Nos. 147, 209, 239, 400, 473.) These companies *adopted* the multiple-step form.

TITLE OF THE CERTIFIED BALANCE SHEET

The majority of the survey companies (466 in 1955) used the term "balance sheet" to describe the statement of assets, liabilities, and stockholders' equity. As shown in Table 8 there is, however, a trend toward the use of the terms "financial position" or "financial condition" in the balance sheet heading. This trend is in part due to the increased adoption of the "financial position" form of balance sheet (See the following section, "Form of the Certified Balance Sheet"). Table 8 also shows that the term "balance sheet" is usually used in connection with the "customary" form of balance sheet. On the other hand, the terms "financial position" and "financial condition" were used not only in the title of the "financial position" form of balance sheet (78 companies in 1955) but were also frequently employed to describe the "customary" form of balance sheet (49 companies in 1955).

Changes During 1955

Four companies adopted the term "financial position" in 1955, three changing from "balance sheet" (*Co. Nos. 183, 477, 487). One company (*Co. No. 390) changed from "financial condition." Three companies adopted the term "balance sheet" for the title of their 1955 statement of assets, liabilities, and stockholders' equity. One company (*Co. No. 342) changed from "Assets, Liabilities." Two companies changed from "financial position" (*Co. Nos. 364, 427). One company adopted the term "financial condition," changing from "balance sheet" (*Co. No. 435).

Examples

The terms "balance sheet," "financial position," "financial condition," and "assets and liabilities" disclosed in Table 8 represent key words in the balance sheet title. They are usually supplemented with additional descriptive words and phrases to form the full title. Listed below are various examples of complete balance sheet titles taken from the 1955 reports of the 600 survey companies:

Balance Sheet—(Customary form: 466 companies)

"Balance Sheet" (*Co. Nos. 46, 88, 107, 285, 415, 427, 545); "Balance Sheets" (*Co. Nos. 54, 99, 181); "Condensed Balance Sheet" (*Co. No. 423); "Comparative Balance Sheet" (*Co. Nos. 53, 246, 537); "Condensed Comparative Balance Sheet" (*Co. No. 61); "Comparative Condensed Balance Sheet" (*Co. No. 403); "Consolidated Balance Sheet" (*Co. Nos. 22, 23, 116, 137, 154, 165, 193, 227, 287, 364, 447); "Consolidated Balance Sheets" (*Co. Nos. 51, 163); "Condensed Consolidated Balance Sheet" (*Co. No. 576); "Consolidated Comparative Balance Sheet" (*Co. No. 67); "Comparative Consolidated Balance Sheet" (*Co. Nos. 86, 169).

Financial Position—(Customary form: 31 companies)

"Financial Position" (*Co. No. 481); "Statement of Financial Position" (*Co. Nos. 155, 204, 271); "Statements of Financial Position" (*Co. No. 89); "Condensed Statement of Financial Position" (*Co. No. 214); "Consolidated Financial Position" (*Co. No. 467); "Consolidated Statement of Financial Position" (*Co. Nos. 11, 27, 270, 276); "Statement of Consolidated Financial Position" (*Co. Nos. 292, 390, 421).

Financial Position—(Financial position form: 63 companies)

"Financial Position" (*Co. Nos. 210, 253); "Statement of Financial Position" (*Co. Nos. 17, 150, 223, 316, 384, 487); "Consolidated Financial Position" (*Co. Nos. 50, 129, 162, 183, 245, 358, 494); "Statement of Consolidated Financial Position" (*Co. Nos. 9, 345, 425, 477, 526, 596); "Consolidated Statement of Financial Position" (*Co. Nos. 26, 120, 322, 422, 505); "Consolidated Statements of Financial Position" (*Co. No. 176); "Comparative Consolidated Statement of Financial Position" (*Co. No. 449).

Financial Condition—(Customary form: 18 companies)

"Statement of Financial Condition" (*Co. Nos. 31, 106, 146, 173, 337, 502); "Comparative Statement of Financial Condition" (*Co. No. 301); "Consolidated Statements of Financial Condition" (*Co. No. 186); "Consolidated Statement of Financial Condition" (*Co. Nos. 160, 289, 360, 378); "Statement of Consolidated Financial Condition" (*Co. Nos. 62, 372, 380); "Statements of Consolidated Financial Condition" (*Co. No. 3).

Financial Condition—(Financial position form: 15 companies)

"Financial Condition" (*Co. No. 458); "Statement of Financial Condition" (*Co. Nos. 117, 311, 564, 586); "Consolidated Statement of Financial Condition" (*Co. Nos. 74, 196, 476, 518, 595); "Comparative Consolidated Statement of Financial Condition" (*Co. No. 351).

*Refer to Company Appendix Section.

TABLE 8: BALANCE SHEET TITLE

Terminology Applied	1955	1954	1953	1952	1951	1950	1946
Balance Sheet, used with:							
Customary form (*Co. Nos. 46, 88, 107, 181, 285)	466	467	471	476	482	492	578
Financial position form	—	1	1	1	—	—	—
	466	468	472	477	482	492	578
Financial Position, used with:							
Customary form (*Co. Nos. 89, 155, 204, 271, 467)	31	28	27	20	19	13	3
Financial position form (*Co. Nos. 17, 150, 223, 253)	63	63	64	62	55	52	9
	94	91	91	82	74	65	12
Financial Condition, used with:							
Customary form (*Co. Nos. 31, 106, 146, 173, 301)	18	18	15	15	14	15	1
Financial position form (*Co. Nos. 74, 117, 196, 311)	15	15	15	18	21	19	5
	33	33	30	33	35	34	6
Assets and Liabilities† (*Co. Nos. 103, 184, 188, 312)	4	5	4	3	4	4	2
"Assets, Liabilities, and Capital Investment"† (*Co. No. 520)	1	1	1	1	1	1	—
"Statement of Ownership"	—	—	—	1	1	1	—
"Investment"‡ (*Co. No. 319)	1	1	1	2	2	2	1
"Assets, Liabilities and Capital"‡ (*Co. No. 195)	1	1	1	1	1	1	1
"Assets, Liabilities and Shareholders' Equity"	—	—	—	—	—	—	—
	600	600	600	600	600	600	600

*Refer to Company Appendix Section. † Used with *Customary form.*
‡ Used with *Financial position form.*

TABLE 9: BALANCE SHEET FORM

Customary Form*	1955	1954	1953	1952	1951	1950	1946
A: Assets *equal* liabilities plus stockholders' equity	514	515	513	512	516	522	583
B: Property account followed by other assets *equal* liabilities plus stockholders' equity	—	—	—	1	1	1	1
C: Assets less liabilities *equal* stockholders' equity	5	4	5	4	4	3	—
Total	519	519	518	517	521	526	584
Financial Position Form*							
D: Current assets less current liabilities, plus other assets less other liabilities, less long-term indebtedness *equal* stockholders' equity	52	49	49	47	45	32	7
E: Current assets less current liabilities, plus other assets less other liabilities, *equal* long-term indebtedness plus stockholders' equity	8	8	8	8	5	6	—
F: Current assets less current liabilities plus other assets less other liabilities *equal* stockholders' equity (Long-term indebtedness not shown)	19	22	23	27	27	34	9
G: Stockholders' equity *equals* current assets less current liabilities, plus other assets less other liabilities	2	2	2	1	2	2	—
Total	600	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 61, 246, 423, 427, 537; C: Co. Nos. 62, 252, 343, 421, 589; D: Co. Nos. 18, 183, 210, 218, 223, 253; E: Co. Nos. 63, 114, 245, 311, 451, 494, 497, 584; F: Co. Nos. 32, 50, 78, 79, 91, 150, 195, 216, 283, 315, 331, 351, 442, 444, 458, 487, 518, 534, 596; G: Co. Nos. 106, 117.

Assets and Liabilities—(Customary form: 5 companies) "Statement of Consolidated Assets and Liabilities" (*Co. Nos. 103, 184, 312); "Consolidated Statement of Assets and Liabilities" (*Co. No. 188); "Assets, Liabilities and Capital Investment" (*Co. No. 520).

Other Captions—(Financial position form: 2 companies) "Assets, Liabilities and Capital" (*Co. No. 195); "Investment" (*Co. No. 319).

FORM OF THE CERTIFIED BALANCE SHEET

The certified balance sheets presented by the survey companies in their annual reports are of two general forms, with certain variations within each form. The two forms are the "customary" form and the "financial position" form. The customary form usually shows the assets on the left-hand side of the statement with liabilities and stockholders' equity on the right-hand side. This form may, however, set forth the three sections thereof in a downward sequence of assets, liabilities, and stockholders' equity. In either variation, the total of the assets equals the total of the liabilities plus the total of the stockholders' equity (Forms A and B in Table 9). In a few instances (five companies in 1955) the customary form of balance sheet is varied to show *total* assets less *total* liabilities equaling stockholders' equity (Form C in Table 9). In the 1955 reports, 519 of the survey companies presented the customary form of balance sheet.

The remaining 81 survey companies presented a financial position form of balance sheet in their 1955 annual reports. In this form of balance sheet, net assets are shown equal to stockholders' equity (Form D in Table 9). Variations in the financial position form of balance sheet are shown in Forms E, F, and G in Table 9.

Changes During 1955

Eleven of the survey companies changed or modified the form of their 1955 balance sheets. Four companies changed from the customary form to the financial position form of the balance sheet. *The Ruberoid Co.* changed from "Comparative Balance Sheet" (customary form) to "Statement of Financial Position" (Financial Position, Form F in Table 9). *Republic Steel Corporation* changed from "Consolidated Balance Sheet" (customary form) to "Statement of Consolidated Financial Position" (Financial Position, Form D in Table 9). *Crucible Steel Company of America* made a similar change. *Polaroid Corporation* changed from "Consolidated Statement of Financial Condition" (customary form) to "Financial Condition" (Financial Position, Form F in Table 9).

Lehigh Portland Cement Company retained the customary "Balance Sheet" but revised it in 1955 to Form C in Table 9.

Four companies adopted the customary form (Form A in Table 9). Two companies (*Co. Nos. 72, 447) abandoned the financial position form (Form D in Table 9). Two companies (*Co. Nos. 301, 364) abandoned the financial position form (Form F in Table 9).

Two companies retained the financial position form of balance sheet, but changed the presentation slightly. *Safeway Stores, Incorporated,* by changing its basis of consolidation to include all subsidiaries, consequently revised its balance sheet to include long-term "debentures," "mortgages payable," and "preferred stock of a Canadian subsidiary held by public" as a deduction from "Working Capital and other Assets" to arrive at "Stockholders' Equity." *United Engineering and Foundry Company* also changed its balance sheet in 1955 to indicate the reduction of net assets by long-term debt incurred during 1955.

*Refer to Company Appendix Section.

TABLE 10: UNCOLLECTIBLE ACCOUNTS

Primary Descriptive Term*	**1955	1954	1953	1950
"Allowance"—used alone	30	31	21	169
Allowance, etc.	216	204	205	
"Reserve"—used alone	118	119	119	248
Reserve, etc.	63	70	77	
Provision, etc.	33	39	38	37
Estimated, etc.	29	29	35	36
Deduction, etc.	5	3	4	3
Other terms	8	6	4	4
Total	502	501	503	497
No "uncollectible accounts" indicated	98	99	97	103
	600	600	600	600

*Combined with:	1955	1954	1953
Doubtful accounts	206	200	216
Doubtful notes and accounts	12	13	
Doubtful amounts	2	2	2
Doubtful balances	3	2	3
Doubtful collection	—	1	1
Doubtful items	12	11	14
Doubtful receivables	18	21	20
Doubtful	4	5	2
Uncollectible accounts	5	6	9
Uncollectible amounts	4	4	3
Uncollectible items	1	1	1
Uncollectibles	2	4	5
Not collectible	—	—	1
Loss—losses	25	26	24
Collection losses	14	13	16
Carried forward	308	309	317
Brought forward	308	309	317
Credit losses	2	2	2
Receivable losses	1	1	1
Possible losses	18	16	20
Possible collection losses	7	7	8
Possible credit losses	1	—	—
Possible future losses	1	1	1
Bad debts	10	13	12
Worthless accounts	—	1	1
Realizable value	1	1	1
Other terms used alone	5	—	—
"Allowance"—used alone	30	31	21
"Reserve"—used alone	118	119	119
Total	502	501	503
No "uncollectible account"	98	99	97
	600	600	600

**1955 Descriptive Terms Combined As:	Primary Descriptive Term Above: Allowance	Reserve	Provision	Estimated	Other	Total
Doubtful	168	54	15	13	7	257
Uncollectible	4	—	—	7	1	12
Losses	41	4	15	7	2	69
Bad debts	2	4	3	1	—	10
With other phrases	1	1	—	1	—	3
Used alone	30	118	—	—	3	151
Total	246	181	33	29	13	502

TERMINOLOGY FOR "UNCOLLECTIBLE ACCOUNTS"

Table 10 discloses that there has been a steady decline in the use by survey companies of the term "reserve" in the balance sheet to describe *uncollectible accounts.* "Allowance" is the usual term which is used as a substitute for "reserve." This trend is in accordance with the recommendation of the committee on terminology of the American Institute of Accountants, stated in *Accounting Terminology Bulletin Number 1, Review and Résumé* (1953).

The first section of Table 10 summarizes the primary descriptive terms, such as "allowance," "reserve," "provision," etc., used in the balance sheet to describe *uncollectible accounts.* The second section of this tabulation discloses the various secondary terms used in such balance sheet description. The third section of the table shows, for 1955, the various combinations of the above primary and secondary terms and the frequency of their use.

Examples

The following examples of the various types of balance sheet terminology for *uncollectible accounts* shown in Table 10 have been selected from the 1955 survey reports:

Allowance—(246 Companies):

"Less allowances" (*Co. Nos. 3, 13, 19, 20, 65, 80); "Less allowance of $xxx" (*Co. No. 111); "Less related allowances" (*Co. No. 122); "Allowance for doubtful accounts" (*Co. Nos. 5, 6, 8, 9, 10, 217, 277, 295); "Allowance for doubtful receivables" (*Co. Nos. 70, 208, 221, 261, 433); "Allowance for doubtful notes and accounts" (*Co. Nos. 2, 109, 197, 242); "Allowance of $xxx for doubtful items" (*Co. Nos. 27, 138); "Allowance for doubtful items" (*Co. No. 58); "Allowance for doubtful balances and discounts" (*Co. No. 329); "Allowances for doubtful balances, claims, etc." (*Co. No. 308); "Allowance for doubtful" (*Co. Nos. 133, 146, 292, 551); "Allowance for uncollectible accounts, returns and allowances" (*Co. No. 220); "Allowance for uncollectible accounts" (*Co. Nos. 78, 492); "Allowance for bad debts" (*Co. No. 307); "Allowance for discounts and uncollectible items" (*Co. No. 250); "Allowance for losses" (*Co. Nos. 4, 71, 82, 88, 182, 183, 381); "Allowances for losses on collection and for deferred carrying charges" (*Co. No. 17); "Allowances for losses on collection" (*Co. Nos. 125, 170, 203, 219, 284, 320); "Allowance for credit losses" (*Co. No. 466); "Allowance for possible losses" (*Co. Nos. 39, 41, 132, 253, 256); "Allowance for possible losses in collection" (*Co. Nos. 336, 449, 552); "Allowance for possible credit losses" (*Co. No. 227); "Allowance for losses on receivables" (*Co. No. 90).

Reserve—(181 Companies):

"Less reserve(s)" (*Co. Nos. 14, 18, 22, 33, 48, 54, 57, 59, 60, 153, 154, 192, 232); "Less—Reserve for cash discounts and bad debts" (*Co. No. 66); "Less Reserve for bad debts" (*Co. Nos. 291, 396, 410); "Reserve(s) for doubtful accounts" (*Co. Nos. 15, 16, 35, 46, 52, 100, 105, 259); "Reserve(s) for doubtful accounts and discounts" (*Co. Nos. 45, 124); "Less reserves for discounts, returns, allowances, and doubtful receivables" (*Co. Nos. 194, 287); "Less reserve for doubtful receivables" (*Co. Nos. 157, 230, 581); "Less: Reserve for doubtful notes and accounts" (*Co. Nos. 145, 428); "Less Reserves for doubtful notes and accounts, cash discounts, and sales returns and allowances" (*Co. No. 190); "Less: Reserve for doubtful items" (*Co. No. 517); "Less reserve for doubtful items and cash discounts" (*Co. Nos. 53, 506); "Reserve for losses in collection" (*Co. No. 325); "Reserves for loss (losses)" (*Co. Nos. 311, 498); "Reserve for losses and unearned interest" (*Co. No. 112); "Reserve for estimated discounts and doubtful accounts" (*Co. No. 483); "Reserve for customers' discounts and doubtful accounts" (*Co. No. 177).

Provision—(33 Companies):

"Less provision for doubtful accounts" (*Co. Nos. 30, 51, 91, 103); "Less provision for doubtful accounts and discounts" (*Co. No. 81); "Less provision for possible future losses and deferred service charges" (*Co. No. 233); "Less provision for doubtful notes and accounts" (*Co. No. 278); "Less provision for bad debts" (*Co. Nos. 97, 144, 269); "Net after provision for losses and discounts" (*Co. No. 485); "Less provision for collection losses" (*Co. No. 405); "Less provision for credit losses" (*Co. No. 179); "Less provision for possible losses" (*Co. Nos. 380, 595); "Less provision for possible losses in collection" (*Co. Nos. 225, 513); "Less provisions for estimated uncollectible accounts" (*Co. No. 126); "Less provision for discounts, allowances and possible losses" (*Co. No. 388); "Less provision for losses" (*Co. No. 223); "Less provided for discounts and possible collection losses" (*Co. No. 193); "Less provision for discounts and losses" (*Co. No. 64).

Estimated—(29 Companies):

"Estimated doubtful accounts" (*Co. Nos. 11, 117, 128, 184, 276); "Estimated doubtful amounts" (*Co. Nos. 360, 525); "Estimated doubtful balances" (*Co. No. 599); "Estimated doubtful receivables" (*Co. No. 472); "Estimated uncollectibles" (*Co. Nos. 56, 526); "Estimated uncollectible amounts" (*Co. Nos. 442, 456, 549, 583); "Estimated bad debts" (*Co. No. 570); "Estimated losses" (Co. No. 453); "Estimated losses on claims and allowances" (*Co. No. 546); "Estimated losses in collection" (*Co. No. 322, 421, 455, 500); "Estimated collection expenses and losses" (*Co. No. 497); "Estimated allowances" (*Co. No. 12); "Estimated discounts, allowances and doubtful accounts" (*Co. No. 303).

Various Other Terms

"Deduct: for uncollectible accounts; for unearned finance charges, etc." (*Co. No. 584); "After deduction . . . for doubtful accounts and allowances" (*Co. No. 577); "After deduction . . . for returns, allowances, discounts and doubtful accounts" (*Co. Nos. 116, 427); "After deduction for doubtful receivables" (*Co. No. 156); "Less $xxx for possible losses" (*Co. No. 394); "Less $xxx for possible losses in collection" (*Co. No. 385); "— net" (*Co. Nos. 94, 368); "Less $xxx . . . for doubtful accounts and cash discounts" (*Co. No. 356); "Less $xxx for doubtful accounts" (*Co. Nos. 106, 301); "Stated on basis of realizable values" (*Co. No. 129); "After deductions for allowances, discounts and doubtful accounts" (*Co. No. 108).

*Refer to Company Appendix Section.

TERMINOLOGY FOR "ACCUMULATED DEPRECIATION"

Table 11 reveals that there has been a continuing decrease in the number of companies which use the term "reserve" in reference to accumulated depreciation. In 1948, 396 companies used the term "reserve" as compared with 165 companies in 1955. Increased usage of the term "accumulated" is evident, with a total of 190 companies using this term in 1955 as compared with 42 companies in 1948. The term "allowance" was used in 1955 by 124 companies, and in 1948 by 74 companies. This trend reflects the recommendation of the Committee on Terminology of the American Institute of Accountants that the use of the word "reserve" should be avoided in connection with accounts such as "accumulated depreciation."

The first section of Table 11 summarizes the primary descriptive terms, such as "reserve," "accumulated," "allowance," etc., used in the balance sheet to describe accumulated depreciation. The second section of this tabulation indicates the various secondary terms used in such balance sheet descriptions, together with the combinations of these primary and secondary terms and the frequency of their use in 1955.

Examples

The following examples of various types of balance sheet terminology for accumulated depreciation have been selected from the 1955 survey reports:

Reserve—(165 Companies):

"Reserve(s)" (*Co. Nos. 106, 167, 194, 281, 323, 463, 512); "Reserve(s) for depreciation" (*Co. Nos. 36, 54, 153, 154, 168, 188, 216, 273, 298, 349, 353, 359, 369, 553, 572); "Less depreciation reserves" (*Co. No. 112); "Reserves for depreciation and amortization" (*Co. Nos. 35, 45, 76, 87, 110, 161, 192, 232, 236, 417, 458); "Reserves for depreciation, amortization and retirement" (*Co. No. 554); "Reserves for depletion and depreciation" (*Co. Nos. 61, 131, 169, 367, 390, 428, 556); "Reserves for depreciation and depletion and other property reserves" (*Co. No. 355); "Reserves for depreciation, depletion and intangible development costs" (*Co. No. 171); "less reserve for depreciation . . .; less depletion and amortization" (*Co. No. 471); "Less: Reserve for depreciation, depletion and amortization" (*Co. Nos. 14, 46, 145, 302, 522, 535); "Less—Reserves for depreciation, amortization and

TABLE 11: ACCUMULATED DEPRECIATION

Primary Descriptive Term:	*1955	1954	1953	1950
A—"Reserve"—used alone	9	9	10	275
Reserve, etc.	156	161	189	
B—Provision, etc.	14	16	16	17
C—Accumulated, etc.	190	175	155	98
D—Allowance, etc.	124	123	122	108
E—"Depreciation"—used alone	41	44	42	80
Depreciation, etc.	45	46	37	
F—Accrued, etc.	4	4	5	4
G—Estimated, etc.	3	3	4	2
H—Wear and exhaustion	1	3	3	16
Wear of facilities	1	1	1	
Wear and tear	—	1	1	
Portion allocated to operations	3	6	7	
Portion charged to operations	1	1	1	
Amount charged to operations	2	1	1	
Amount charged to expense	1	1	1	
Amount charged to past operations	2	2	2	
Amounts applied to past operations	1	1	1	
Depreciated cost	1	1	1	
Depreciated ledger values	1	1	1	
	600	600	600	600

*1955 Term Used With:	A	B	C	D	F	G	H	None Used	1955 Total
	Primary Term Shown Above:								
Depreciation	83	7	94	61	2	1	5	41	294
Depreciation—amortization	45	3	63	43	1	1	3	23	182
Depreciation—amortization—depletion	9	1	15	9	1	—	—	12	47
Depreciation—amortization—obsolescence	1	2	4	2	—	—	—	—	9
Depreciation—depletion—obsolescence	—	1	—	—	—	—	—	—	1
Depreciation—depletion	15	—	9	7	—	1	—	7	39
Depreciation—obsolescence	3	—	3	1	—	—	—	2	9
Other phrases used	—	—	2	1	—	—	7	—	10
"Reserve"—used alone	9	—	—	—	—	—	—	—	9
	165	14	190	124	4	3	15	85	600

WESTINGHOUSE ELECTRIC CORPORATION

Facts in Brief

SUMMARY FOR THREE YEARS

	1955	1954	1953
PRODUCTS AND SERVICES SOLD	$1,440,976,985	$1,636,184,253	$1,582,047,141
INCOME FROM OTHER SOURCES	12,575,849	8,847,558	11,902,581
NET INCOME	42,802,747	79,921,732	74,322,925
On each dollar of sales	.03	.049	.047
Per share of common stock	2.46	4.78	4.53
WEAR OF FACILITIES PROVIDED OUT OF EARNINGS			
Depreciation	28,119,641	24,242,386	20,217,831
Amortization	14,986,127	13,554,465	8,533,264
EXPENDITURES FOR NEW AND IMPROVED PLANTS	49,541,862	60,239,265	85,562,182
DIVIDENDS PAID			
On preferred stock	1,900,000	1,900,000	1,900,000
On common stock	32,878,656	40,470,632	31,738,373
Per share of common stock	2.00	2.50	2.00
COMMON SHARES (AT YEAR END)			
Outstanding	16,644,341	16,332,195	15,985,262
Net worth per share	44.91	43.27	41.83
NUMBER OF SHAREHOLDERS (AT YEAR END)	119,086	111,107	111,424
WORKING CAPITAL (AT YEAR END)	736,146,478	687,440,081	629,725,467
RATIO CURRENT ASSETS TO CURRENT LIABILITIES (AT YEAR END)	6.0	4.0	4.2
BORROWED THROUGH DEBENTURE ISSUES (AT YEAR END)	322,300,000	323,842,000	323,842,000
AVERAGE NUMBER OF EMPLOYES	115,857	117,143	122,729

obsolescence" (*Co. No. 48); "Less reserve for depreciation and obsolescence charged to operations" (*Co. No. 11); "Less reserves for depreciation and obsolescence" (*Co. No. 124); "Reserve for depreciation and obsolescence (shown on the liability side of the balance sheet)" (*Co. Nos. 211, 474).

Provision—(14 Companies):

"Provision for depreciation" (*Co. Nos. 97, 225, 416, 436); "Depreciation provided" (*Co. No. 402); "Provision for depreciation; provision for amortization" (*Co. No. 337); "Less provision for depreciation, depletion and amortization, and less property written off" (*Co. No. 569); "Provision for depreciation and amortization" (*Co. Nos. 64, 70); "Provision for depletion and depreciation" (*Co. No. 144); "Less: Provision for depreciation at normal rates; Less: Acceleration by amortization" (*Co. No. 115); "Provision for depreciation and depletion" (*Co. No. 312).

Accumulated—(190 Companies):

"Accumulated depreciation" (*Co. Nos. 85, 159, 250, 253, 316, 378, 384, 452, 476, 491, 576, 577, 596); "Accumulated depreciation and revaluation" (*Co. No. 376); "Accumulated depreciation and amortization" (*Co. Nos. 18, 39, 47, 135, 146, 189, 220, 229, 233, 275, 346, 352, 366, 418, 419, 489, 551, 567); "Accumulated provisions for depreciation and amortization" (*Co. No. 3); "Accumulated allowances for depreciation and amortization" (*Co. Nos. 8, 204); "Accumulated depreciation, depletion and amortization" (*Co. Nos. 183, 205, 263, 276, 404, 457, 526); "Accumulated allowances for amortization, depletion and depreciation" (*Co. No. 20); "Accumulated depreciation, amortization and obsolescence" (*Co. Nos. 32, 116, 162, 268); "Accumulated depreciation and depletion" (*Co. Nos. 67, 150, 297, 405, 453, 455, 487); "Accumulated depreciation and quarry depletion" (*Co. No. 272); "Accumulated wear and exhaustion" (*Co. No. 320); "Accumulated depletion, depreciation, amortization and other charges to cover exhaustion of oil and gas reserves, wear and tear on facilities and obsolescence" (*Co. No. 552); "Accumulated depreciation and obsolescence" (*Co. Nos. 163, 254, 261); "Accumulated provisions for depreciation and amortization, including amortization of defense facilities of $xxx" (*Co. No. 96).

Allowance—(124 Companies):

"Allowance(s) for depreciation" (*Co. Nos. 5, 27, 49, 109, 177, 221, 227, 267, 321, 338, 340, 357, 401, 565); "Allowances for depreciation and depletion" (*Co. Nos. 212, 237, 466, 533); "Allowances for depreciation and amortization" (*Co. Nos. 2, 84, 133, 197, 217, 240, 399, 414, 415, 433); "Allowance for accumulated depreciation and amortization" (*Co. No. 98); "Allowances for depreciation, depletion, amortization" (*Co. Nos. 39, 379, 411, 421, 480); "Allowances for depreciation and obsolescence" (*Co. No. 325); "Allowance for wear and exhaustion" (*Co. No. 9); "Allowances for depreciation, amortization of emergency facilities, and depletion" (*Co. No. 207); "Allowances for depreciation, depletion, amortization, and loss on abandonments and replacements" (*Co. No. 257); "Allowance for depreciation, amortization and obsolescence" (*Co. Nos. 347, 475).

Depreciation—(86 Companies):

"Less—depreciation" (*Co. Nos. 6, 50, 114, 120, 147, 184, 201, 235, 301, 394, 492, 494); "Depreciation and amortization" (*Co. Nos. 33, 74, 251, 269, 472, 595, 599); "Depreciation and obsolescence" (*Co. Nos. 142, 481); "Depreciation" [Ed. note:—Balance sheet includes an additional reserve against fixed assets for "Estimated loss on disposal of weaving properties"] (*Co. No. 210); "Less—Depreciation, Amortization, and Depletion" (*Co. Nos. 30, 308, 437, 500, 523, 525); "Less depreciation and depletion" (*Co. Nos. 19, 322, 532, 586); "Less depreciation to date" (*Co. Nos. 23, 498); "Less depreciation and amortization to date" (*Co. Nos. 368, 385); "Less depreciation and depletion to date" (*Co. Nos. 58, 456).

Accrued, Estimated, or Various Other Terms:

"Less estimated depreciation" (*Co. No. 520); "Less estimated depreciation and depletion" (*Co. No. 319); "Less estimated depreciation and amortization" (*Co. No. 193); "Accrued depreciation" (*Co. Nos. 286, 534); "Accrued depreciation and amortization" (*Co. No. 454); "Accrued depreciation, depletion and amortization" (*Co. No. 12); "Reduced by the estimated cost of wear and exhaustion (depreciation and amortization)" (*Co. No. 117); "Portion of original cost allocated to operations to date" (*Co. No. 129); "Portion allocated to operations to date" (*Co. No. 81); "Less—amount charged to operations to date" (*Co. No. 79); "Less amounts charged to past operations as depreciation" (*Co. No. 121); "Less amounts applied to past operations" (*Co. No. 149); "Less amounts charged to operations as depreciation and amortization" (*Co. No. 219).

TERMINOLOGY FOR "INCOME TAX LIABILITY"

The 1955 balance sheets of the 600 survey companies included varying terminology for income tax liability. Descriptive terms such as "estimated," "provision," "reserve," or "accrued" were used by 246 companies in conjunction with other words to disclose their tax liability. The remaining 241 companies simply indicated the nature of the tax without further descriptive terminology. This method of presentation is becoming more common (241 companies in 1955 as compared with 180 in 1950).

Table 12 indicates a decrease in the use of the terms "reserve" and "provision" in the descriptive terminology for the liability for income taxes. This decline is in accordance with the recommendation of the Committee on Terminology of the American Institute of Accountants, as set forth in *Accounting Terminology Bulletin Number 1, Review and Résumé.*

Examples

The following examples of balance sheet terminology for Federal and other income or tax liability have been taken from the 1955 survey reports:

*Refer to Company Appendix Section.

Estimated—(130 Companies):

"Federal taxes on income—estimated" (*Co. Nos. 306, 372, 415, 419); "Estimated taxes on income" (*Co. Nos. 223, 494, 575); "Income taxes estimated" (*Co. No. 23); "U. S. Federal income taxes estimated" (*Co. No. 310); "Estimated Federal taxes on income, less advance payment of $xxx" (*Co. No. 347); "Estimated Federal income taxes" (*Co. No. 384); "Estimated liability for federal taxes on income" (*Co. No. 106); "Federal and state taxes on income—estimated" (*Co. Nos. 111, 258, 321, 357, 384); "Federal and state taxes based on income, estimated" (*Co. No. 427); "Estimated federal and other taxes on income" (*Co. No. 451); "Federal and other taxes based on income (estimated)" (*Co. No. 522); "Amounts provided for estimated federal and other taxes on income" (*Co. No. 552); "Taxes on income, estimated" (*Co. No. 464); "Federal and Canadian taxes on income, estimated" (*Co. No. 314); "Estimated Federal and Canadian taxes on income" (*Co. No. 592); "Estimated United States and foreign income taxes" (*Co. No. 562); "Federal and Canadian income taxes (estimated)" (*Co. No. 359); "Federal, state, and Canadian taxes on income—estimated" (*Co. Nos. 217, 408); "Federal, state and foreign taxes on income—estimated less $xxx United States Government securities to be used for payment of federal income taxes" (*Co. No. 95); "Federal income taxes, for current and prior years, estimated"; "Pennsylvania income taxes, estimated" (*Co. No. 257); "United States, State and Foreign taxes on income—estimated" (*Co. No. 445); "United States and British taxes on income and estimated provisions for renegotiation refunds" (*Co. No. 65); "Estimated income taxes and renegotiation" (*Co. No. 114); "Estimated Federal taxes on income and renegotiation" (*Co. No. 211); "Estimated federal income taxes and renegotiation" (*Co. Nos. 11, 335); "Estimated federal and foreign income taxes and renegotiation" (*Co. No. 140); "United States and foreign taxes on income and provision for renegotiation refund—estimated" (*Co. No. 40); "Income taxes and renegotiation adjustments—estimated" (*Co. No. 227); "Estimated Federal and State taxes on income and adjustments resulting from price redetermination and renegotiation of Government contracts"; "Other federal, state, and local taxes" (*Co. No. 485).

Provision—(94 Companies):

"Provision for federal income tax(es)" (*Co. Nos. 163, 197); "Provision for federal taxes on income" (*Co. Nos. 144, 167, 207, 245); "Provision for federal income taxes (less U. S. Treasury obligations, etc.)" (*Co. No. 131); "Provision for taxes on income" (*Co. Nos. 155, 324, 374, 580); "Provision for income taxes" (*Co. No. 185); "Provision for federal and state taxes on income" (*Co. Nos. 164, 533); "Provision for income taxes—Federal $xxx; State $xxx" (*Co. No. 54); "Provision for federal and state taxes" (*Co. No. 403); "Provisions for estimated federal and state income and other taxes, less Treasury tax anticipation certificates, etc." (*Co. No. 417); "Provision for federal and state income taxes" (*Co. Nos. 109, 342); "Provision for federal, state and foreign taxes on income" (*Co. No. 459); "Provision for federal, state and Canadian income taxes" (*Co. No. 362); "Provision for taxes—Federal and foreign income taxes $xxx; less U. S. securities, etc." (*Co. No. 145); "Provision for United States

TABLE 12: INCOME TAX LIABILITY

Primary Descriptive Term:	*1955	1954	1953	1950
Estimated, etc.	129	128	133	109
Provision, etc.	95	100	105	130
Reserve, etc.	23	23	26	48
Accrued, etc.	99	105	103	122
None Used With—				
Federal income taxes	211	205	201	180
Income taxes	19	16	16	
Taxes	11	8	9	
Total	587	585	593	589
No income or tax liability	13	15	7	11
	600	600	600	600

*1955 Descriptive Term Used With:	Estimated	Provision	Reserve	Accrued	Used Alone	1955 Total
Federal income tax	61	47	12	35	146	301
Federal and state income taxes	24	11	1	10	19	65
Federal, state, and foreign taxes	6	2	—	3	7	18
Federal and foreign income taxes	21	16	7	10	39	93
Income taxes	18	13	3	9	19	62
Taxes	—	5	—	32	11	48
Total	130	94	23	99	241	587

and Canadian taxes on income" (*Co. No. 199); "Provision for domestic and foreign taxes on income" (*Co. No. 274); "Provision for federal and Canadian income taxes" (*Co. No. 176); "Provision for federal and foreign income taxes" (*Co. No. 228); "Provision for federal and foreign taxes on income" (*Co. Nos. 332, 462); "Provision for federal and foreign taxes on income and renegotiation" (*Co. No. 238); "Provision for federal and other taxes" (*Co. No. 240); "Provision for federal income taxes, and renegotiation" (*Co. No. 186); "Provision for federal and state taxes on income and for renegotiation" (*Co. No. 530); "Provision for taxes on income and other corporate taxes for current and prior years, estimated" (*Co. No. 175); "Provisions for taxes, including federal taxes on income" (*Co. No. 409); "Provisions for income, social security, property and sundry taxes" (*Co. No. 469); "Provision for taxes and other liabilities" (*Co. No. 569); "Provision for federal, state, and other taxes" (*Co. No. 216); "Provision for taxes" (*Co. No. 458).

Reserve—(23 Companies):

"Reserve for federal taxes on income" (*Co. Nos. 86, 87, 100, 302, 430); "Reserve for taxes on income" (*Co. No. 161); "Reserve for income taxes" (*Co. No. 29); "Reserve for federal income taxes" (*Co. Nos. 63, 290); "Reserve for federal and foreign taxes on income" (*Co. Nos. 401, 563); "Reserve for estimated federal and Canadian taxes on income" (*Co. No. 441); "Reserve for U. S. A., Canadian and Cuban taxes on income" (*Co. No. 594); "Reserves for U. S. and Cuban taxes on income" (*Co. No. 48); "Reserve for Federal and Canadian income taxes" (*Co. No. 91); "State and Federal taxes (Reserve)" (*Co. No. 188); "Reserves for federal, state and local taxes" (*Co. No. 478); "Reserve for federal and Canadian income taxes and renegotiation" (*Co. No. 548).

Accrued—(99 Companies):

"Accrued Federal taxes on income" (*Co. No. 112); "Accrued liabilities: Federal taxes on income" (*Co. Nos. 33, 115, 141, 147, 173); "Accrued federal income tax(es)" (*Co. Nos. 110, 168, 239, 457); "Accrued taxes: Federal income" (*Co. No. 19); "Accrued liabilities: Federal income taxes and renegotiation" (*Co. No. 490); "Accrued taxes on income" (*Co. Nos. 471, 571); "Accrued estimated taxes on income" (*Co. No. 500); "Accrued federal and state taxes" (*Co. No. 452); "Accrued Liabilities: Federal and state taxes on income" (*Co. No. 587); "Federal and state taxes (accrued and contingent)" (*Co. No. 481); "Accrued accounts: Federal, state, and local taxes" (*Co. No. 405); "Accrued federal, state, local and foreign taxes" (*Co. No. 506); "Accrued federal and Canadian income taxes" (*Co. No. 465); "Accrued federal and Canadian taxes on income" (*Co. No. 178); "Federal, state and local taxes accrued" (*Co. No. 252); "Accrued federal, state and local taxes" (*No. 1); "Accrued federal, state and other taxes" (*No. 237); "Accrued taxes" (*Nos. 9, 49, 55, 62, 142, 194); "Taxes accrued" (*Co. No. 14); "Tax accruals" (*Co. No. 169); "Accrued taxes, less United States Government securities of $xxx" (*Co. No. 570); "Accrued taxes, less U. S. Treasury Tax Anticipation Certificates at cost, $xxx" (*Co. No. 62); "Accrued taxes—Federal income taxes (*Co. No. 61); "Accrual for Federal, state and foreign taxes on income" (*Co. No. 413); "Accrued taxes: federal, state and foreign taxes on income (etc.)" (*Co. No. 486); "Accrued liabilities—federal and state income taxes" (*Co. No. 15); "Accrued federal and foreign taxes on income" (*Co. No. 35); "Accrued foreign and United States taxes on income" (*Co. No. 521); "Taxes payable and accrued" (*Co. Nos. 121, 272); "Taxes payable and accrued: income taxes (etc.)" (*Co. No. 230); "Taxes payable and accrued: Federal taxes on income" (*Co. No. 303); "Accrued taxes —including taxes on income" (*Co. No. 152); "Accrued income taxes" (*Co. No. 422); "Accrued taxes, including federal income" (*Co. No. 535); "Accrued federal income taxes and renegotiation of defense business"; "Other accrued taxes (including foreign income taxes)" (*Co. No. 568).

Federal income tax—(211 Companies):

"Federal taxes on income" (*Co. Nos. 85, 156, 235, 412); "Federal income taxes" (*Co. Nos. 97, 280, 439); "Federal and state income taxes" (*Co. Nos. 318, 367, 579); "Federal and state taxes on income" (*Co. Nos. 381, 574); "Federal, state and Canadian taxes on income" (*Co. No. 329); "Federal, Pennsylvania and Canadian taxes on income" (*Co. No. 472); "Federal and foreign taxes on income" (*Co. No. 25); "Federal and Canadian taxes on income" (*Co. Nos. 27, 108); "United States and Canadian taxes on income" (*Co. No. 205); "United States and foreign taxes on income" (*Co. No. 431); "Federal income taxes, and renegotiation of government contracts" (*Co. No. 473); "Federal income taxes and renegotiation" (*Co. No. 70); "Federal and other taxes on income" (*Co. No. 128); "Federal, state, and territorial taxes on income" (*Co. No. 159); "Federal income tax liability (etc.)" (*Co. No. 532); "Liability for Federal income taxes of companies acquired" (*Co. No. 542); "Federal income tax(es) payable" (*Co. No. 198, 516).

Income Taxes—(19 Companies):

"Taxes on income" (*Co. Nos. 154, 449, 468, 531); "Income taxes" (*Co. Nos. 101, 135, 215, 348); "Income taxes payable" (*Co. No. 525); "Taxes on income payable to United States and Canadian governments (etc.)" (*Co. No. 518).

Taxes—(11 Companies):

"Taxes" (*Co. No. 322); "Taxes Payable" (*Co. Nos. 119, 358); "United States, Canadian, state and sundry taxes" (*Co. No. 350); "Federal, state and local taxes" (*Co. No. 505); "Taxes payable (including taxes on income)" (*Co. No. 512); "Taxes payable—including federal taxes on income (etc.)" (*Co. No. 523).

*Refer to Company Appendix Section.

TABLE 13: STOCKHOLDERS' EQUITY SECTION

Balance Sheet Title	1955	1954	1953
Capital stock and surplus	138	139	144
Capital stock and earned surplus	1	2	1
Capital stock (shares) and surplus	—	1	1
Capital and surplus	8	10	11
Capital stock and retained earnings	11	12	13
Capital stock and accumulated earnings	1	1	2
Capital stock and accumulated (earnings, income) [retained, invested]	2	2	2
Capital stock and (earnings, retained profits) [invested, reinvested]	3	2	2
Capital and retained earnings	15	12	11
(Equity, stated) capital and retained earnings	2	1	2
Capital and (accumulated earnings, profit retained and employed)	—	2	2
Capital	65	67	69
Capitalization	1	1	1
Capital (accounts, invested, investment, structure)	5	5	6
Investment represented by	—	1	2
Net worth	1	3	5
Ownership	1	2	2
Ownership evidenced by	3	4	4
Ownership (equities, interest)	2	2	2
Ownership of net assets	3	1	—
Source of net assets	—	—	—
Source from which capital was obtained	2	3	4
Sources from which net assets were obtained	1	1	2
Sources from which capital was derived	1	1	1
Represented by	16	15	15
Derived from	3	4	4
Provided by	1	1	1
Stockholders' equity	124	118	107
Stockholders' investment	44	50	51
Stockholders' ownership	7	6	6
Stockholders' interest	2	3	3
Stockholders' capital	1	1	2
Shareholders' Equity	56	43	34
Shareholders' investment	10	11	9
Shareholders' ownership	1	1	1
Shareholders' interest	3	3	6
Shareholders' capital	1	1	1
Derived from shareholders	1	1	1
Shareowners' equity	6	6	4
Shareowners' investment	6	5	5
Investors' equities	1	1	1
Capital stock, surplus, and reserve	1	1	1
Total	550	546	541
No title set forth	50	54	59
	600	600	600

TITLE OF THE "STOCKHOLDERS' EQUITY" SECTION

Table 13 discloses the diversity among the titles used by the 600 survey companies in describing the stockholders' equity section of the balance sheet in their published annual reports. It also reveals that an increasing number of companies are giving a title to this section of the balance sheet, with greater preference for "stockholders' equity" (124 companies), or "shareholders' equity" (56 companies). The terms "capital," and "capital stock and surplus," although used by more than one-third of the companies, are being used less frequently each year. Almost half of the companies which use a title include in the caption the word "stockholders'" or "shareholders'" combined with the words "equity," "investment," "ownership" or "interest."

Examples

The following examples of titles appearing over the stockholders' equity section of the balance sheet have been selected from the 1955 annual reports of the survey companies:

"Capital stock and surplus" (*Co. Nos. 4, 100, 165, 202, 232, 363, 474, 527, 568, 587); "Capital stock and earned surplus" (*Co. No. 343); "Capital and surplus" (*Co. Nos. 22, 60, 278, 298, 313, 355, 382, 583); "Capital stock and retained earnings" (*Co. Nos. 141, 147, 172, 187, 277, 416, 469); "Capital stock and earnings retained in business" (*Co. Nos. 246, 465); "Capital stock and earnings retained for use in the business" (*Co. No. 275); "Capital stock and accumulated earnings" (*Co. No. 538); "Capital stock and accumulated income retained for use in the business" (*Co. No. 288); "Capital and accumulated earnings retained for use in the business" (*Co. No. 596); "Capital stock and earnings reinvested" (*Co. No. 308); "Capital and retained profits reinvested" (*Co. No. 545); "Capital stock and earnings invested in the business" (*Co. No. 547).

"Capital and retained earnings" (*Co. Nos. 8, 50, 327, 356, 375, 453, 461, 482); "Capital and earnings retained in the business" (*Co. No. 186); "Capital and retained earnings invested in the business" (*Co. No. 558); "Equity capital" (*Co. No. 311); "Equity capital and earnings retained in business" (*Co. No. 245).

"Capital" (*Co. Nos. 10, 66, 122, 167, 200, 257, 312, 357, 429, 506); "Capital invested" (*Co. No. 415); "Capital invested in business" (*Co. Nos. 490, 537); "Capital investment" (*Co. No. 520); "Capital Structure" (*Co. No. 188); "Net worth" (*Co. No. 439).

"Ownership" (*Co. No. 449); "Ownership evidenced by" (*Co. Nos. 252, 331, 570); "Ownership equities" (*Co. No. 129); "Ownership interest" (*Co. No. 276); "Ownership of net assets" (*Co. Nos. 18, 216, 458); "Source from which capital was obtained" (*Co. Nos. 120, 351); "Sources from which net assets were obtained" (*Co. No. 412); "Sources from which capital was derived" (*Co. No. 498); "Represented by" (*Co. Nos. 74, 150, 210, 314, 319, 322, 332, 345, 401, 595); "Derived from" (*Co. Nos. 560, 584); "The net assets were derived from" (*Co. No. 422); "Provided by" (*Co. No. 494).

*Refer to Company Appendix Section.

"Stockholders' equity" (*Co. Nos. 1, 37, 116, 209, 263, 304, 335, 411, 477, 540); "Stockholders' investment" (*Co. Nos. 7, 26, 98, 117, 179, 289, 370, 420, 549); "Represented by stockholders' investment" (*Co. No. 505); "Stockholders' ownership" (*Co. Nos. 136, 243, 398, 523); "Stockholders' ownership evidenced by" (*Co. Nos. 11, 316); "Stockholders' interest" (*Co. Nos. 205, 526); "The stockholders' capital was divided as follows:" (*Co. No. 384).

"Shareholders' equity" (*Co. Nos. 20, 91, 137, 279, 359, 404, 433, 512, 531, 588); "Shareholders' investment" (*Co. Nos. 220, 228, 233, 241, 328, 485, 502, 528, 544); "Shareholders' investment in the business" (*Co. No. 421); "Shareholders' ownership" (*Co. No. 368); "Shareholders' interest" (*Co. Nos. 300, 476, 590); "Shareholders' invested capital" (*Co. No. 283); "Derived from shareholders" (*Co. No. 223).

"Shareowners' equity" (*Co. Nos. 89, 215, 251, 388, 552, 556); "Shareowners' investment" (*Co. Nos. 31, 160, 400, 437, 447); "Investment of shareowners" (*Co. No. 518); "Investors' equities" (*Co. No. 63); "Capital stock, surplus and reserve" (*Co. No. 342).

*Refer to Company Appendix Section.

TABLE 14: CAPITAL SURPLUS CAPTION

Balance Sheet Captions	1955	1954	1953	1950	1948
Including term "surplus"—					
Capital surplus (Note A)	201	198	197	224	257
Paid-in surplus (Note B)	54	53	53	72	92
Capital surplus—paid-in	9	13	13	4	4
Surplus (classified) (Note C)	2	6	6	4	5
Surplus (unclassified) (Note D)	8	7	10	15	17
Surplus reinvested (unclassified) (*Co. No. 142)	1	1	1	—	—
Total retaining term "surplus"	275	278	280	319	375
Total replacing term "surplus"**	200	188	181	126	70
Total presenting accounts	475	466	461	445	445
Not presenting accounts (Note E)	125	134	139	155	155
	600	600	600	600	600
Percentage of Companies					
Retaining term "surplus"	58	60	61	71	84
Replacing term "surplus"	42	40	39	29	16
	100%	100%	100%	100%	100%

Note A: Includes three instances where "Capital surplus" and "Paid-in surplus" appeared with separate dollar amounts designated for each (*Co. Nos. 232, 419, 457).
Note B: Includes one instance where "Paid-in surplus" and "Surplus from merger of subsidiary" appear with separate dollar amounts designated for each (*Co. No. 265).
Note C: Includes the usage of "Recapitalization Surplus" (*Co. No. 452) since 1950 and the usage of "Initial Surplus" (*Co. No. 16) each year.
Note D: *Co. Nos. 46, 55, 92, 139, 321, 445, 462, 470.
Note E: Includes one instance where a separate statement of "Consolidated Statement of Capital in Excess of Stated or Par Value and Retained Earnings" is presented showing transactions during the year, with no balance at the end of the year and no balance sheet reference (*Co. No. 37).

*Refer to Company Appendix Section.

**The Various Balance Sheet Captions, Which Replaced the Term "Surplus," Used the Following Types of Terminology:

	1955	1954	1953
Additional paid-in capital	48	46	39
Capital paid-in or Paid-in capital	4	3	3
Other paid-in capital	5	5	8
Additional capital	8	9	8
Other capital	12	10	9
Other contributed capital	1	1	2
Capital contributed by owners	1	1	1
Sundry capital credits	1	1	1
Capital in excess of par or stated values	62	50	50
Amount in excess of par value	4	2	1
Investment in excess of (par, stated) value	6	6	7
Capital (contributed, received) in excess of (par, stated, par or stated) values	12	13	13
Capital paid-in in excess of par value	10	9	9
Amount (paid-in, paid-in or assigned, realized, received) in excess of (par, stated, par or stated) values	8	13	10
Excess of (amounts received, amounts contributed, amounts paid-in, capital paid-in, net proceeds) over (par, stated) values	1	2	2
(Paid-in, premium received) in excess of par value	1	1	2

	1955	1954	1953
Capital arising from (conversion, retirement, stock dividends)	1	2	2
(Paid-in) capital arising from reduction in par value shares	1	1	1
Capital arising from revision of capital stock structure in prior years	1	1	1
Conversion, retirements, premium on stock issued, and merger	1	1	1
Earnings (segregated, transferred, allocated, capitalized)	3	2	2
Excess or proceeds received from sale of treasury stock over cost thereof	1	1	1
Excess of (net assets, equity in net assets) of subsidiary	2	4	4
Earnings of subsidiary at acquisition	1	1	1
Retained earnings transferred to capital	1	1	1
Common shareholders' equity	1	1	1
Excess of value assigned to properties acquired over par value of capital stock issued therefor	1	—	—
Common stockholders: capital	1	1	1
Total	200	188	181

"CAPITAL SURPLUS" CAPTION IN THE BALANCE SHEET

The Committee on Terminology of the American Institute of Accountants, in *Accounting Terminology Bulletin Number 1, Review and Résumé,* reaffirms the recommendation made by the committee in 1949 that in the balance sheet presentation of stockholders' equity the use of the term "surplus" be discontinued. This recommendation is applicable not only to the term "surplus" standing alone but also in such combinations as "capital surplus," "paid-in surplus," "earned surplus," and "appraisal surplus." Although the term "surplus" continues to be extensively used in the descriptive caption for "capital surplus," there has been a marked trend toward its elimination. As shown by Table 14, only 275 of the survey companies used the term "surplus" in their balance sheet captions in 1955, as compared with 375 companies that used it in 1948.

Sources of Capital Surplus

In addition to its recommendations as to the discontinuance of the use of the term "surplus," the Committee on Terminology (*Accounting Terminology Bulletin Number 1, Review and Résumé*) stated that in adopting new terminology consideration should be given primarily to the *sources* from which the proprietary capital was derived. Table 15 shows the nature of the information disclosed in the balance sheet caption by the survey companies as to the *source* of "capital surplus."

TABLE 15: SOURCE OF CAPITAL SURPLUS

Source Set Forth in Caption	1955	1954
Excess (received, paid-in, contributed) over par value	33	32
Excess received over par or stated value	2	3
Excess received over stated value	3	5
Excess over par value	69	58
Excess over par or stated value	4	5
Excess over (stated amounts, value shown, stated value)	7	7
Earnings capitalized	8	6
Revision in capital structure	3	4
Retirement of capital stock	2	3
Conversion of preferred stock	3	3
Sale of treasury stock	4	2
Revaluation of capital assets	1	1
Subsidiary acquisition or merger	7	7
Common shareholders' (stockholders') equity	2	2
Total	148	138
Number of Companies		
Referring to source of capital surplus	148	138
Not referring to source of capital surplus	327	328
Not referring to capital or unclassified surplus	125	134
	600	600

Examples

The following examples, taken from the 1955 annual reports of the survey companies, are illustrative of the various phrases used to describe "capital surplus."

Captions Retaining "Surplus"—(275 companies) Source Indicated

"Capital Surplus—excess of amount received from sale of treasury stock over par value of stock sold" (*Co. No. 7).

"Capital surplus—primarily transfers from earnings retained in the business in connection with stock dividends" (*Co. No. 186).

"Paid-in surplus (increased during the year by $xxx, from preferred stock converted or acquired for sinking fund)" (*Co. No. 297).

"Capital surplus—chiefly the excess of net assets at July 1, 1936, the date of reorganization, over the stated value of capital stock issued (*Co. No. 420).

"Capital surplus (from redemption of preferred stock)" (*Co. No. 488).

"Capital Surplus: Paid in by stockholders; Earnings capitalized in connection with stock dividend in 1948" (*Co. No. 490).

"Capital surplus—excess of parent's equity in net assets of subsidiaries at acquisition over its investments therein" (*Co. No. 504).

"Capital surplus (arising from the retirement of prior preferred stock)" (*Co. No. 519).

"Capital surplus—excess of approximate market value over par value of common shares issued as dividends" (*Co. No. 545).

"Capital surplus (excess of sales price over cost of treasury stock sold since April 22, 1949)" (*Co. No. 546).

"Capital Surplus (arising from sale of reacquired Capital Stock)" (*Co. No. 553).

"Capital Surplus (paid-in surplus, surplus arising from adjustments of capital, and surplus arising from revaluation of fixed assets)" (*Co. No. 561).

"Paid-in surplus—arising from sale of stock for amounts in excess of par value" (*Co. No. 566).

"Paid-in Surplus from conversion of Convertible Preferred Stock"; "Surplus from merger of subsidiary" (*Co. No. 265).

"Capital in excess of par value (Capital Surplus)" (*Co. Nos. 270, 554).

"Amount paid the company for capital stock in excess of par value (capital surplus)" (*Co. No. 11).

"Capital surplus (Excess over par value of Common Stock)" (*Co. No. 95).

"Capital in Excess of Par Value (Capital Surplus)" (*Co. No. 573).

"Capital Surplus—principally the excess of book values of net assets of subsidiaries at acquisition over cost of investment" (*Co. No. 588).

"Capital surplus from restatement of common shares" (*Co. No. 41).

Source Not Indicated

"Capital Surplus" (*Co. Nos. 1, 3, 4, 6, 12, 21, 22, 28, 57, 65, 165, 183, 302, 304, 358, 363, 424).

"Capital Surplus (Note 5) (No changes since June 30, 1952)" (*Co. No. 34).

"Capital Surplus, paid-in" (*Co. No. 14)

"Capital surplus (no change during the year)" (*Co. No. 15).

"Paid-in surplus" (*Co. Nos. 97, 323, 401).

*Refer to Company Appendix Section.

"Paid-in surplus; other capital surplus" (*Co. No. 419).
"Surplus: Capital (no change in year)"; "Paid-in" (*Co. No. 423).
"Paid-in surplus"; "Capital Surplus" (*Co. No. 232, 457).
"Capital (paid-in) surplus" (*Co. No. 123).
"Surplus": "Initial" (*Co. No. 16).

Captions Replacing "Surplus"—(200 companies)
Source Indicated

"Capital in excess of par value of shares outstanding (increase in 1955 represents excess of par value of preferred shares over par value of common shares issued upon conversion)" (*Co. No. 482).
"Capital in excess of par value" (*Co. Nos. 88, 134, 335, 523).
"Capital in excess of par value of common stock" (*Co. Nos. 18, 233, 329).
"Capital in excess of par value of capital stock" (*Co. Nos. 31, 238, 411).
"Capital in excess of par value of shares" (*Co. Nos. 187, 268).
"Capital paid-in in excess of par values of capital stock" (*Co. No. 529).
"Capital paid-in in excess of par value of shares issued" (*Co. No. 271).
"Capital paid-in for common stock in excess of par value" (*Co. No. 27).
"Capital assigned to common shares in excess of stated value" (*Co. No. 279).
"Capital in excess of par value; the increase represents $xxx excess of market value over par of common shares issued as 3% dividend and $xxx excess of proceeds over carrying value of common shares sold from treasury (*Co. No. 280).

*Refer to Company Appendix Section.

TABLE 16: TERMS REPLACING "EARNED SURPLUS"

Earned Surplus Replaced:	1955	1954	1953	1950	1948
With "source" words—					
Earnings	302	293	282	204	69
Income	40	39	36	35	21
Profit	6	9	9	8	8
Deficit	1	—	—	1	1
	349	341	327	248	99
Combined with "status" words—					
Retained	247	247	232	154	60
Accumulated	38	36	35	37	5
Reinvested	27	26	29	24	14
Employed	21	19	17	17	9
Invested	11	9	9	10	6
Undistributed	2	1	2	2	2
Undivided	1	2	2	2	2
Used	1	1	1	2	1
Operations	1	—	—	—	—
	349	341	327	248	99
Earned Surplus Retained As:					
Earned Surplus	215	234	241		
Earned Surplus *combined* with—					
Earnings retained	11	6	9		
Earnings reinvested	3	1	2		
Earnings employed	1	1	1		
Earnings accumulated	1	—	—	335	481
Income retained	5	4	6		
Income reinvested	1	—	2		
Accumulated	1	—	—		
Deficit	3	1	1		
Surplus from operations	—	—	1		
Surplus*	9	10	9	17	20
Surplus reinvested*	—	1	1	—	—
Deficit	1	1	—	—	—
	251	259	273	352	501
	600	600	600	600	600
Number of Companies:					
Replacing "earned surplus"	349	341	327	248	99
Retaining "earned surplus"	251	259	273	352	501
	600	600	600	600	600

*Surplus not classified.

"Capital arising from payment of stock dividends" (*Co. No. 334).

"Additional capital from premiums on issuance or conversion of shares, etc." (*Co. No. 223).

"Other capital (transferred from accumulated earnings in connection with stock dividends)" (*Co. No. 126).

"Amount in excess of par value" (*Co. Nos. 465, 502).

"Amounts received in excess of par value of issued common stock" (*Co. No. 209).

"Investment in excess of par value of common stock" (*Co. No. 405).

"Additional capital—excess of net assets over stated capital as of January 1, 1938 plus subsequent additions arising from retirements of preferred stock and issues of common shares as stock dividends" (*Co. No. 530).

"Excess of value assigned to properties acquired over par value of capital stock issued therefor" (*Co. No. 540).

"Excess of assets of consolidated companies acquired over cost—net" (*Co. No. 410).

"Capital in excess of par value of shares"; "Excess of equity (at book value) in subsidiary at date of acquisition over cost of the investment" (*Co. No. 227).

"Excess of stockholders' investment over par value of common stock" (*Co. No. 243).

"Other capital in excess of par value of shares" (*Co. No. 23).

"Paid-in capital in excess of par value" (*Co. No. 26).

Source Not Indicated

"Paid-in capital" (*Co. No. 410).

"Additional paid-in capital" (*Co. Nos. 32, 51, 143, 492).

"Other paid-in capital" (*Co. Nos. 13, 117).

"Other contributed capital, no change during year" (*Co. No. 10).

"Additional Capital" (*Co. No. 20).

"Sundry capital credits (no change during year)" (*Co. No. 24).

"RETAINED EARNINGS" CAPTION IN THE BALANCE SHEET

Table 16 reveals that there has been a steady decrease in the use of the term "surplus" in describing the "retained earnings" account in the balance sheets in the published annual reports of the 600 survey companies. In 1948 there were 501 companies that used the term "surplus" in this connection in their balance sheets, whereas in 1955 there were only 251 survey companies that continued to use such terminology. This decline in the use of the term "surplus" is in accord with the recommendation made by the Committee on Terminology of the American Institute of Accountants (*Accounting Terminology Bulletin Number 1, Review and Résumé*) that:

> The term *earned surplus* be replaced by terms which will indicate source, such as *retained income, retained earnings, accumulated earnings,* or *earnings retained for use in the business.*

Table 16 shows that the 349 survey companies which in 1955 had replaced the term "earned surplus" in their balance sheets had done so with other words such as "retained earnings," "retained income," "accumulated earnings," "reinvested earnings," "earnings employed," etc., which more clearly indicate *source,* as recommended by the Committee on Terminology.

*Refer to Company Appendix Section.

Table 17 shows the frequency of use of the various combinations of words indicating the *status* and *source* of retained earnings as set forth in the 1955 balance sheets of the survey companies. This tabulation discloses that the words "retained" and "earnings" are those that have been adopted most often to replace the term "earned surplus."

TABLE 17: RETAINED EARNINGS TERMINOLOGY IN 1955

	"Source" Words			
"Status" Words:	Earnings	Income	Profit	Total
Retained	64	1	—	65
Retained in the business	63	11	1	75
Retained—Invested	8	1	—	9
Retained—Used	76	13	—	89
Retained—Employed	7	—	—	7
Retained—Reinvested	1	—	1	2
Accumulated	6	—	—	6
Accumulated—Retained	10	—	—	10
Accumulated—Retained—Used	7	3	—	10
Accumulated—Used	4	1	—	5
Accumulated—Employed	4	—	—	4
Accumulated—Invested	1	—	—	1
Accumulated—Reinvested	2	—	—	2
Reinvested	9	—	—	9
Reinvested in the business	10	2	2	14
Reinvested—Employed in the business	1	2	—	3
Reinvested—Retained in the business	1	—	—	1
Employed	2	—	—	2
Employed in the business	16	2	1	19
Invested in the business	6	4	—	10
Invested—used for plant	—	—	—	—
Invested—additions and working capital	1	—	—	1
Undistributed	1	—	—	1
Undistributed—Employed in the business	1	—	—	1
Used in the business	1	—	—	1
Undivided	—	—	1	1
Deficit from operations	—	—	1	1
Total	302	40	7	349
"Surplus" Words:				
Earned Surplus	—	—	—	215
Earned Surplus used with:				
Retained	2	—	—	2
Retained in the business	3	2	—	5
Retained—used in the business	6	3	—	9
Reinvested	3	1	—	4
Employed	1	—	—	1
Accumulated	—	—	—	1
Accumulated-employed	1	—	—	1
Deficit	—	—	3	3
Surplus: Deficit	—	—	1	1
Surplus: Unclassified	—	—	—	9
Total				251
				600

Examples

Various examples (given below) taken from the 1955 balance sheets of the survey companies illustrate the terminology used in the presentation of retained earnings (See also Section 4, Retained Earnings and Capital Surplus):

Earnings—(302 Companies):

"Retained earnings" (*Co. Nos. 37, 74, 103, 111, 116, 223, 354, 501, 541); "Earnings retained" (*Co. No. 67); "Retained earnings (earned surplus)" (*Co. No. 323); "Retained earnings used in the business" (*Co. No. 115); "Earnings Retained in the Business" (*Co. Nos. 9, 79, 87, 88, 108, 113, 137, 215, 218, 221, 228, 240, 276, 335); "Earnings retained for use in the business" (*Co. Nos. 17, 77, 81, 98, 120, 217, 219, 241, 356, 431, 573); "Earnings retained for use in business (after deducting amounts transferred to capital)" (*Co. No. 227); "Retained earnings invested in the business" (*Co. No. 222); "Earnings retained and invested in the business" (*Co. No. 523); "Earnings retained for business needs" (*Co. Nos. 214, 576); "Accumulated retained earnings" (*Co. No. 225); "Accumulated earnings retained for use in the business" (*Co. No. 337); "Accumulated earnings reinvested in the business" (*Co. Nos. 75, 104); "Accumulated Earnings Retained in the Business" (*Co. No. 31); "Earnings retained and used in the business" (*Co. No. 384); "Earnings Retained and Employed in the Business" (*Co. No. 93); "Earnings Reinvested" (*Co. No. 512); "Reinvested Earnings" (*Co. No. 556); "Earnings reinvested and employed in the business" (*Co. No. 525); "Earnings reinvested in the business (after stock dividends totaling $xxx) (unappropriated earned surplus)" (*Co. No. 270); "Earnings reinvested in the business" (*Co. Nos. 58, 364, 498); "Earnings Employed in the Business" (*Co. Nos. 2, 110, 235, 448, 484, 502, 509, 532); "Earnings reinvested or retained in the business" (*Co. No. 447); "Earnings invested in the business" (*Co. Nos. 89, 442, 454, 468, 516, 547); "Accumulated Earnings Invested in the Business" (*Co. No. 114); "Earnings used in the business" (*Co. No. 496); "Accumulated Earnings Used in the Business" (*Co. No. 229); "Accumulated Earnings Employed in the Business" (*Co. No. 233); "Undistributed Earnings, excluding amounts capitalized" (*Co. No. 96); "Undistributed earnings employed in the business" (*Co. No. 540); "Invested earnings—used for plant additions and working capital" (*Co. No. 3); "Unappropriated earnings retained and used in the business" (*Co. No. 250).

Income—(40 Companies):

"Income retained in the business" (*Co. Nos. 62, 78, 99, 105); "Net income retained for use in the business (earned surplus)" (*Co. No. 254); "Income retained for use in the business" (*Co. Nos. 477, 544); "Income retained for use in the business since December 31, 1932 (earned surplus)" (*Co. No. 86); "Accumulated income retained for use in the business" (*Co. No. 288); "Accumulated net income retained for use in the business" (*Co. No. 385); "Income reinvested in business" (*Co. Nos. 494, 570); "Income reinvested or employed in the business" (*Co. Nos. 476, 586); "Net income employed in the business" (*Co. No. 526); "Income employed in the business" (*Co. No. 595); "Income invested in the business" (*Co. Nos. 106, 117, 234); "Net income invested in the business" (*Co. No. 289); "Accumulated income used in the business" (*Co. No. 497); "Net income retained for use in the business" (*Co. No. 69).

Profit—(6 Companies):

"Profits reinvested in the business" (*Co. No. 191); "Retained profits reinvested" (*Co. No. 545); "Profit employed in the business" (*Co. No. 129); "Reinvestment of profit" (*Co. No. 149); "Undivided profits" (*Co. No. 188); "Profits retained in the business, less amounts transferred to capital accounts" (*Co. No. 520).

Earned Surplus—(241 Companies):

"Earned Surplus" (*Co. Nos. 22, 54, 65, 76, 80, 83, 84, 85, 91, 100, 101, 107, 109, 112, 118, 119, 122, 153, 177, 205, 213, 224, 226, 231, 325, 342, 353, 369, 419, 440, 441); "Surplus—Earned" (*Co. Nos. 16, 90, 97, 230, 236, 239, 267); "Earned surplus, since August 1, 1932" (*Co. No. 563); "Earned surplus (retained earnings)" (*Co. No. 82); "Earned surplus (earnings retained and used in the business)" (*Co. No. 95); "Earned surplus (earnings retained for use in the business)" (*Co. No. 102); "Earned surplus (earnings reinvested in Company since 1944)" (*Co. No. 121); "Earned surplus (deficit)" (*Co. Nos. 326, 388). "Surplus—Earned, subsequent to November 1, 1934" (*Co. No. 192).

Surplus (Unclassified)—(9 Companies):

"Surplus" (*Co. Nos. 46, 92, 139, 321, 445, 462, 470); "Surplus (without deduction for depletion of metal mines)" (*Co. No. 55); "Surplus, without deduction for depletion—reinvested in the business" (*Co. No. 142).

Other—(2 Companies):

"Deficit from operations" (*Co. No. 10); "Surplus—deficit" (*Co. No. 293).

*Refer to Company Appendix Section.

TABLE 18: STOCKHOLDERS' EQUITY STATEMENTS

Including details of:	1955	1954	1953	1950	1946
Capital stock, capital surplus, and retained earnings	19	20	18	15	5
Capital stock, capital surplus, retained earnings, and appropriated surplus reserves	1	1	1	1	1
Capital stock and capital surplus	—	1	1	1	1
Capital stock and retained earnings	1	1	1	1	1
Capital stock, retained earnings, income, and only in 1946, capital surplus	1	1	1	1	1
Capital stock and unclassified surplus	—	—	—	—	2
Total	22	24	22	19	11
Statement not presented	578	576	578	581	589
	600	600	600	600	600

TABLE 19: STOCKHOLDERS' EQUITY STATEMENT TITLE

Terminology Used	1955	1954	1953	1950	1946
Stockholders' equity	7	6	7	6	—
Stockholders' interest	1	1	1	1	1
Stockholders' ownership	1	1	—	—	—
Stockholders' capital	1	1	1	2	—
Shareholders' equity	4	4	3	1	1
Shareholders' capital	—	1	1	1	—
Shareholders' investment	2	2	1	1	—
Shareholders' ownership	—	—	—	1	—
Shareowners' equity	1	1	1	—	—
Shareowners' investment	1	1	1	1	—
Capital	2	2	2	2	2
Ownership interest (net worth)	1	1	1	—	—
Ownership equities	1	1	1	1	1
Net worth	—	—	—	—	1
Capital stock and surplus	—	2	2	2	5
Total	22	24	22	19	11
Statement not presented	578	576	578	581	589
	600	600	600	600	600

STOCKHOLDERS' EQUITY STATEMENTS

Information in Stockholders' Equity Statements

Table 18 summarizes the types of data found in the stockholders' equity statements for the years 1955, 1954, and 1953 compared with similar results for the years 1950 and 1946.

Title

Table 19 summarizes the terminology used by the survey companies in the titles of stockholders' equity statements. "Stockholders' Equity" was the term used most frequently (7 companies in 1955). The tabulation shows that only 22 of the 600 survey companies presented stockholders' equity statements in 1955.

Examples

The exact title of each of the 22 stockholders' equity statements presented in the 1955 annual reports is provided below:

"Statement of Stockholders' Equity" (*Co. Nos. 335, 511); "Statement of Changes in Stockholders' Equity" (*Co. No. 227); "Comparative Consolidated Statement of Stockholders' Equity" (*Co. No. 86); "Statement of common stockholders' equity" (*Co. No. 17); "Consolidated Statement of Changes in Common Stockholders' Equity" (*Co. No. 270); "Stockholders' Equity" (*Co. No. 134).

"Statement of Stockholders' Interest" (*Co. No. 526).

"Consolidated Statement of Stockholders' Ownership" (*Co. No. 523).

"Shareholders' Equity" (*Co. No. 422); "Analysis of Shareholders' Equity" (*Co. No. 121); "Consolidated Statement of Shareholders' Equity" (*Co. No. 525); "Shareholders' Consolidated Equity" (*Co. No. 512).

"Statement of Changes in Stockholders' Capital Invested in Business" (*Co. No. 384).

"Shareholders' Investment" (*Co. No. 494); "Consolidated Statement of Shareholders' Investment" (*Co. No. 544).

"Shareowners' Equity" (*Co. No. 552).

"Shareowners' Investment" (*Co. No. 31).

"Consolidated Statement of Ownership Interest (Net Worth)" (*Co. No. 276).

"Summary of Changes in Consolidated Capital" (*Co. No. 576); "Analysis of Capital Invested" (*Co. No. 495).

"Ownership Equities" (*Co. No. 129).

COMPARATIVE CUSTOMARY CERTIFIED STATEMENTS

Number of Comparative Statements

Of the 1726 customary certified statements included in the 1955 annual reports of the 600 survey companies, 1209 were in comparative form. Table 20 shows the number of the various types of customary certified financial statements found in the 1955 survey reports and the number of each presented on a comparative basis. There is a continuing trend toward the use of comparative statements, with approximately 70 per cent of the customary certified financial statements presented in that form in 1955 as compared with only 34 per cent in 1946.

Among the companies which provided comparative statements, four companies indicated that the prior year figures were revised for comparative purposes in the current report (*Co. Nos. 117, 188, 252, 359). Four companies (*Co. Nos. 69, 435, 546, 565) added an extra column in

*Refer to Company Appendix Section.

the statements for "Increase—Decrease" over the prior year figures. Two companies (*Co. Nos. 110, 252) disclosed comparative figures for three or more years in their financial statements.

Combination of Comparative Statements

Table 21 summarizes the various combinations of comparative certified statements and indicates the frequency of their use by the 600 survey companies. This tabulation also reveals the continued increase since 1946 in the number of the survey companies presenting comparative customary certified statements in their published annual reports. The companies that have adopted the comparative form have usually provided all of the customary certified statements contained in their reports on that basis.

Cents Omitted or Presented

In the 1955 annual reports, only 75 of the 600 survey companies continued to include cents in their statements. There has been a continuing increase in the number of companies which eliminate cents from their statements; in 1946, approximately 40 per cent of the survey companies presented statements in this manner; in 1955 the ratio increased to 87½% of the total.

Additional Certified Statements and Supplementary Schedules

The preceding discussions in this section have been concerned solely with the *customary* certified statements presented in the annual reports of the survey companies. In addition to the customary certified statements, the annual reports contain numerous additional certified statements and supplementary schedules. In their 1955 annual reports, many survey companies included *additional* certified statements and supplementary schedules. Such statements and schedules are considered to be certified: (a) when they are mentioned in the accountant's report, (b) when they are referred to within or at the foot of the customary certified statements, (c) by their position in relation to the customary certified statements and the accountant's report, or (d) by inclusion in the footnotes to the customary certified financial statements.

ADDITIONAL CERTIFIED STATEMENTS

The additional certified statements contained in the 1955 annual reports of the survey companies, in the order of the frequency of their presentation, were applicable to (a) the reporting company, (b) foreign subsidiaries, (c)

TABLE 20: COMPARATIVE CUSTOMARY CERTIFIED STATEMENTS

Number of Statements	1955	1954	1953	1950	1946
Comparative Presentation:					
Balance Sheet	453	431	419	356	216
Income Statement	296	288	272	260	190
Combined Income & Retained Earnings	162	154	156	116	59
Combined Income & Unclassified Surplus	2	1	2	2	—
Retained Earnings	195	186	170	157	107
Combined Retained Earnings & Capital Surplus	2	2	2	2	—
Capital Surplus	85	78	70	69	50
Stockholders' Equity	11	13	12	10	1
Unclassified Surplus	3	3	3	7	5
Total	1209	1156	1106	979	628
Noncomparative Presentation:					
Balance Sheet	147	169	181	244	384
Income Statement	81	97	113	146	237
Combined Income & Retained Earnings	54	56	53	72	105
Combined Income & Unclassified Surplus	1	1	1	—	2
Retained Earnings	126	130	150	183	248
Combined Retained Earnings & Capital Surplus	11	15	12	13	30
Capital Surplus	82	88	85	102	171
Stockholders' Equity	12	11	9	8	7
Unclassified Surplus	3	5	6	7	11
Total	1726	1728	1716	1754	1823
Number of Companies Presenting					
All statements in comparative form	375	358	350	290	164
Some statements in comparative form	90	91	88	93	92
No statements in comparative form	135	151	162	217	344
	600	600	600	600	600

ELI LILLY AND COMPANY AND SUBSIDIARIES

SUMMARY OF SOURCE AND DISPOSITION OF FUNDS

Years ended December 31, 1955, and December 31, 1954

	1955	1954
SOURCE OF FUNDS		
From operations:		
Consolidated net income for the year	$16,328,081	$11,342,662
Income charges which do not represent cash outlay during the year:		
Amortization and provisions for depreciation	6,095,218	5,737,105
Minority interest in income of subsidiary	28,879	29,189
	$22,452,178	$17,108,956
Cash and securities transferred from Fund for Plant Additions	–o–	7,041,000
Reduction in inventories	6,214,131	–o–
Increased current liabilities	5,898,521	–o–
From sale of common stock of parent and subsidiary companies under stock option plan	1,617,704	100,087
From sundry sources	228,524	–o–
	$36,411,058	$24,250,043
DISPOSITION OF FUNDS		
Payment on long-term debt	$20,025,000	$13,810,000
Cash dividends paid to parent company shareholders:		
Preferred Stock	121,370	121,370
Common Stock	7,984,637	7,581,519
Net additions to property, plant, and equipment	3,659,436	5,493,886
Increased inventories	–o–	1,639,941
Increased accounts receivable	1,883,829	57,889
Reduction in current liabilities	–o–	3,159,689
Sundry	–o–	338,378
	$33,674,272	$32,202,672
INCREASE-*DECREASE* IN CASH AND UNITED STATES GOVERNMENT SECURITIES	$ 2,736,786	*$ 7,952,629*

TABLE 21: COMPARATIVE CUSTOMARY CERTIFIED STATEMENTS

Combination of Comparative Statements	1955	1954	1953	1950	1946
A: Balance Sheet, Income, and Retained Earnings Statements	117	113	107	96	53
B: Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	73	67	58	53	43
C: Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings	2	2	2	2	—
D: Balance Sheet in Combination with Various Other Statements	4	3	5	4	—
E: Balance Sheet, Income, and Stockholders' Equity Statements	9	11	10	8	1
F: Balance Sheet and Combined Income & Retained Earnings Statement	149	142	143	97	51
G: Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements	11	9	9	13	4
H: Balance Sheet, Income, and Unclassified Surplus Statements	3	3	3	6	4
I: Balance Sheet and Income Statement	81	75	75	73	53
J: Balance Sheet	4	6	7	4	7
K: Income Statement in Combination with Various Other Statements	4	5	3	8	12
L: Combined Income & Retained Earnings Statement	2	3	4	6	4
M: Income Statement	6	10	12	13	24
Total	465	449	438	383	256
Number of Companies Presenting					
All statements in comparative form	375	358	350	290	164
Some statements in comparative form	90	91	88	93	92
No statements in comparative form	135	151	162	217	344
	600	600	600	600	600

domestic subsidiaries, (d) affiliated companies, and (e) the parent company. The types of additional certified statements most frequently included in the 1955 survey reports were statements of source and application of funds and changes in working capital of the reporting company, balance sheets of domestic subsidiaries, and balance sheets of foreign subsidiaries. Table 22 summarizes the various types of additional certified statements presented in the annual reports of the 600 survey companies for the years 1950 and 1953, 1954, and 1955. There were 69 companies that included 111 such additional certified statements in their 1955 annual reports, examples of which are described below.

Reporting Company Statements

Sixty-four "additional certified statements" applicable to the reporting company were presented by 48 of the 600 survey companies in their 1955 annual reports. *Montgomery Ward & Co., Inc.*, included an additional statement of "Money Provided from Operations and its Disposition During the Years ended January 31, 1955 and 1954." *Wesson Oil & Snowdrift Co., Inc.*, presented a similar statement in its 1955 report. "Changes in Working Capital" was the title given to an additional certified statement provided by *Westinghouse Electric Corporation.* Additional balance sheets were included by *Peoples Drug Stores, Incorporated* "Condensed Comparative Consolidated Balance Sheet," *Caterpillar Tractor Co.* included additional certified statements on a comparative basis for the years 1952 to 1955 inclusive. *Container Corporation of America* included in its report two sets of statements, one "Comparative Consolidated—(excluding The Mengel Company)" and "Consolidated—(including The Mengel Company)." *Hamilton Watch Company* included in its report the usual certified statements and an additional "Condensed Consolidated Balance Sheet as at December 31, 1955"; the company had changed its fiscal year ending from December 31 (1954) to January 31 (1956). *Armour & Company* presented its usual certified statements consolidated with *domestic* subsidiaries, and provided additional certified statements relating to their investments in foreign subsidiaries. *The Gillette Company* included an additional statement of "Geographical Distribution of Consolidated Net Assets." *General Motors Corporation* included a similar statement of "Investments Outside the United States and Canada."

TABLE 22: ADDITIONAL CERTIFIED STATEMENTS

Statements Applicable To:	1955	1954	1953	1950
*A: Reporting Company**				
Balance sheet	7	4	5	7
Income statement	6	4	4	4
Retained earnings statement	1	—	—	—
Combined income & retained earnings	—	—	1	1
Capital surplus statement	2	2	1	—
Stockholders' equity statement	1	1	1	1
Statement of working capital, source & application of funds	24	25	20	13
Financial operating data	10	8	8	6
Pro forma statement	—	2	4	—
Employee bonus—retirement	4	8	8	8
Geographical statement	6	4	4	4
Branch store—investment	—	1	1	2
Long-term indebtedness	1	1	1	—
Special letter from accountant (not customary certificate)	1	—	—	—
Financial highlights	1	—	—	—
*B: Parent Company**				
Balance sheet	2	3	3	4
Income statement	2	3	3	3
Retained earnings statement	1	1	1	1
Capital surplus statement	1	—	—	1
Stockholders' equity statement	1	1	1	1
*C: Domestic Subsidiary**				
Balance sheet	12	13	13	13
Income statement	2	1	3	6
Combined income & retained earnings	5	6	8	4
Retained earnings	—	—	1	3
Financial data	—	1	1	—
Shareholders' investment	1	1	1	—
*D: Foreign Subsidiary**				
Balance sheet	9	10	12	10
Income statement	4	3	6	6
Combined income & retained earnings	4	4	3	3
Retained earnings statement	—	1	2	1
Financial data	1	3	4	3
Assets and liabilities	1	1	2	2
Minority interests	—	1	1	1
Long-term indebtedness	1	1	1	1
E: Affiliated Company				
Balance sheet	—	4	5	1
Income statement	—	3	2	—
Retained earnings statement	—	—	1	—
Capital surplus statement	—	—	1	—
Total	111	121	133	110

Year	Number of Companies Presenting Additional Certified Statements: Type A	Type B	Type C	Type D	Type E	Number of Companies With: Additional certified statements	No additional certified statements	Total
1955:	48	2	11	13	—	69	531	600
1954:	43	3	13	14	3	70	530	600
1953	43	2	13	15	4	69	531	600
1950:	38	3	13	14	1	64	536	600

Comparison Presentation of Additional Certified Statements:

Year	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.	6-7 Yrs.	8-9 Yrs.	10-11 Yrs.	Total	Not comparative	Grand Total
1955:	58	1	3	—	2	—	10	74	37	111
1954:	46	2	3	1	1	—	12	65	56	121
1953:	50	1	3	2	—	—	9	65	68	133
1950:	45	1	1	2	—	2	6	57	53	110

*Refer to Company Appendix Section—A: Co. Nos. 2, 12, 42, 57, 59, 62, 63, 70, 88, 90, 108, 118, 127, 129, 133, 134, 141, 146, 150, 167, 182, 192, 210, 211, 242, 254, 261, 278, 279, 310, 311, 312, 360, 390, 391, 413, 439, 443, 474, 475, 487, 523, 525, 566, 570, 585, 589, 593; B: Co. Nos. 144, 525; C: Co. Nos. 1, 17, 31, 68, 99, 118, 147, 241, 462, 497, 561; D: Co. Nos. 39, 42, 63, 117, 153, 269, 315, 320, 324, 328, 521, 576, 593.

Parent Company Statements

Two of the 600 survey companies presented certified statements with regard to the accounts of the parent company in addition to consolidated statements (*Cities Service Company* and *Standard Oil Company* [*New Jersey*]). Other reports which gave similar information included *American Water Works Company; The Trane Company* provided the customary statements on a comparative basis, with separate columns for "Parent Company" and "Consolidated" figures. *Ferro Corporation* included the customary statements of that company consolidated with domestic and foreign subsidiaries and also consolidated with domestic subsidiaries only.

Domestic Subsidiary Statements

The 1955 survey reports contained 20 additional certified statements applicable to domestic subsidiaries. *United Industrial Corporation,* in addition to consolidated statements, included the statements of one wholly-owned *unconsolidated* subsidiary and a partially-owned *unconsolidated* subsidiary. *Pullman Incorporated, Clark Equipment Company,* and *Fruehauf Trailer Company* each included separate statements pertaining to their wholly-owned finance companies (unconsolidated). *Sears, Roebuck and Co.* included the certified balance sheet of its wholly-owned unconsolidated subsidiary Allstate Insurance Company. *American Encaustic Tiling Company, Inc.*, presented a separate set of statements for its wholly-owned subsidiary, General Minerals Company. *Bohn Aluminum & Brass Corporation* included separate statements of a 67.67%-owned subsidiary, Reo Motors, Inc.

Foreign Subsidiary Statements

Twenty "additional certified statements" applicable to foreign subsidiaries were presented by 13 survey companies in their 1955 reports. *Burroughs Corporation* provided a "Statement of Financial Condition" pertaining to "Subsidiaries Outside U. S. and Canada." *American Radiator & Standard Sanitary Corporation* included an additional balance sheet and income statement for "foreign subsidiaries—excluding Austrian company." *Colgate-Palmolive Company* presented its customary statements *excluding* foreign subsidiaries but included separate comparative statements for such subsidiaries. *Standard Brands Incorporated* provided its customary statements with subsidiaries operating in the U. S. and Canada consolidated; separate statements were included for those subsidiaries (combined) operating outside the U. S. and Canada.

Exhibits—Customary Certified Statements

Examples of various certified statements have been selected from the 1955 annual reports and reproduced as exhibits. (Refer to Index to Exhibits, following the Table of Contents, for page numbers.)

1. *Consolidated Statement of Earnings and Earnings Employed in the Business* (Armour and Company). This statement is given in comparative form for the 52-week periods ending in 1955 and 1954, and is an example of the modified single-step form.
2. *Statement of Changes in Shareholders' Equity* (Ex-Cell-O Corporation). Included in this statement are details of transactions during the year ended November 30, 1955 affecting common stock, capital in excess of par value of shares, and earnings retained for use in the business.
3. *Consolidated Balance Sheet; Statement of Consolidated Income; Statement of Consolidated Surplus* (Kaiser Aluminum & Chemical Corporation). These statements, complete with notes, are examples of conventional form and are provided on a comparative basis.
4. *Statement of Consolidated Paid-in Capital in Excess of Par Value of Capital Stock; Statement of Consolidated Earnings Retained and Invested in the Business* (Penn Fruit Co., Inc.). These separate statements disclose the details of transactions pertaining to the current period.
5. *Consolidated Statement of Financial Position; Notes to Financial Statements* (United States Steel Corporation). This statement is presented in the financial position form, on a comparative basis. The notes to financial statements are also provided here, although detailed schedules (noted in the balance sheet) are omitted from this exhibit.
6. *Summary of Consolidated Earned Surplus; Summary of Consolidated Capital Surplus* (United States Hoffman Machinery Corporation). These separate statements are given on a comparative basis.

CERTIFIED SUPPLEMENTARY SCHEDULES

Certified supplementary schedules generally provide details of certain items in the balance sheet or in other customary certified financial statements. As shown in Table 23, there were 191 survey companies that presented 381 certified supplementary financial schedules in their 1955 annual reports. The schedules most frequently given were concerned with the depreciation of fixed assets, the composition of inventories, and long-term indebtedness, examples of which are described below:

Allied Stores Corporation presented with its statements schedules of "Accounts and Notes Receivable," "Property and Equipment," and "Long-Term Notes Payable."

American Radiator & Standard Sanitary Corporation included comparative schedules of "Sales," "Inventories," and "Property, Plant and Equipment."

Burroughs Corporation included schedules of "Inventories," "Long-term debt," "Cost of land, buildings, equipment and patents," and "Other assets" under the heading "Details of Items in Statement of Financial Condition."

Crucible Steel Company of America provided similar schedules of "Capital stock," "Capital surplus," "Long-term debt," "Inventories," "Plant and equipment," "Depreciation, amortization and depletion" and "Investments in affiliated companies."

Standard Oil Company (*New Jersey*) and *Standard Oil Company* (*Indiana*) indicated on the face of their financial statements that the data contained in the financial re-

TABLE 23: CERTIFIED SUPPLEMENTARY SCHEDULES

Nature of Schedule*	1955	1954	1953	1950
A: Accounts, notes receivable	16	23	20	17
B: Inventory composition	66	62	62	47
C: Fixed assets, depreciation	78	78	73	61
D: Foreign investments	22	26	24	24
E: Investments—subsidiaries	14	14	16	21
F: Investments—securities	5	7	8	10
G: Investments—securities, subsidiaries, affiliates	9	4	5	5
H: Various balance sheet items	15	23	26	31
I: Long-term indebtedness	70	56	53	30
J: Capital stock	36	25	28	21
K: Capital	6	9	6	8
L: Dividends	3	2	3	3
M: Special funds	4	2	2	1
N: Reserves, appropriations	8	13	13	16
O: Sales	5	4	4	3
P: Earnings	3	2	3	2
Q: Employment costs	3	1	3	2
R: Taxes	6	8	10	4
S: Various income and operating items	9	4	5	5
T: Minority stockholders' interest in subsidiary	3	—	—	—
Total	381	363	364	311

Number of Companies Presenting	1955	1954	1953	1950
Certified supplementary schedules	158	138	148	118
Certified supplementary schedules and additional certified statements	33	37	38	25
Additional certified statements	36	33	31	39
Total	227	208	217	182
No additional certified presentations	373	392	383	418
	600	600	600	600

Comparative Presentation of Schedules:

Year	2-Yrs.	3-9 Yrs.	10-70 Yrs.	Total	Not Comparative	Grand Total
1955	224	13	8	245	136	381
1954	229	5	4	238	125	363
1953	237	3	5	245	119	364
1950	194	2	5	201	110	311

*Refer to Company Appendix Section—A: Co. Nos. 253, 402, 449, 454, 564, 571, 584; B: Co. Nos. 28, 32, 50, 64, 81, 93, 203, 204, 212, 322, 429, 455, 476; C: Co. Nos. 58, 74, 156, 219, 257, 311, 316, 488, 500, 518, 526, 552; D: Co. Nos. 57, 63, 108, 309, 491, 549, 583; E: Co. Nos. 129, 465, 561, 564; F & G: Co. Nos. 62, 131, 218, 254, 426, 455, 477, 494; H: Co. Nos. 47, 175, 319, 335, 454; I: Co. Nos. 1, 12, 18, 36, 41, 49, 72, 80, 92, 95, 139, 168, 238, 259; J, K & L: Co. Nos. 33, 66, 82, 119, 177, 183, 211, 241, 261, 378, 455, 487; M & N: Co. Nos. 39, 252, 312, 477, 569, 570; O & P: Co. Nos. 42, 312, 345, 487, 525, 537; Q & R: Co. Nos. 69, 249, 319, 487, 491, 568; S: Co. Nos. 218, 225, 314, 319, 440, 487, 506; T: Co. Nos. 144, 269, 457.

view section of the annual report was an integral part of the certified statements.

The Ruberoid Co. presented a separate accountants' letter stating that they had "also reviewed the statistical data set forth in the letter of the Chairman and President and elsewhere in the annual report."

Exhibits—Additional Certified Statements and Supplementary Schedules

The following "additional certified statements and supplementary schedules" have been taken from the 1955 annual reports and reproduced as illustrations of such statements and schedules. (See Index to Exhibits following the Table of Contents for page numbers.)

1. *Parent Company Balance Sheet, Income, Earnings Retained and Capital Surplus* (Cities Service Company). This set of statements presents the financial record of the parent company on a two-year comparative basis.

2. *Statement of Geographical Distribution of Consolidated Net Assets* (The Gillette Company). This statement provides a general geographical distribution of the total net assets of the company as shown in its 1955 balance sheet.

3. *Summary of Source and Disposition of Funds* (Eli Lilly and Company). Data regarding the source and use of funds are provided on a two-year comparative basis.

4. *Statement of Net Assets—Retirement System for Employees* (R. H. Macy & Co., Inc.). This statement is accompanied by a separate accountants' report and covers the net assets of the Pension Plan, and the Profit Sharing Plan which, combined, represent the total retirement system.

5. *Consolidated Statement of Long-Term Debt* (Standard Oil Company (New Jersey)). This statement provides detailed information in support of the related balance sheet caption.

For further references to various types of additional certified statements and supplementary schedules presented in the 1955 survey reports, refer to Tables 22 and 23 for the lists of companies included therein.

UNCERTIFIED FINANCIAL PRESENTATIONS

In the annual reports of the survey companies for 1955, there were 1095 uncertified statements, summaries, and highlights presented by 485 of the 600 companies included in the survey. These presentations, in general, either provide additional information, or they summarize or simplify certain financial and accounting information considered to be of particular interest to the stockholders.

UNCERTIFIED FINANCIAL STATEMENTS, SUMMARIES, AND HIGHLIGHTS

The various types of uncertified financial statements, summaries, and highlights presented in the annual reports of the 600 survey companies are shown in Table 24. In 1955, as in prior years, the greatest number of such presentations consisted of summaries usually entitled "Highlights," "Year in Review," "Year in Brief," or "Operations at a Glance." Such summaries vary considerably as to content but generally include earnings and dividend information in addition to other data. These summaries are usually given on a one- or two-year basis and located near the front cover of the report. The next largest group included summaries of various financial and operating data generally provided on a long-term comparative basis in the nature of statistical tabulations. Approximately 18% of the companies also include statements or summaries pertaining to working capital, or the source and application of funds. However, the terminology applied by the companies to the title of the summary is not always indicative of the actual content. Therefore, all such statements or summaries have been grouped under a single caption in Table 24.

Exhibits—Uncertified Statements, Summaries, and Highlights

Listed below are illustrative examples of uncertified statements, summaries, and highlights which have been taken from the 1955 annual reports which were reviewed. (Refer to Index to Exhibits following the Table of Contents for page numbers.)

1. *Highlights of the Annual Reports* (Borg-Warner Corporation).
2. *Simplified Balance Sheet; Simplified Profit and Loss Statement* (Chain Belt Company).
3. *Historical Profit and Loss Information* (Diamond Alkali Company).
4. *Source and Application of Corporate Funds in 1955; Changes in Working Capital* (Federal Paper Board Company, Inc.).
5. *Facts in Brief* (Westinghouse Electric Corporation).

TABLE 24: UNCERTIFIED STATEMENTS, SUMMARIES, AND HIGHLIGHTS

Type of Presentation*	1955	1954	1953	1950
A: Statement of working capital; changes in working capital and source and application of funds	107	117	112	103
B: Cash receipts and disbursements	2	8	7	6
C: Employee bonus or retirement funds	5	2	1	2
D: Condensed balance sheet	71	66	72	61
Condensed income statement	71	68	81	65
Various other condensed statements	15	8	8	6
E: Detailed balance sheet	5	8	5	6
Detailed income statement	3	6	4	6
Various other detailed statements	—	2	4	4
F: Simplified balance sheet	14	13	22	26
Simplified income statement	20	27	30	40
G: Subsidiary balance sheet	11	5	9	6
Subsidiary income statement	3	2	6	3
H: Summary—Financial and operating data	237	221	206	140
Summary—Balance sheet data	63	32	31	29
Summary—Operating data	99	73	78	76
I: Highlights	324	261	275	200
Year in review	31	66	51	30
Operations at a glance	14	28	23	13
Total	1095	1013	1025	822

Year	Total Companies Represented in Statement: Types A-D	Type E	Type F	Type G	Type H	Type I	Type J	Type K	Number of Companies With: Statements, summaries, highlights	No statements, summaries, highlights	Total Companies
1955:	103	5	82	6	25	12	303	367	485	115	600
1954:	113	2	84	12	34	6	282	345	464	136	600
1953:	111	1	93	9	39	8	270	344	471	129	600
1950:	101	2	82	10	51	6	205	249	404	196	600

Year	Comparative Presentation of Uncertified Statements, Summaries, Highlights: 2 Yrs.	3-4 Yrs.	5 Yrs.	6-9 Yrs.	10 Yrs.	11-15 Yrs.	16-20 Yrs.	21-30 Yrs.	30+ Yrs.	Total	Not Comparative	Grand Total
1955:	403	43	113	31	281	37	27	27	17	979	116	1095
1954:	390	37	108	47	195	56	17	20	7	877	136	1013
1953:	367	44	109	58	196	59	14	19	9	875	150	1025
1950:	281	45	86	20	175	36	9	11	9	672	150	822

*Refer to Company Appendix Section—A: Co. Nos. 14, 27, 33, 73, 80, 105, 113, 115, 137, 153, 163, 167, 168, 169, 171, 173, 202, 212, 227, 276, 301, 306, 308, 309, 314, 316, 321, 322, 343, 381, 401, 404, 428, 448, 456, 477, 508, 511, 521, 526, 540, 550, 599; B: Co. Nos. 127, 181; C: Co. Nos. 92, 374, 426, 505; D: Co. Nos. 12, 13, 37, 47, 62, 68, 85, 88, 131, 209, 361, 406, 473, 482, 509; E: Co. Nos. 128, 314, 328, 342, 384; F: Co. Nos. 89, 239, 253, 318, 319, 344, 552, 563, 575, 577; G: Co. Nos. 86, 130, 216, 254, 387, 390, 402, 563.

For additional references to various types of uncertified statements, summaries, and highlights presented in the 1955 survey reports, refer to the companies noted in Table 24.

UNCERTIFIED SUPPLEMENTARY SCHEDULES

Uncertified supplementary financial information was provided by 356 of the survey companies in their 1955 annual reports. Approximately 1200 various schedules, charts, etc., were found covering diversified subjects such as: distribution of the sales dollar (or income dollar); earnings and dividends; taxes; fixed assets and/or depreciation; inventories; investments—in securities, in subsidiaries, in foreign operations. The terminology used in the title, the form, and the content of such schedules or charts vary so greatly that statistical comparisons with prior years have been eliminated. For typical examples of presentation, the following references are provided:

Nature of Data

Inventory composition (*Co. Nos. 14, 33, 128, 153, 560).
Sales (chart) (*Co. Nos. 8, 11, 17, 23, 27, 35).
Distribution of sales dollar (*Co. Nos. 3, 8, 14, 15, 33, 63, 167, 253).
Distribution of income dollar (*Co. Nos. 1, 2, 9, 18, 20, 69, 90).
Distribution of earnings (*Co. Nos. 3, 33, 540).
Source and use of funds (chart) (*Co. Nos. 2, 9, 253, 540).
Cash flow (chart) (*Co. No. 12).
Shareholders' equity (*Co. Nos. 6, 14, 17, 18, 103, 253, 589).
Dividends (*Co. Nos. 6, 18, 20, 33, 35, 103, 261, 270).
Employee costs (*Co. Nos. 9, 27, 35).
Fixed assets, capital expenditures and/or depreciation (*Co. Nos. 12, 18, 27, 31, 69, 540, 577, 589).
Investments in securities (*Co. Nos. 14, 39).
Foreign operations (*Co. Nos. 6, 35, 153).

*Refer to Company Appendix Section.

Section 2 BALANCE SHEET

CASH

The trend in presentation of cash accounts in the balance sheet, as indicated in Table 1, is to show such accounts simply as "cash" in the current asset section, or as "cash in banks and on hand." Only 35 of the 600 companies provided any additional information in the balance sheet caption regarding cash (details in Table 1).

Segregations of Cash

Table 2 refers to those survey companies which indicated in their financial statements that certain cash items were segregated, excluded from, or offset within the balance sheet. This table indicates the nature of the cash restriction or segregation and provides complete references to the related companies.

The *Restatement and Revision of Accounting Research Bulletins*, issued in 1953 by the Committee on Accounting Procedure of the American Institute of Accountants treats of the nature of current assets (Chapter 3, Section A) and indicates the exclusion from that classification of such resources as "cash and claims to cash which are restricted as to withdrawal or use for other than current operations, are designated for expenditure in the acquisition or construction of noncurrent assets, or are segregated for the liquidation of long-term debts." The Committee states further "Even though not actually set aside in special accounts, funds that are clearly to be used in the near future for the liquidation of long-term debts, payments to sinking funds, or for similar purposes should also, under this concept, be excluded from current assets. However, where such funds are considered to offset maturing debt which has properly been set up as a current liability, they may be included within the current asset classification."

Table 2 illustrates the different purposes for which cash was segregated and the related treatment in the balance sheet, as disclosed in the 1955 annual reports of the survey companies.

The following examples, selected from the 1955 annual reports, indicate certain descriptive captions for cash (Table 1) and segregations of cash shown in Table 2.

TABLE 1: CASH—CURRENT ASSETS

Balance Sheet Description	1955	1954	1953
Cash (*Nos. 148, 324, 594)	507	482	468
Cash in banks and on hand (*Nos. 100, 530, 585)	58	69	75
Cash in banks	—	1	—
Cash on hand and demand deposits (*Nos. 52, 53, 382)	13	18	20
Cash on hand, demand and time deposits (*No. 175)	1	2	2
Cash and demand deposits (*No. 529)	1	1	1
Demand deposits in banks and cash on hand (*Nos. 10, 35, 248, 499)	8	16	19
Cash including time deposits (*No. 208)	1	—	—
Cash, including time certificate of deposit and accrued interest (*No. 331)	1	1	—
Cash and securities	—	1	3
Cash, net of cash reserved for taxes (*No. 576)	1	1	1
Cash in banks and offices (*No. 85)	1	1	1
Cash in banks, on hand, and in transit (*No. 416)	1	1	3
Cash on deposit, in transit and on hand (*No. 504)	1	1	1
Cash including call loans (*No. 429)	1	1	1
Cash including certificates of deposit	—	—	1
Cash including special deposit for defense contracts	—	—	1
Cash including savings bank accounts (*No. 214)	1	1	—
Cash on hand and on deposit (*No. 355)	1	—	1
Cash and short-term notes (*No. 8)	1	1	—
Bank balances and cash funds (*Nos. 56, 259)	2	2	2
	600	600	600

*Refer to Company Appendix Section.

TABLE 2: SEGREGATION OF CASH

Purpose and Balance Sheet Presentation	Current Asset	Noncurrent Asset	1955 Total
Insurance, workmen's compensation, or pension funds (*Nos. 8, 22, 25, 48, 155, 177, 184, 281, 310, 355, 456, 536, 569)	—	13	13
Restricted to performance under contracts (*Nos. 11, 36, 269, 408)	1	3	4
Preferred stock retirement or redemption (*Nos. 24, 49, 223, 348, 385, 444, 532)	1	6	7
Cash deposited for payment of dividends (*No. 315)	1	—	1
Deposit in bank restricted to payment of bank loan (*No. 499)	1	—	1
Employee payroll deductions (*Nos. 554, 581)	—	2	2
Funds in escrow (*No. 575)	—	1	1
Funds held by trustee (*Nos. 244, 340)	—	2	2
Funds in foreign currency or in foreign countries (*Nos. 221, 254, 355)	2	2	4
Fund for deferred expenditure (*No. 319)	—	1	1
Deferred bonus fund (*No. 282)	—	1	1
General or working funds (*Nos. 19, 287)	2	—	2
Prepayments from customers (*Nos. 119, 307)	2	—	2
Plant expansion, improvement, or replacement funds (*Nos. 156, 167, 313, 321, 347, 363, 378, 558)	—	8	8
	10	39	49

Number of Companies with	1955
Cash segregated in current assets	9
Cash segregated in current and noncurrent assets	1
Cash segregated in noncurrent assets	38
Cash offsetting a liability account (*Nos. 397, 501 510, 576)	4
Cash excluded from the accounts (*Nos. 70, 81, 211 275, 286, 474)	6
Total	58
No reference to cash segregation or exclusion	542
	600

*Refer to Company Appendix Section.

Special Contracts

AMERICAN MACHINE & FOUNDRY COMPANY
Consolidated Balance Sheet

Noncurrent Assets:
Deposit under Contract with Republic of Turkey—contra:

Cash	$ 413,331
Notes Receivable	768,000
	$1,181,331
Noncurrent Liabilities:	
Deposit on Contract—contra	$1,181,331

VITRO CORPORATION OF AMERICA
Statement of Consolidated Financial Condition

Current Assets:
Cash (including $109,933 restricted to uses for specific contracts) ... $1,294,689

Fixed Assets

AMERICAN WATER WORKS COMPANY, INC.
Consolidated Balance Sheet

Current and Working Assets:
Cash in banks and on hand ... $8,741,233
Special deposits with trustees—
For property additions (proceeds from sale of bonds) ... 29,778
Other ... 132,590
Miscellaneous special deposits ... 90,345

Other Assets:
Cash deposited in escrow for investments in subsidiaries ... 442,187

COPPER RANGE COMPANY
Consolidated Balance Sheet

Current Assets:
Cash ... $4,667,514

Other Assets:
Cash restricted for construction under Reconstruction Finance Corporation mortgages ... 81,736

ROTARY ELECTRIC STEEL COMPANY
Statement of Financial Condition

Current Assets:
Cash and U. S. Government securities—
Cash ... $3,004,440

Property, Plant and Equipment:
Cash earmarked to apply on commitments of $3,312,323 for plant and equipment ... $1,312,323

Sinking Funds

KEYES FIBRE COMPANY
Balance Sheet

Current Assets:
Cash on Hand and on Deposit ... $967,339

Noncurrent Assets:
Cash set aside for Bond Retirement (Sinking Fund) ... 143,000
Certificates of Deposit—due June, 1956 ... 600,000

PENN FRUIT CO., INC.
Consolidated Balance Sheet

Current Assets:
Cash on hand, in transit, and demand deposits $3,741,454

Noncurrent Assets:
Investments and Other Assets:
Cash balances held in sinking, purchase and conversion funds for Preferred stocks ... $ 104,527

Customers

BURRUS MILLS, INCORPORATED
Consolidated Balance Sheet

Noncurrent Assets:
Contra Accounts—Customers' margin deposit funds (cash in special bank account and deposits with brokers) ... $144,375

Below "Capital Stock and Surplus":
Contra Accounts—Customers' margin deposits 144,375

Employees

BOTANY MILLS, INC.
Consolidated Balance Sheet
Current Assets:

Cash on hand and in banks	$32,550
Cash in special bank accounts (amounts withheld from employees for payroll taxes, etc.)	88,964

HARVARD BREWING CO.
Balance Sheet
Current Assets:
Cash in banks and on hand:

Regular accounts	$23,801
Segregated for pension fund (see contra)	14,348
Current Liabilities:	
Accrued items:	
Accrued pension fund (see contra)	16,809

Stockholders

CUBAN ATLANTIC SUGAR COMPANY
Comparative Consolidated Balance Sheet
Current Assets:

Cash in banks and on hand	$2,239,812
Special deposit for unclaimed dividends	11,600

MIDDLE SOUTH UTILITIES, INC.
Comparative Balance Sheet
Current Assets:

Cash	$3,368,613
Special deposit for dividend payment	2,849,343

THE OVERLAND CORPORATION
Balance Sheet
Current Assets:

Cash	$ 292,710
Noncurrent Assets:	
Special Fund, per contra:	
Cash	$ 63,066
U.S. Government obligations (Schedule B) at cost (quoted market value—$8,673,750)	8,736,839
Interest receivable	54,196
	$8,854,101
Noncurrent Liabilities:	
Special Reserve, per contra	$8,854,101

Note 1: In a letter dated December 19, 1953, to holders of common stock, the company offered to distribute to each holder of its common stock, who elected to receive his pro rata share of the net assets of the company, $14.00 per share in cash and a receipt of the company showing that the holder of such receipt shall be entitled to receive 1/2,775,967ths of a Special Reserve established under the Plan, upon final distribution thereof, for each share surrendered. As of June 30, 1955, receipts evidencing 1,605,187 shares surrendered pursuant to the Plan were outstanding. The Special Reserve, which is segregated from the company's continuing business, will be in cash or prime securities until final redemption of the "receipts" which shall be made when the company has settled all matters relating to its former automotive business. The balance of the Special Reserve as of June 30, 1955, was $8,854,101. The Special Reserve is being maintained in accordance with the provisions of the Plan submitted to stockholders dated December 19, 1953.

Insurance Funds

COLONIAL STORES INCORPORATED
Statement of Financial Position
Current Assets:

Cash	$12,788,672
Noncurrent Assets:	
Special Funds:	
Cash in self-insurance fund	60,240
Sinking funds for retirement of cumulative preferred stock (Note 2)	59,656
Above "Stockholders' equity":	
Reserves:	
Self-insurance of minor risks (funded, per contra)	60,240

Note 2: Preferred Stock—(a) Holders of the preferred stock are entitled to preference in the event of liquidation to the extent of par value plus accrued dividends and, if such liquidation (or redemption) be voluntary, maximum premiums of $1.50 (4% series) and $2.00 (5% series) per share.

(b) The company is obligated to set aside sinking funds in specified amounts for the redemption of the preferred stock, which may be called for this purpose at par value plus accrued dividends and maximum premiums of $.75 (4% series) and $1.00 (5% series) per share. Maximum payments to the sinking funds required during the year 1956 aggregate $96,799 (after deducting stock acquired in 1955 at cost of $59,656 for 1956 sinking fund requirements).

CASH ADVANCES AND DEPOSITS

Cash Advances

Included in Table 3 are the captions used for cash advances and the related balance sheet presentation in the 1955 survey reports. Cash advances were shown in

TABLE 3: CASH ADVANCES

Balance Sheet Description*	Current Asset	Noncurrent Asset	Total 1955
1. Advances to outside growers, packers, planters, producers	5	4	9
2. Advances to suppliers and subcontractors	6	2	8
3. Advances on purchase commitments for raw materials	3	—	3
4. Advances on purchase contracts	7	1	8
5. Advances on construction or purchase of fixed assets	3	1	4
6. Advances for leasehold improvements	—	3	3
7. Advances to employees for selling, travel, and other expenses	2	3	5
8. Advances for employees under pension plans	—	2	2
9. Advances—loans to employees	1	—	1
10. Advances to sales agents or vendors	—	1	1
11. Advances to joint venture or logging operations	2	—	2
12. Advances to customers	—	1	1
13. "Advances"—not identified	6	23	29
Total	35	41	76
Number of Companies Showing			
Advances in current assets	32	—	32
Advances in current and noncurrent assets	3	3	3
Advances in noncurrent assets	—	38	38
	35	41	73
No reference to advances			527
			600

*Refer to Company Appendix Section:—1: Nos. 48, 120, 184, 253, 353, 429, 529; 2: Nos. 44, 254, 284, 293, 352, 366, 367; 3: Nos. 46, 157, 483; 4: Nos. 39, 85, 206, 213, 302, 449, 468, 585; 5: Nos. 29, 132, 545; 6: Nos. 100, 337, 416; 7: Nos. 90, 138, 441, 473, 581; 8: Nos. 175, 283; 9: No. 559; 10: No. 6; 11: Nos. 67, 471; 12: No. 145; 13: Nos. 21, 23, 41, 45, 263, 347, 362, 552.

the balance sheets of 73 companies, included in the current asset section by 32 companies, in the noncurrent asset section by 38 companies, and in both sections by 3 companies.

Various types of cash advances found in the 1955 reports are illustrated by the following examples which have been selected from both the current and noncurrent asset sections of the balance sheets of the companies:

THE AMERICAN THREAD COMPANY
Balance Sheet
Other Assets:

Advances to or for account of employees—pension trust premiums, loans, etc.	$259,277

TABLE 4: DEPOSITS—CASH AND SECURITIES

Balance Sheet Description	Current Asset	Noncurrent Asset	1955 Total
Deposit for "insurance" (*Nos. 36, 49, 97, 536)	1	18	19
Deposit with mutual insurance company (*Nos. 302, 414, 490)	—	9	9
Deposit with insurance company (*Nos. 29, 231, 503)	1	7	8
Deposit with "public agencies" (*Nos. 24, 287, 373, 478)	2	7	9
Deposit with "escrow agent" (*Nos. 191, 385, 535)	—	3	3
Deposit with trustee (*No. 244)	—	1	1
Deposit with surety company (*No. 20)	—	1	1
Deposit for preferred stock or debenture retirement (*Nos. 10, 49, 287, 532)	3	5	8
Deposit for dividend payments (*Nos. 157, 315)	2	—	2
Deposit for fixed asset commitment (*Nos. 5, 558, 586)	—	3	3
Deposit for purchase commitment (*Nos. 132, 358, 549)	1	2	3
Deposit with lessors (*Nos. 198, 353, 535)	—	5	5
Special deposits re payroll deductions (*No. 334)	—	2	2
Deposit re "V-Loan" requirements (*No. 499)	1	1	2
"Deposits"—not identified (*Nos. 126, 145, 372, 379, 504, 510)	6	41	47
Deposit with suppliers (*No. 293)	1	—	1
Deposit for payment of freight invoices (*No. 214)	1	—	1
Other types of deposits	—	4	4
	19	109	128

Number of Companies with	
Deposits in current assets	14
Deposits in current and noncurrent assets	4
Deposits in noncurrent assets	99
Deposits referred to in liability section	1
Total	118
No reference to deposits	482
	600

*Refer to Company Appendix Section.

ATLAS PLYWOOD CORPORATION
Consolidated Balance Sheet
Current Assets:

Cash	$1,844,551
Advances on logging operations	154,101

BURRUS MILLS, INCORPORATED
Consolidated Balance Sheet
Current Assets:

Cash	$1,824,325
Advances on grain	305,148
Margin deposits on commodity futures contracts	186,018

CONSOLIDATED FOODS CORPORATION
Consolidated Balance Sheet
Current Assets:

Cash on hand and in banks	$3,233,348
Advances to growers and costs in connection with growing crops	1,000,330

CONTINENTAL AIR LINES, INC.
Balance Sheet
Noncurrent Assets:
Investments and special funds:

Advance payments on equipment purchase contracts (Note 6)	$1,610,881
Sundry investments and deposits	50,500

Note 6: Purchase Commitments—The Company has entered into purchase contracts for additional flight equipment, having an original contract price aggregating $28,928,434. The aircraft are scheduled for delivery from February, 1956 to September, 1959. Advance payments of $1,607,881 have been made in accordance with the terms of the contracts. Further substantial advance payments are required to be made prior to delivery dates.

In addition to the above commitments, the Company has an option to purchase fifteen Vickers Viscount 810D's at an estimated delivered cost, including import duty, of $18,837,000.

MICHIGAN SUGAR COMPANY
Balance Sheet
Current Assets:

Cash	$1,311,712
Loans and advances to and on behalf of beet growers	1,121,714

Cash Deposits

There were 118 survey companies which indicated deposits of cash and/or securities for certain purposes in their 1955 reports. Table 4 discloses the description and presentation of these deposits in the balance sheets of the companies. Such deposits were shown in the current asset section by 14 companies and in the noncurrent asset section by 99 companies; 4 companies set forth deposits in both the current and noncurrent asset sections. One company referred to deposits in the liability section of the balance sheet.

The following examples illustrate certain types of deposits found in the 1955 annual reports:

FOSTER WHEELER CORPORATION
Consolidated Balance Sheet
Current Assets:

Cash	$7,877,629

Noncurrent Assets:

Deposits with Mutual Fire Insurance Companies	160,490

The Gillette Company and Subsidiary Companies

STATEMENT OF GEOGRAPHICAL DISTRIBUTION OF CONSOLIDATED NET ASSETS

DECEMBER 31, 1955

			Eastern Hemisphere		
	United States and Canada	*Other Western Hemisphere*	*British Common-wealth*	*Other*	*Total*
Current assets:					
Cash and securities .	$27,491,638	634,669	7,097,294	2,374,897	37,598,498
Receivables . .	8,032,878	1,826,608	4,004,263	1,456,805	15,320,554
Inventories . .	14,426,148	2,027,004	4,126,043	2,107,220	22,686,415
	49,950,664	4,488,281	15,227,600	5,938,922	75,605,467
Current liabilities .	15,846,508	1,606,037	8,983,458	3,592,723	30,028,726
Net working capital .	34,104,156	2,882,244	6,244,142	2,346,199	45,576,741
Fixed assets — net .	9,534,757	2,444,275	5,017,122	3,349,376	20,345,530
Prepayments under retirement plan .	2,906,930	—	—	—	2,906,930
Goodwill, trademarks, and patents . .	7,181,872	—	—	—	7,181,872
Other assets . . .	2,503,964	384,180	71,740	188,055	3,147,939
	56,231,679	5,710,699	11,333,004	5,883,630	79,159,012
Noncurrent liabilities:					
Accrued foreign income taxes payable in 1957 .	—	—	6,965,634	—	6,965,634
Bank loan payable in 1958 . .	6,000,000	—	—	—	6,000,000
	6,000,000	—	6,965,634	—	12,965,634
Net assets which correspond to stockholders' equity shown in the consolidated balance sheet . .	$50,231,679*	5,710,699	4,367,370	5,883,630	66,193,378

* Of this amount approximately 5% is represented by Canada.

HONOLULU OIL CORPORATION
Consolidated Balance Sheet
Current Assets:

Cash	$4,842,832

Noncurrent Assets:

Special funds and deposits	518,389

KNOTT HOTELS CORPORATION
Consolidated Balance Sheet
Current Assets:

Cash	$2,264,510
Prepaid insurance, cash deposits for future expenses, etc.	271,804

Other Assets:

Securities and cash deposited by tenants—contra	32,673
Cash deposited with landlords as security	228,000

Noncurrent Liabilities:

Tenants deposits as security—contra	32,673

TILO ROOFING COMPANY, INC.
Comparative Consolidated Balance Sheet
Current Assets:

Cash	$1,124,718

Other Assets:

Deposit in escrow under pension agreement	55,000

WEBB & KNAPP, INC.
Consolidated Balance Sheet
Current Assets:

Cash on hand and in banks	$4,207,283

Noncurrent Assets:

Deposits on options and purchase contracts	963,272
Restricted cash and securities on deposit	1,417,092
Tenants' security deposits and cash held as agent	782,002

Current Liabilities:

Deposits on sales contracts	868,226
Tenants' security deposits and cash held as agent	956,135

MARKETABLE SECURITIES—Current Assets

BASIS OF VALUATION

Marketable securities shown in the current asset section of the balance sheet are usually valued at "cost." The survey reports further reveal that where cost is used as the basis of valuation it is a common practice also to show the market value of the securities or to refer to the relationship of market value to cost. As indicated in Table 5, there were 356 of the 600 survey companies that set forth marketable securities in the current asset section of their balance sheets for 1955 as compared with 360 companies in 1954. This tabulation classifies such marketable securities as "government" securities or "nongovernment" securities and summarizes all of the various bases of valuation used by the survey companies in the years 1955 and 1954. The above classification as to type of security is based solely on the descriptions given in the reports.

Whenever the reports indicate that the securities in the current asset section of the balance sheet are "government" securities they have been so classified in this tabulation.

All other securities have been classified as "nongovernment" securities. This tabulation does not reflect those government securities which are shown in the current liability section of the balance sheet as an offset to the liability for income taxes (See Table 25).

Examples—Marketable Securities

The following examples, from the 1955 reports, show the valuation of marketable securities in the current asset section of the balance sheet at "cost," without reference to market value.

EASTERN CORPORATION
Consolidated Balance Sheet
Current Assets:

Marketable securities, at cost	$79,645

THE SCRANTON LACE COMPANY
Consolidated Balance Sheet
Current Assets:

U. S. Treasury Securities—at cost	$66,438

THE FOLLOWING COMPANIES presented marketable securities valued at "cost" in the current asset section of their 1955 balance sheets and also set forth the "market value" thereof, which in these instances is below cost:

BARBER OIL CORPORATION
Consolidated Balance Sheet
Current Assets:

United States Government securities, at cost (value based on market quotations, $14,945,438)	$14,985,474

GULF OIL CORPORATION
Consolidated Statement of Financial Position
Current Assets:

Marketable securities, at cost	$267,844,573

Notes to Financial Statements: Marketable Securities—Marketable securities carried at cost in the amount of $267,844,573, had aggregate market quotations at December 31, 1955 of approximately $267,363,000.

EXAMPLES TAKEN FROM THE 1955 REPORTS in which marketable securities are valued at "cost" with a disclosure that the "market value" of such securities is in excess of such cost are as follows:

THE M. A. HANNA COMPANY
Consolidated Balance Sheet
Current Assets:
U. S. Government Securities:

Treasury Bills (principal amount $18,000,000)—at cost	$17,861,377

Noncurrent Assets:
Investments—Note D

Securities (owned by the parent company) on which quoted market prices are available (quoted market prices at December 31, 1955—$299,740,177)	$55,359,484

TABLE 5: MARKETABLE SECURITIES—Current Assets

Basis of Valuation	A: Government	B: Nongovernment	1955 Total	A: Government	B: Nongovernment	1954 Total
Cost—market value not stated (*Nos.—A: 15, 141, 560; B: 213, 320)	81	28	109	90	14	104
Cost—stated as approximate market (*Nos.—A: 299, 455; B: 431)	35	22	57	34	18	52
Cost—market value stated above cost (*Nos.—A: 152, 491, 557; B: 468, 524, 575)	8	23	31	21	27	48
Cost—market value stated below cost (*Nos.—A: 25, 569, B: 69)	24	15	39	15	5	20
Cost plus accrued interest (*Nos.—A: 67, 137, 170, 380, 400; B: 16, 143)	66	21	87	80	13	93
Cost less amortization or reserves (*Nos.—A: 548; B: 188, 588)	1	3	4	5	6	11
Amortized cost (*Nos.—A: 337, 501; B: 431)	7	7	14	6	4	10
Cost or below cost (*Nos.—A: 355)	1	—	1	2	—	2
Less than cost (*No.—B: 280)	—	1	1	—	1	1
Cost—not in excess of market value (*Nos.—A: 549; B: 411)	1	1	2	1	1	2
Lower of cost or market (*Nos.—A: 311, 453; B: 120)	6	7	13	9	6	15
Lower of cost or Principal amount (*No.—A & B: 547)	1	1	2	1	1	2
Market value (*Nos.—A: 452; B: 562)	2	1	3	3	1	4
Approximate market value (*Nos.—A: 307; B: 518)	6	2	8	2	—	2
Redemption value (*Nos.—A: 286, 475)	6	—	6	8	—	8
Approximate redemption or market value	—	—	—	1	—	1
Face value (*No.—A: 376)	2	—	2	1	—	1
	247	132	379	279	97	376
Basis of valuation not set forth	61	17	78	80	7	87
Total	308	149	457	359	104	463
Number of Companies Presenting:						
Government securities in current assets	216	—	216	258	—	258
Government and nongovernment securities in current assets	81	81	81	51	51	51
Nongovernment securities in current assets	—	59	59	—	51	51
Total	297	140	356	309	102	360
Basis of Valuation						
No marketable securities in current assets			244			240
			600			600

*Refer to Company Appendix Section.

Note D: Quoted market prices are shown on securities owned by the parent company but are not shown on securities owned by partly owned consolidated subsidiaries. Carrying amounts for securities are based (a) as to one item amounting to approximately $26,000,000 mainly upon the proportionate share of net worth of the individual companies (former subsidiaries) at dates of transfer of such companies to another company in exchange for shares of its capital stock, and (b) as to the remaining items, upon approximate market prices at dates of acquisition, cash cost, carrying amounts as shown by the books of subsidiaries at date of acquisition or carrying amounts for net assets exchanged for securities.

THE OVERLAND CORPORATION
Balance Sheet
Investments in Securities, (Schedule A) at cost:

U. S. Government obligations (quoted market value—$4,098,700)	$ 4,098,736
Common stocks (quoted market value—$12,119,950)	9,877,060
Other corporate securities (quoted market value—$231,124)	215,308
	$14,191,104

Amortized Cost

THE NATIONAL ACME COMPANY
Balance Sheet
Current Assets:

United States Government securities—at amortized cost, plus accrued interest (approximate market)	$6,833,186

TIME INCORPORATED
Consolidated Balance Sheet
Current Assets:
Marketable securities:

Securities issued or guaranteed by the U. S. Government—at amortized cost, plus accrued interest (substantially the same as market)	$18,556,497
Preferred stocks—at cost (quoted market prices approximately $14,590,000)	14,438,472
	$32,994,969

Noncurrent Assets:
Investments at cost:
Other:

Having quoted market prices aggregating approximately $37,305,000	$ 8,908,809
Having no quoted market prices	1,022,329
	$ 9,931,138

TRADE RECEIVABLES

All except one of the 600 survey companies (G. C. Murphy Company) showed "trade" receivables of one kind or another in their balance sheets for 1955 and 1954. In the majority of instances, these receivables were shown in the current asset section of the balance sheet and were most frequently described as "receivables," "accounts receivable," "notes receivable," or "notes and accounts receivable." In a substantial number of instances, certain additional trade receivables were segregated and shown in the noncurrent asset section of the balance sheet.

In 1955, many companies disclosed special features applicable to trade receivables. Four companies (*Co. Nos. 4, 305, 341, 419) indicated assigned receivables. The following companies indicated their receivables were factored (*Co. Nos. 305, 483, 564), hypothecated (*Co. No. 57), pledged (*Co. Nos. 34, 438, 489, 542), secured (*Co. Nos. 77, 209, 359), and sold (*Co. Nos. 71, 497, 587).

Table 6 summarizes the various types of trade receivables shown in the current asset section of the 1955 and 1954 balance sheets of the survey companies.

The following examples, selected from the 1955 reports, are illustrative of the more uncommon types of trade receivables presented by the companies included in the survey:

Accounts and Notes Receivables

BROCKWAY MOTOR COMPANY, INC.
Balance Sheet
Notes and accounts receivable:

Notes receivable (less $247,063 unearned financing charges)	$3,076,239
Accounts receivable	1,510,777
	4,587,016
Less, allowance for doubtful notes and accounts	200,000
	$4,387,016

MORRISON-KNUDSEN COMPANY, INC.
Consolidated Balance Sheet
Assets:
Accounts and notes receivable, less allowance for losses:
From construction contracts:

Completed contracts	$ 116,512
Earned on uncompleted contracts:	
Accounts receivable for work accepted by owner:	
For immediate payment	7,177,283
Retained, due upon completion of contracts	4,608,464
Unbilled work, estimated	6,098,314
	$18,000,573
Due from unconsolidated subsidiaries	1,338,211
Due from other associated companies and joint ventures	2,312,586
Trade receivables	3,275,886
Miscellaneous (including equipment sales, rentals, etc.)	1,678,147
	$26,605,403
Unamortized balances of expenditures in connection with uncompleted contracts; to be charged to cost of contracts as the work progresses (including materials and supplies $1,465,031)	$ 3,518,632

SUBURBAN PROPANE GAS CORPORATION
Consolidated Balance Sheet
Current Assets:
Accounts and notes receivable:

Accounts receivable (including estimated unbilled gas sales of $1,060,461 in 1955)	$4,246,394
Conditional sales contracts (Note 8)	1,000,925
	$5,247,319
Less allowance for doubtful accounts	117,000
	$5,130,319

Note 8: Contingent Liability—The Corporation was contingently liable at December 31, 1955 for customers' conditional sales contracts sold to a bank with recourse in the amount of $1,314,394.

UNITED STATES HOFFMAN MACHINERY CORPORATION
Consolidated Balance Sheet
Current Assets:
Receivables (Note 4):

U. S. Government accounts—ordnance and related contracts	$ 4,260,759
Instalment notes and accounts—includes amounts due beyond one year	3,139,410
Trade accounts	4,805,960
Due from an officer, and a subsidiary stockholder	147,791
Other	384,425
Total receivables	$12,738,345
Less reserves	564,542
Receivables—Net	$12,173,803

Noncurrent Assets:

Noncurrent Cash—deposited as security in 1955 (Note 4) and under other conditions in 1954	$ 200,000
U. S. Treasury Notes and Bonds—At cost—deposited under guarantee (market value, 1955—$230,865) (Note 4)	$ 237,211

Current Liabilities:
Notes payable:

By subsidiary to banks (Note 4)	$ 650,000

Note 4: The receivables shown in the December 31, 1955 balance sheet are exclusive of approximately $3,668,000 sold or discounted, with recourse. Under the agreement with one institution the Corporation was obligated at December 31, 1955 to reimburse such institution for any losses which may be sustained on approximately $673,000 of notes sold, with recourse, by its consolidated Canadian subsidiary; as partial security therefor, the Corporation had deposited cash of $200,000 with such institution at December 31, 1955.

At December 31, 1955 approximately $800,000 of instalment notes receivable were pledged by Hoffman Machinery Credit Corporation as collateral to $650,000 of notes payable to banks.

*Refer to Company Appendix Section.

At December 31, 1955 the Corporation, as a guarantee against loss on instalment receivables sold, without recourse, had deposited with certain financial institutions $237,500 principal amount of United States Treasury notes and bonds, and consolidated subsidiaries had similarly deposited approximately $208,000 of receivables.

WARREN BROTHERS COMPANY
Consolidated Balance Sheet
Accounts and notes receivable:

Trade, etc., less allowance for bad debts (Note 6)	$6,909,261
Unconsolidated subsidiary companies	20,459

Note 6: Contingent Liability and Pledge of Receivables—A consolidated subsidiary company was contingently liable at December 31, 1955 in respect of $68,045 of receivables sold with recourse. Bank loans payable of another consolidated subsidiary, amounting to $176,841, were secured by a pledge of accounts receivable.

Installment Accounts

ELECTROLUX CORPORATION
Statement of Financial Position
Current Assets:
Receivables:

Customers' installment accounts, less unearned finance charges and reserves aggregating $2,257,444	$25,488,587
Miscellaneous	261,918
	$25,750,505

SEARS, ROEBUCK AND CO.
Statement of Financial Position
Current Assets:
Accounts and notes receivable:

Customers' installment accounts	$790,716,521
Less accounts sold	281,923,291
	$508,793,230
Other customers' accounts	23,236,672
Manufacturers' and miscellaneous receivables	31,587,822
	$563,617,724
Less estimated collection expenses and losses	79,899,054
Accounts and notes receivable—net	$483,718,670

THE WAYNE PUMP COMPANY
Consolidated Statement of Financial Position
Current Assets:
Accounts receivable:

Trade	$2,548,439
Installment trade:	
Due within one year	396,180
Due after one year	143,354
Subsidiary companies not consolidated	220,186
U. S. Government contracts	501,409
Other	55,691
Deduct:	
For uncollectible amounts	(66,171)
For unearned finance charges, etc.	(48,943)
	$3,750,145

Deferred Accounts

ALLIED STORES CORPORATION
Consolidated Statement of Financial Position
Current Assets:
Accounts and Notes Receivable—Customers:

Regular accounts	$48,951,129
Deferred accounts and notes	33,731,708
Equity in deferred accounts ($27,485,101) sold	3,298,212
	$85,981,049
Less allowances for losses on collection and for deferred carrying charges	5,648,950
	$80,332,099

Installment Notes

THE S. S. WHITE DENTAL MANUFACTURING COMPANY
Consolidated Balance Sheet
Current Assets:

Receivables, less allowance for doubtful items and cash discounts (Note 2)	$4,169,817
Other Assets:	
Long-term receivables (Note 2)	$ 788,666

Note 2: Receivables are classified as follows:
Current:
Trade:

Accounts and notes	$3,847,894
Instalment contract notes due within one year	477,684
Other	43,818
Allowance for doubtful items and cash discounts	(199,579)
	$4,169,817

TABLE 6: TRADE RECEIVABLES

Current Asset Description	1955	1954
Accounts receivable or receivables (*Nos. 48, 98, 220, 299, 354, 445, 543, 562)	445	433
Notes and accounts receivable combined (*Nos. 17, 44, 138, 177, 205, 279, 355, 499, 540)	149	159
Notes receivables (*Nos. 16, 128, 208, 321, 435, 466, 535)	21	22
Installment accounts receivable (*Nos. 77, 271, 294, 359, 370, 410, 475, 497, 513, 516, 584, 587, 592)	13	19
Installment notes receivable (*Nos. 37, 112, 197)	3	9
Trade acceptances—bills—drafts (*Nos. 53, 59, 157, 253, 303, 423, 580)	15	18
Employees—trade receivables (*Nos. 177, 587)	2	2
Deferred receivables (*Nos. 17, 233, 262, 360, 391)	5	6
Foreign receivables (*Nos. 57, 276)	2	2
Contracts receivable (*Nos. 67, 79, 256, 424, 535)	11	8
Trading exchange accounts (*Nos. 57, 59, 206, 520)	4	3
Equity in installment accounts sold (*Nos. 17, 271, 416, 587)	4	1
Joint venture accounts receivable (*No. 67)	1	1
Claims receivable (*Nos. 24, 206)	2	1
Accounts receivable—vendors, suppliers (*Nos. 17, 177, 435, 497, 587)	6	4
Reimbursable expenditures (*No. 7)	1	2
Customer balances on layaway merchandise sales (*No. 198)	1	1
Rotating charge accounts (*No. 262)	1	1
Receivable from factor for accounts receivable sold (*Nos. 483, 564)	2	1
	688	693
Number of Companies Presenting		
Trade receivables in current assets	599	599
No trade receivables in current assets	1	1
	600	600

*Refer to Company Appendix Section.

Long-term:	
Accounts and notes	$ 73,892
Instalment contract notes due beyond one year	714,774
	$ 788,666

Accounts Receivable—Factored

CENTURY RIBBON MILLS, INC. AND ITS WHOLLY OWNED SUBSIDIARY, CENTURY FACTORS, INC.
Consolidated Statement of Financial Condition

Current Assets:	
Accounts receivable (less discounts):	
Due on sales factored by Century Factors, Inc.	$7,265,588
Due on sales of Century Ribbon Mills, Inc.	371,211
Other receivables	100,991
	$7,737,790
Current Liabilities:	
Due to companies factored by Century Factors, Inc.	$3,739,363

THE UNITED PIECE DYE WORKS
Statement of Financial Condition

Current Assets:	
Trade Accounts Receivable (Note 1)	$2,607,046

Note 1: Trade Accounts Receivable—Trade accounts receivable comprise the following:

Due from factor	$1,611,948
Other	1,137,259
	$2,749,207
Less estimated losses on claims and allowances	142,161
	$2,607,046

The amounts due from factor arise from the sale of trade accounts receivable to the factor. The accounts are owned by and payable directly to the factor. All accounts receivable assigned to the factor are to remain outstanding at all times entirely at the risk of the Corporation and without responsibility on the part of the factor. At December 31, 1955 the factor had a total of $1,598,831 of outstanding accounts receivable.

Accounts Receivable—Pledged

HARVARD BREWING CO.
Balance Sheet

Current Assets:	
Accounts Receivable:	
Trade (pledged in part to secure bank loans, see contra)	$730,712
Other	8,680
	$739,392
Less: Allowance for bad debts	14,597
	$724,795
Current Liabilities:	
Notes payable:	
Bank (secured by accounts receivable pledged, see contra)	$234,590

Accounts Receivable—Other Features

APEX SMELTING CO.
Consolidated Balance Sheet

Current Assets:	
Accounts receivable:	
Customers	$3,390,427
Officers and employees	1,975
	$3,392,402
Less allowance for doubtful accounts	85,000
	$3,307,402

FALSTAFF BREWING CORPORATION
Consolidated Balance Sheet

Current Assets:	
Trade accounts receivable—after deducting $344,573 in 1955 and $190,676 in 1954 due for returnable containers; also deducted from liability (see contra)	$2,790,318
Other receivables	311,799
	$3,102,117
Less reserve for doubtful receivables	51,287
Receivables—net	$3,050,830
Noncurrent Liabilities:	
Deposits refundable to customers for returnable containers (less $344,573 in 1955 and $190,676 in 1954, deducted from accounts receivable, see contra)	$ 786,495

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY
Balance Sheet

Current Assets:	
Accounts receivable:	
Contracts and orders	$5,491,927
Other	52,030
Excess of expenditures on shipbuilding contracts and estimated profits recorded thereon over billings applicable thereto (Note 1)	8,665,371
Expenditures on other work, less billings (Note 1)	5,130,671

Note 1: The Company records profits on its long-term shipbuilding contracts through estimates on the percentage-of-completion basis, and on its other long-term contracts as billings are made thereon. Deductions may be made from the profits so estimated for such allowances as may be considered advisable, taking into account the stage of completion of each contract, possible increases in costs not included in the estimates, guarantees and other contingencies. Such allowances at December 31, 1955 totaled $2,700,000; at December 31, 1954 they totaled $2,100,000.

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY
Consolidated Statement of Financial Position

Current Assets:	
Accounts receivable (an allowance for bad debts is considered unnecessary)	$3,032,210

U. S. GOVERNMENT CONTRACTS

The Committee on Accounting Procedure of the American Institute of Accountants, in *Restatement and Revision of Accounting Research Bulletins* (Chapter 11), discusses in detail the recommended procedures in accounting for cost-plus-fixed-fee contracts, renegotiation, terminated war and defense contracts, and their presentation in financial statements.

Approximately 45% of the survey companies indicated in their 1955 annual reports that they were engaged in government defense work. There were 87 companies which made specific reference to U. S. Government contracts or defense business within the balance sheet and an additional 192 companies which mentioned such information elsewhere in the annual report.

Table 7 presents the various methods used by the companies in presenting the balance sheet information regarding their U. S. Government contracts and defense business.

Contracts with the U. S. Government were ordinarily described by the companies as "defense contracts" or "U. S. Government contracts." Some of the various terms used by the companies to identify such contracts are given below:

Descriptive Term	*Company Numbers**
Defense contracts	40, 143, 170, 192, 231, 491
U. S. Government contracts	72, 80, 224, 254, 295, 310, 386, 474, 544
Cost reimbursement contracts	251, 352
Prime contracts	87, 117, 279, 341, 366, 369, 489, 499
Sub-contracts	72, 84, 205, 341, 369, 386, 419, 510, 513
Facility contract	217, 274, 536
Cost-plus-fixed-fee contract	204, 229, 259, 429
Fixed fee contract	70, 98, 419
Incentive type contract	98, 275, 476
Contract subject to price redetermination	209, 292, 295, 554
Research—development type contract	36, 161, 192, 224, 295, 418, 482
U. S. Ordnance contracts	11, 238, 310, 475

The 1955 reports of the survey companies differed widely as to the amount and nature of the information presented concerning their U. S. Government contracts and defense business. Some companies referred only to accelerated amortization of emergency facilities under certificates of necessity or stated that sales during 1955 were subject to renegotiation. Other companies included a summary of the principal features of their defense contracts.

In 1955, many companies disclosed instances of special features applicable to U. S. Government contracts. The special features indicated by the survey companies are listed below:

Special Feature	*Company Numbers**
Government-owned plant and equipment operated by company	70, 234, 357, 475, 510
Price redetermination or contract adjustment clause	8, 295, 341, 403, 554, 561
Clause covering incentive feature	98, 229, 418
Certain assets pledged as collateral or security for loan or financial aid from government	90, 341, 409
Certain receivables due to company from government pledged to secure loans obtained from non-government sources	57, 419, 476, 513

*Refer to Company Appendix Section.

TABLE 7: GOVERNMENT CONTRACTS AND DEFENSE BUSINESS

Balance Sheet Information	1955	1954
Current Asset Section		
Accounts receivable due from government (*Nos. 57, 143, 222, 476, 562)	60	58
Unbilled costs or fees (*Nos. 96, 229, 293, 438, 531)	15	20
Recoverable costs (*Nos. 98, 396, 489)	6	7
Reimbursable expenditures (*Nos. 127, 204, 310, 544)	10	18
Fees or costs less progress payments received (*Nos. 279, 446)	4	3
Advances or payments to subcontractors less progress payments received from government (*Nos. 352, 366)	2	2
Deferred general and administrative expenses applicable to contracts (*No. 369)	1	1
Contract termination claims (*Nos. 274, 510)	2	8
Inventory less billings or progress payment received (*Nos. 36, 135, 252, 402, 528)	41	38
Government inventory not further described (*Nos. 311, 422, 600)	7	1
Advances or progress payments received deducted from current asset sub-total (*Nos. 18, 560, 589)	4	4
Emergency facilities purchased, to be acquired by U. S. Government (*No. 274)	1	1
Noncurrent Asset Section		
Advances received with liability account contra thereto (*No. 269)	1	6
Current Liability Section		
Invoices, payrolls, etc. applicable to contracts (*No. 11)	1	1
Estimated price adjustments (*Nos. 41, 295, 341, 513)	9	13
Advances received (*Nos. 90, 352)	2	5
Advance payments received in excess of expenditures (*Nos. 204, 251)	2	2
Refunds due—U. S. Government (*Nos. 204, 418, 438)	4	3
Estimated costs to be incurred (*Nos. 204, 561)	2	2
Liability under incentive type government contracts (*Nos. 275, 352)	2	1
Noncurrent Liability Section		
Advances received (contra to asset account above) (*No. 269)	1	6
Notes payable due to government (*No. 409)	1	2
Funds for payments under U. S. Government contracts (*No. 252)	1	—
	180	202
Number of Companies referring to government contracts or defense business		
In balance sheet presentation	87	106
In body of report, but not including balance sheet presentation	192	203
Not referring to contracts, defense business, etc.	321	291
	600	600

*Refer to Company Appendix Section.

Funds restricted to use for government purposes *not* reflected in financial statements	70,211,474
Contract completed during year	219,418,422
Contract cancelled	410,418
Pending contract—under consideration, not yet currently effective—with government	98,275

The following examples selected from the 1955 annual reports illustrate the methods of disclosure used by the companies regarding their U. S. Government contracts:

Contracts Subject to Price Redetermination

THE EMERSON ELECTRIC MANUFACTURING COMPANY
Consolidated Balance Sheet
Current Assets:

Accounts receivable, less allowance for doubtful accounts 1955, $12,500 (Note 1):	
United States Government	$1,734,334
Trade and others	5,631,430
	$7,365,764
Inventories, at the lower of cost (first-in, first-out) or replacement market:	
Finished products	$3,637,511
Work in process and fabricated parts	2,113,509
Raw material and purchased parts	2,980,817
Costs applicable to United States Government contracts, less progress billings of $530,439 in 1955	1,110,701

Current Liabilities:

Notes payable to banks within one year:	
Bank credit agreement (Note 2)	$2,000,000

Note 1: Accounts receivable have been shown after deducting applicable price redetermination adjustments: year 1955, $114,477.

Note 2: Under the terms of the bank credit agreement, the Company may borrow up to $4,000,000 during the three years ending December 31, 1957 to finance defense contracts.

Note 7: Renegotiation proceedings have been concluded for the years ended September 30, 1951, 1952, and 1954 with no refund required. No refund is anticipated with respect to the years 1953 and 1955. Appropriate recognition has been given in the accounts for anticipated amendments with respect to contracts containing price redetermination clauses.

MERGENTHALER LINOTYPE COMPANY
Consolidated Financial Position
Current Assets:

U. S. Government Contracts:	
Accounts receivable—product shipped	$ 205,787
Accumulated costs on contracts, a substantial portion of which is subject to price redetermination, less estimated cost of billings and progress payments	885,630
	$1,091,417

Note 3: Contingent Liabilities— . . .Sales during the fiscal years 1953 through 1955 included amounts subject to the Renegotiation Act of 1951. No provision has been made for possible adjustments to income arising from renegotiation inasmuch as the management of the company believes the amount of such adjustments, if any, will be insignificant. No adjustment resulted from renegotiation of sales for the fiscal years 1951 and 1952.

*Refer to Company Appendix Section.

Price Redetermination and Renegotiation

SERVOMECHANISMS, INC.
Consolidated Balance Sheet
Current Assets:

Trade accounts receivable (including United States Government $249,161)	$2,015,688
Less allowance for doubtful accounts	69,524
	$1,946,164

Current Liabilities:

Refundable portion of sales and profits on contracts subject to retroactive price adjustments—estimated—Note B	$1,606,465

Note B: A substantial portion of the sales and profits of the Company for the years 1953 to 1955, inclusive, was derived from contracts subject to price redetermination and to renegotiation. Provisions have been made in the accounts, deemed adequate in the opinion of management, to cover estimated price redetermination adjustments for applicable years. In the opinion of management, the results of renegotiation upon determination by the Renegotiation Board will have no material effect on the financial position of the Company.

Cost-Plus-Fixed Fee—
Incentive Fixed Price Contracts

McDONNELL AIRCRAFT CORPORATION
Balance Sheet
Current Assets:

Receivables, $8,690,596 unbilled:	
U. S. Government	$ 14,378,214
Other	1,934,145
	$ 16,312,359
Contracts in process, Note A	$153,666,551
Less progress payments	132,156,059
	$ 21,510,492

Current Liabilities:

Income taxes and renegotiation refunds, estimated, Note B	$ 8,225,020
Amounts received on contracts in excess of costs incurred	3,592,646

Note A: Contracts—The amount for contracts in process represents costs and estimated earnings on long-term contracts less billings, and materials and parts inventories of $30,649,136, at cumulative average cost, applicable to such contracts. Title to substantially all materials included in contracts in process is in the U. S. Government as security for progress payments of $132,156,059.

The Company accounts for earnings on a percentage of completion basis wherein costs and estimated earnings are deemed sales as the work is performed. Most of the Company's business is under long-term incentive fixed price contracts, and earnings are increased or decreased when costs are below or above estimated costs with any final adjustments being recorded in the year of completion of the contracts.

Note B: Taxes and Renegotiation—$12,079,336 of the cost of facilities covered by Certificates of Necessity is being amortized over a period of 5 years for tax purposes, with normal depreciation being provided in the financial statements. Consequently, $717,000 of the amount provided for income taxes applies to future years, including $187,000 of the current year's provision.

The Renegotiation Board has made a final determination, and the Company has agreed to a refund, net of income taxes, of $693,940 for fiscal year 1951. This amount has been provided by a charge against earnings retained for growth thereby retroactively reducing previously reported earnings after taxes for that year from $3,182,686 to $2,488,746. Management believes that adequate provision is included in the financial statements for any refunds that may be required in subsequent years.

Note D: Credit Agreement—Under a $10,000,000 Bank Credit Agreement extending to 31 December 1956, receipts from substantially all defense production contracts are assigned and net current assets of at least $8,000,000 are required to be maintaained. No borrowings were outstanding thereunder at 30 June 1955.

VERTOL AIRCRAFT CORPORATION
Consolidated Statement of Financial Condition

Current Assets:	
Accounts receivable, principally U. S. Government	$5,008,657
Unbilled costs and earnings under contracts with the U. S. Government	2,507,415
Fixed-price contracts in process, and inventories of raw materials, parts and supplies at the lower of cost or market, less progress payments of $22,147,120 (1954: $28,643,787) on contracts under which title to related inventories vests in the U. S. Government	5,682,517
Current Liabilities:	
Notes payable to banks, "V" Loan	$4,000,000
Federal and State taxes on income	2,852,813
Provision for contract adjustments	829,929
Deferred Credit:	
Federal income tax credit	$ 752,176

Note A: The notes payable were issued under a Regulation "V" Loan Agreement establishing a revolving credit of $10,000,000 expiring on June 30, 1956. Under the terms of this agreement, the company has assigned all moneys due and to become due under substantially all of its contracts with the U. S. Government, and is required to maintain net working capital of not less than $3,000,000.

The mortgage loan payable at December 31, 1955, was made under an agreement requiring stated monthly principal payments to maturity in 1962 and requiring annual principal payments equal to the excess of thirty per cent of net earnings before depreciation (as defined under the agreement) over the monthly payments. Substantially all of the company's property, plant and equipment are subject to the mortgage.

Under the terms of the above-mentioned loan agreements, payments of dividends, repurchases of the company's capital stock and certain other actions of the company require the prior consent of the lending parties.

Note B: The company records depreciation of its plant facilities acquired under Certificates of Necessity in the amount permitted by the United States Government for contract pricing purposes which, during the sixty months following acquisition, is less than the deduction permitted for tax purposes.

To December 31, 1955, the deduction for tax purposes is $1,445,091 ($396,139 for 1955 and $392,845 for 1954) more than the recorded depreciation, and a provision of $752,176 ($206,000 for 1955 and $205,000 for 1954) has been set aside to be used as a reduction of income tax expense in years following the expiration of the 60-month period when the recorded depreciation will not be fully deductible in computing taxable income.

Note C: Substantially all of the company's income arises from aircraft and parts manufactured for the United States Government under cost-plus-fixed-fee and incentive fixed-price type contracts; the latter type providing for the determination of billing prices on the basis of target costs and the sharing within specified limits by the Government and the company in savings or extra costs occasioned by variances between actual and target costs. Sales include the reimbursement of costs incurred under the cost-plus-fixed-fee contracts and estimated fees accrued on the basis of actual costs incurred to date and estimated total costs to completion of the contracts. Sales under the fixed-price contracts are recorded on the basis of deliveries at prices derived from the contract formula, and the costs of such sales are recorded on the basis of the estimated costs to completion of the contracts. Sales and costs relative to items delivered prior to the determination of billing prices under the fixed-price contracts are not included in the earnings statement.

Note D: For years through 1953, the company claimed the benefits of certain excess profits tax relief provisions of the Internal Revenue Code. Pending settlement of such claims, no payments of excess profits taxes have been made, but provision therefor of $1,350,000, computed without the benefits of certain of the claimed relief provisions, has been included in the annexed financial statements. Federal tax liabilities have been settled for years through 1950.

Note F: Substantially all of the company's sales are subject to renegotiation by the United States Government. The company has received clearance for years through 1952. For years 1953 to 1955, inclusive, it is believed that, if any refunds are required, they will not materially affect the net earnings as reported.

Contract Termination Claims, etc.

THE GARRETT CORPORATION
Consolidated Balance Sheet

Current Assets:	
Trade accounts receivable (including due from U.S. Government $2,677,215) less $52,000 allowance for doubtful accounts	$11,186,138
Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts (including due from U.S. Government—$642,909)	1,912,901
Claims arising from terminated contracts (including due from U.S. Government $1,719,668)	3,780,053
Inventories of merchandise, finished products, work in process, raw materials and processed parts—at lower of cost (generally first-in, first-out method) or market; less progress payments received (1955—$3,466,550)	25,384,406
Current Liabilities:	
Notes payable to banks—unsecured—Note A	15,000,000
Trade accounts payable—including estimated liability for refund under renegotiation and under price redetermination contracts—Note B	7,798,089

Note A: The credit agreement requires the Company to maintain net current assets and net worth of stipulated amounts and provides for certain dividend restrictions. At June 30, 1955, earned surplus unrestricted by the agreement as to payment of dividends was $1,576,032.

Among other things, the agreement also provides that the Company, upon demand, shall secure the loans by assignment of all claims for moneys due or to become due under its defense production contracts. No such assignment has been demanded.

Under a term loan agreement (no borrowings yet made) the Company has agreed, upon demand, to place encumbrances on its real estate, machinery, and equipment to secure loans made thereunder.

Note B: A substantial portion of the Company's sales since June 30, 1951 and of the merged subsidiaries' sales (one since December 31, 1951 and the other since December 31, 1952) are subject to renegotiation. The Company believes that renegotiation will have no significant effect upon its financial statements beyond provision presently included in liabilities.

Defense Financing

Certain of the companies which operated under U. S. Government contracts disclosed the methods used to finance such production. Funds for defense work frequently were indicated as obtained through Regulation-V or revolving credit agreements with banks or received directly from the U. S. Government.

Examples of the amount of disclosure given by these companies with regard to defense contracts and financing are given below:

AIR ASSOCIATES, INCORPORATED
Balance Sheet

Current Assets:	
Accounts receivable:	
Trade, less reserve (Note 1)	$1,936,422
Claims receivable under defense contracts and subcontracts (Note 1)	390,347
Inventories—at cost or market, whichever lower:	
Aircraft supplies, parts and accessories	1,520,997
Work in process (Note 1)	2,316,419
Current Liabilities:	
4¼% Notes payable to banks due June 30, 1956 under V-Loan Agreement (Note 1)	3,200,000

Simplified Balance Sheet for 1955

October 31, 1955

THE COMPANY OWNED, generally known as assets	Amount	Per Share
Cash and United States Government securities	$ 3,803,209	$ 6.21
Accounts owed the Company by its customers, generally known as accounts receivable	5,718,744	9.34
Inventories including raw material, materials in work and finished goods; for sale to customers	12,346,284	20.16
Land, building and equipment, after deductions for the wear and tear on these properties; generally known as fixed assets	12,526,419	20.46
Miscellaneous items, including cash value of corporate life insurance, amounts paid in advance for insurance, investment in Canadian Chain Belt Limited, etc.	997,730	1.63
	$35,392,386	**$57.80**

THE COMPANY OWED, generally known as liabilities	Amount	Per Share
For materials and supplies, wages and salaries to employees, and such things as dividend to stockholders, real estate and social security taxes, etc.	$ 3,145,453	$ 5.14
For income taxes payable to state governments (tax liability to federal government is covered by government securities)	480,547	.78
For money borrowed (Debenture Bonds)	4,000,000	6.54
Amount invested in the business by the stockholders (Stockholders' Ownership)	27,766,386	45.34
	$35,392,386	**$57.80**

CHAIN Belt Company

Simplified Profit and Loss Statement for 1955

	Amount	Per Dollar of Sales
THE COMPANY RECEIVED		
from customers for the goods and services purchased by them	**$45,204,118**	**$1.00**

	Amount	Per Dollar of Sales
THIS MONEY WAS USED FOR		
Costs and Expenses		
Inventory at beginning of year	$ 9,504,339	$ .21
Wages and salaries paid to employees including employee benefits paid by the Company, such as pensions, group insurance, social security, etc.	19,061,871	.42
Materials, supplies and services purchased from others. This includes such things as iron and steel, engines, advertising, taxes other than on income, etc.	20,282,453	.45
Wear and tear on machinery, tools and buildings, generally known as depreciation	1,011,467	.02
	49,860,130	1.10
Deduct inventory at end of year	12,346,284	.27
Costs applicable to operations for the year	37,513,846	.83
Income Taxes owing to state and federal governments	4,225,000	.09
Dividends paid to the stockholders for the use of facilities and working capital provided by their investments	1,836,011	.04
Retained in the business and invested in fixed assets, inventories and working funds	1,629,261	.04
	$45,204,118	**$1.00**

Note 1: Accounts receivable and contract claims receivable aggregating $924,000 were assigned as security for the bank loans under the V-Loan Agreement. In addition, unfilled defense production and development contracts totaling $3,358,000 were assigned as security for the loans. The inventories in process at September 30, 1955, were acquired or produced principally for such assigned contracts.

The V-Loan Agreement provides that, except with the prior consent of the lenders, the Company shall not pay dividends, except stock dividends, or reacquire any of its capital stock, except in an amount not exceeding 33 1/3% of earnings since September 30, 1950, plus the proceeds from the sale of stock arising from stock options granted to directors, officers or employees. At September 30, 1955, there was $20,383 available in surplus unrestricted as to dividend distribution. There is also a loan requirement that the Company will maintain net current assets, as defined, of at least $1,800,000.

Note 6: A part of the Company's business for the years ended September 30, 1954 and September 30, 1955, is subject to statutory renegotiation but it is believed that no refunds of profits will be required.

ARGUS CAMERAS, INC.
Statement of Financial Position
Current Assets:

Receivables (Note 1), less reserve of $91,000	$1,929,616
Inventories (Note 1), at lower of cost or market	3,702,807
Current Liabilities:	
Notes payable—V-Loan (Note 1)	1,300,000

Note 1: Under the V-Loan agreement, the Company has assigned the proceeds due or to become due under military contracts. As of July 31, 1955, receivables and inventories of $1,530,000 are applicable to these contracts.

THE MAGNAVOX COMPANY
Consolidated Statements of Financial Position
Current Assets:

Accounts receivable:	
Customers and others, less allowance for doubtful accounts, etc., of $75,000 in 1955	$ 3,635,540
U. S. Government ($4,279,370 in 1955) and others under defense contracts	5,257,101
Inventories, at lower of cost or market:	
Raw materials and supplies	2,931,999
Work in process, including $3,556,022 in 1955 for defense contracts	5,542,804
Finished goods	2,694,548
Balance of development and tool expenditures, etc., on defense contracts being amortized on basis of deliveries	932,697
Current Liabilities:	
Notes payable within a year	$ 135,000
Notes payable to banks under V-Loan agreement (Note 2)	8,500,000
Accounts payable, including $359,019 in 1955 and $733,523 in 1954 under defense contract price adjustment agreements	2,097,840
Accrued general taxes, wages. interest, etc.	1,316,128
Federal taxes on income and renegotiation	3,990,296
Total current liabilities	$16,039,264
Noncurrent Liabilities:	
4% Instalment notes payable after one year (Note 2)	$ 2,865,000

Note 2: The V-type bank loan agreement provides for a $12,000,000 line of credit to December 31, 1956. The instalment notes issued under a loan agreement entered into on January 6, 1955 are payable $135,000 semiannually from May 1, 1956 to November 1, 1966. Among other restrictions under the agreements, $5,355,712 of the earnings retained and invested in the business at June 30, 1955 is restricted as to payment of dividends, other than stock dividends.

Consolidated Statements of Income and Retained Earnings

Note: Cost of goods sold also includes amortization of defense contract tools, dies, etc.—$502,749 in 1955 and $943,305 in 1954.

TABLE 8: ESTIMATED RENEGOTIATION LIABILITY

Balance Sheet or Other Presentation	1955	1954
Provision for estimated renegotiation liability—		
Set forth under current liabilities:		
Combined with liability for taxes (*Nos. 40, 186, 341, 473, 530)	23	21
Combined with non-tax liability (*Nos. 90, 170, 229)	3	5
Separately set forth (*Nos. 98, 222, 275, 438)	5	6
Referred to in:		
Notes to financial statements (*Nos. 20, 162, 300, 478)	10	12
Letter to stockholders (*Nos. 211, 528, 600)	5	2
	46	46
No provision made for possible renegotiation liability, although reference made thereto or to "renegotiable sales" (*Nos. 80, 204, 281, 410, 462, 507, 511, 563)	132	163
Number of Companies Referring To		
Renegotiation or renegotiable sales	178	209
Not referring thereto	422	391
	600	600

*Refer to Company Appendix Section.

Renegotiation

There were 178 survey companies that made reference, in one way or another, to renegotiation, or to renegotiable sales in their 1955 reports. Of these companies, 31 included in their balance sheets a provision for estimated renegotiation liability and an additional 15 companies referred to such provision in the notes to the financial statements (10 companies) or in the letter to the stockholders (5 companies). The remaining 132 companies made no provision for possible renegotiation liability, even though they referred thereto or mentioned renegotiable sales. In such instances the reports normally contained further discussion and comments explaining the reasons for the absence of any provision for possible renegotiation liability. The most common explanations were either that it was felt that no renegotiation refund would be required or that any refund, if required, would not materially affect net income.

The balance sheet or other presentation of estimated renegotiation liability as shown in the survey reports for 1955 and 1954 is given in Table 8.

Examples—Renegotiation

The following examples, taken from the 1955 reports, illustrate the nature and scope of the information disclosed therein concerning renegotiation and the provision made therefor:

THE BULLARD COMPANY
Statement of Financial Position
Current Liabilities:
Reserve for Federal taxes on income and renegotiation $1,869,171

President's Report: Renegotiation—Tentative figures have been arrived at for the settlement of renegotiation for the year 1952 with a Regional Renegotiation Board. A portion of the reserve for renegotiation was judged to be no longer needed and $2,000,000 was therefore transferred in 1955 to net income retained in the business. The balance remaining in the reserve at the close of 1955 is believed to be sufficient to cover settlements for those years still open.

THE CARPENTER STEEL COMPANY
Balance Sheet
Current Liabilities:
Accrued Federal taxes on income and renegotiation refunds (See Note B)
Statement of Income
Federal taxes on income and provision for and adjustments of renegotiation for prior years (See Note B) $3,630,000

Note B: Provision for Renegotiation—During the year a renegotiation settlement was completed for the year ended June 30, 1952, and a net amount of $82,900.08 was paid.

A renegotiation settlement for the year ended June 30, 1953, has recently been signed with the New York Regional Renegotiation Board and, based thereon, a net refund of $284,249.96 has been provided for in the accompanying financial statements.

Based upon the settlements for prior years and revisions in the Renegotiation Act, it is the opinion of the management that no renegotiation refunds will be required for the years ended June 30, 1954 and 1955.

CONSOLIDATED DIESEL ELECTRIC CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Federal income taxes and renegotiation estimated (Notes C and D) $1,252,349

Note C: Federal Income Taxes—Federal income tax returns of the Company have been examined and settled by agents of the Internal Revenue Service through the year 1952. Tax returns for the years 1953 and 1954 are in process of examination.

Note D: Renegotiation—Substantially all of the Company's business is subject to renegotiation by the U. S. Government. Clearance has been received from the Renegotiation Board through the year 1953 without refund. The effect, if any, of renegotiation upon the accompanying consolidated financial statements cannot be determined at this time. The Company's management anticipates no change in an amount which would affect net income materially.

HAZELTINE CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Accrued expenses, provision for contract adjustments and taxes other than Federal taxes on income $7,109,114

Note: A substantial portion of the sales of certain subsidiaries of the company under Government contracts is subject to price revision and renegotiation, and under the provisions of the Internal Revenue Code, the liability for Federal taxes on income is affected by price revision and renegotiation refunds and adjustments. Provision has been made to give effect to the estimated price adjustments that may be required as a result of price revision proceedings. Provision has been made for adjustment of profits applicable to the year 1952 resulting from renegotiation proceedings, on the basis of agreements executed by subsidiaries subject to approval of the Renegotiation Board, which is included in the adjustments charged to surplus. Examination of Federal income tax returns by the Internal Revenue Service has been completed for all years prior to 1951 and partially completed for the years 1951, 1952 and 1953. While it is not possible to predict any adjustments that may be required with respect to price revisions and renegotiation proceedings and final determination of Federal taxes on income, it is the opinion of the Management that any ultimate adjustments should not be material in relation to the consolidated financial position and earnings of the company and its subsidiaries.

MENASCO MANUFACTURING COMPANY
Balance Sheet
Current Liabilities:
Federal income taxes and renegotiation (Note 1) $2,027,192
Statement of Income and Earnings Retained for Use in the Business
Provision for Federal income taxes and renegotiation (Note 1) 1,600,000

Note 1: Renegotiation—The major portion of the sales for the years ended June 30, 1953, 1954 and 1955 was under contracts subject to renegotiation. The Company has recorded in the accounts a combined provision for renegotiation refunds and Federal income and excess profits taxes for those years. The renegotiation proceedings with the Government through June 30, 1952 have been concluded. It is impossible to determine the exact amount (if any) of refunds which may be required for the years ended June 30, 1953, 1954 and 1955. However, based upon the settlements for 1951 and 1952, the combined provision is adequate to cover renegotiation refunds and Federal income taxes.

INVENTORY

Presentation

In the 1955 survey reports, inventories were presented on the balance sheets of the companies in varying detail. The term "Inventory" or "Inventories" was used by 111 companies, exclusive of other detail on the balance sheet. An additional 72 companies used the same manner of presentation on the balance sheet and supplied supplementary detail as to the composition of the inventory in the notes to financial statements or elsewhere in the report. The remaining 417 companies provided detail on the balance sheet as follows:

Separate captions and amounts presented for:	Number of Items
Finished products	190
Work in process	168
Raw materials	160
Materials	22
Supplies	138
Merchandise	23
Various other separate captions	90
	791
Combined caption with one total amount presented for:	
Finished goods and work in process	37
Raw materials and work in process	7
Raw materials, work in process and supplies	12
Raw materials and supplies	42
Raw materials, work in process and finished goods	19
Raw materials, work in process, finished goods and supplies	34
Materials and supplies	47
Various other combined captions	77
	275
	1066

Pricing Basis

The "lower of cost or market" continues to be the most commonly used basis of valuation for inventories, as shown by the 1955 reports of the 600 survey companies. The only other common basis is "cost." Table 9 discloses all of the various bases stated by the survey companies to have been used in the pricing of their inventories for the years 1950, 1953, 1954, and 1955. Only six of the companies failed to disclose the basis used in pricing their inventories in their 1955 reports.

Methods of "Cost" Determination

The method of cost determination for the pricing of inventories disclosed most frequently by the survey companies is the "last-in, first-out" (LIFO) method. The only other methods extensively mentioned are the "first-in, first-out" (FIFO) and "average cost" methods. Table 9 reveals all of the methods of "cost" determination for the pricing of inventories as disclosed by 381 of the 600 survey companies. The remaining 219 companies did not disclose the method of "cost" determination and of these, six did not refer to the basis of pricing their inventories.

Examples of the various methods of determining costs are given below:

(a) First-in, First-out "Cost"

AMERICAN OPTICAL COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories, at the lower of cost (substantially "first-in, first-out") or market:

Finished goods	$11,898,367
Work in process	12,036,534
Raw materials	3,012,726
Operating supplies	777,092
	$27,724,719

LAMSON CORPORATION OF DELAWARE
Consolidated Balance Sheet
Current Assets:
Inventories—Materials, supplies, work in process and finished parts and units—at lower of cost or market (Note B) $2,546,236

Note B: Inventories—Inventories were valued at the lower of cost (first-in, first-out method) or estimated market on the basis of specific items and classes of merchandise. Slow-moving, obsolete and irregular stock has been valued at estimated salvage values.

PEPSI-COLA COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories:

Finished, in-process, raw materials and supplies	$4,693,945
Vending equipment held for resale	2,370,229

Note 1: The inventories are stated at cost, certain inventories being at average cost and the others being on the basis of first-in, first-out. Such costs were not in excess of market.

POLAROID CORPORATION
Financial Condition
Current Assets:
Inventories (Note A) $1,739,616

Note A: Merchandise and Supplies Inventories were valued at cost (first in, first out) or market (not in excess of net realizable value), whichever was lower.

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
Consolidated Balance Sheet
Current Assets:
Inventories (Note 1) $3,721,032

Note 1: Inventories have been priced at the lower of cost or market, cost having been determined on a first-in, first-out basis, with labor and material at current prices and with overhead computed at a standard rate.

(b) Average "Cost"

CENTENNIAL FLOURING MILLS CO.
Consolidated Balance Sheet
Current Assets:
Inventories (Note 2):

Grain for milling purposes, flour and millfeeds	$1,886,282
Commercial feeds, ingredients, package foods, etc.	1,439,409
Bags, containers and supplies	214,292

Note 2: Inventories—The inventories are valued on the following bases: Grain for milling purposes, flour and millfeeds, at market, after adjustment to market of open cash trades, unfilled flour and feed orders, etc.; commercial feeds, ingredients, package foods, etc., at the lower of average cost or replacement market; bags, containers and supplies at the lower of average cost or replacement market.

MacANDREWS & FORBES COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories, at average cost, which approximates market $5,373,517

PENN FRUIT CO., INC.
Consolidated Balance Sheet
Current Assets:
Inventories of merchandise and supplies at cost or market, whichever is lower (Note 2):

In Warehouses	$3,847,554
In Stores	2,415,535
In Transit	522,151
Supplies in Warehouse	150,237
	$6,935,477

Note 2: Inventories—Merchandise Inventories (except groceries in stores) are priced at the lower of average cost or market. Groceries in stores are priced at selling prices reduced to estimated cost by application of percentages of mark-up. Supplies are inventoried at average cost when in warehouse, and are charged to cost of sales when requisitioned for use.

TEXAS GULF SULPHUR COMPANY
Balance Sheet
Current Assets:
Inventories:

Sulphur above ground, at average cost	$13,642,068
Materials and supplies, at cost	2,055,767
	$15,697,835

(c) Standard "Cost"

HARSHAW CHEMICAL COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories—Note B:

Finished products and jobbing merchandise	$ 5,276,930
Raw materials and containers	2,751,123
Work in process	1,519,023
Supplies	1,017,264
Materials and supplies in transit	210,380
	$10,774,721

TABLE 9: INVENTORY PRICING

I: Basis of Pricing

Bases:*	1955	1954	1953	1950
Lower of Cost or Market—				
A. Lower of Cost or Market	355	343	340	342
B. Lower of Cost or Market; and, Cost	81	77	83	67
C. Lower of Cost or Market; and, one or more other bases	55	54	50	53
D. "Cost not in excess of market"	38	32	26	24
	529	506	499	486
Cost—				
E. Cost	37	51	57	63
F. Cost; and, one or more other bases	59	60	58	57
G. Cost; and, Lower of Cost or Market (See above)	81	77	83	67
	177	188	198	187
Other Bases—				
H. Cost or less than cost	29	26	30	37
I. Cost or less than cost "not in excess of market"	6	7	8	10
J. Cost, less than market	20	16	9	6
K. Lowest of—cost, market, adjusted selling price	1	2	2	1
L. Market	17	28	31	29
M. Market or less than market	6	10	11	8
N. Contract price	4	7	12	11
O. Selling price	3	4	4	4
P. Assigned values	3	5	6	7
Q. Various other bases	21	15	8	11
	110	120	121	124
Total	816	814	818	797

II: Method of Determining "Cost"

Methods:**	1955	1954	1953	1950
A. Last-in, first-out	195	194	191	164
B. Average cost	154	149	155	136
C. First-in, first-out	141	143	143	134
D. Standard costs	29	28	26	32
E. Approximate cost	12	13	14	16
F. Actual cost	9	8	6	7
G. Invoice cost	—	—	1	5
H. Production cost	5	3	7	5
I. Estimated cost	4	4	3	2
J. Replacement cost	4	1	2	2
K. Retail method	13	10	9	6
L. Base stock method	4	7	8	6
M. Job-order method	2	1	2	2
N. Other methods	8	2	3	4
Total	580	563	570	521

Number of Companies				
Stating inventory pricing basis and cost method	381	384	381	361
Stating inventory pricing basis but omitting cost method	213	208	213	232
Not stating inventory pricing basis or cost method	6	8	6	7
	600	600	600	600

I. *Refer to Company Appendix—A: Nos. 23, 82, 189, 399, 419, 544; B: Nos. 92, 175, 223, 233, 408, 530; C: Nos. 157, 229, 290, 388, 463, 509; D: Nos. 123, 232, 252, 373, 418, 440; E: Nos. 61, 172, 240, 308, 417, 447, 541; F: Nos. 57, 58, 229, 285, 429, 583; G: See "B"; H: Nos. 29, 457, 484, 502, 508, 545; I: Nos. 130, 209, 211, 474, 507; J: Nos. 10, 144, 360, 448, 489, 540; K: No. 563; L: Nos. 57, 180, 421, 533; M: Nos. 59, 185, 445; N: Nos. 46, 184, 229, 569; O: Nos. 39, 46, 184; P: Nos. 175, 184; Q: Nos. 76, 293, 366, 396, 424, 583.
II. **Refer to Company Appendix—A: See Tables 10 and 11; B: Nos. 102, 123, 172, 286, 434, 531; C: Nos. 41, 174, 241, 296, 389, 458; D: Nos. 32, 95, 321, 363, 415, 514; E: Nos. 139, 193, 210, 281, 468, 516; F: Nos. 34, 423, 456; H: Nos. 46, 428, 438; I: Nos. 148, 177, 385; J: Nos. 124, 448; K: Nos. 17, 336, 337, 344, 439, 594; L: Nos. 175, 191, 212, 412; M: Nos. 223, 560; N: Nos. 100, 353, 424.

Note B: Inventories are stated at lower of cost (last-in, first-out method for certain materials which amounted to approximately $648,000.00 at September 30, 1955 . . . and mainly standard costs, revised at reasonable intervals to reflect current conditions, for other inventories) or replacement market.

THE HOOVER COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories—at lower of cost (principally standard costs) or market on basis of first-in, first-out:

Finished products	$4,702,055
Work in process	1,612,386
Raw materials and supplies	2,422,356
Defense contracts	583,473
	$9,320,270

LANDERS, FRARY & CLARK
Consolidated Balance Sheet
Current Assets:
Inventories (Note 2) $7,525,653

Note 2: Inventories are shown at cost standards not in excess of market values.

WHITE SEWING MACHINE CORPORATION
Consolidated Balance Sheet
Current Assets:
Inventories, at lower of standard cost or replacement market:

Finished products	$4,445,852
Work in process	1,186,606
Raw materials and supplies	1,157,463
	$6,789,921

(d) Retail Method

LERNER STORES CORPORATION
Consolidated Balance Sheet
Current Assets:
Merchandise inventories at lower of cost or market:

Finished goods—based upon retail method	$15,929,371
Raw materials	696,705
Merchandise at contractors	233,473
Merchandise in transit	907,428
	$17,766,978
Less: Reserve for markdowns	100,000
	$17,666,978

RALPH WEILL & COMPANY
Balance Sheet
Current Assets:
Merchandise inventories—at the lower of cost or market, principally as determined by the retail inventory method $3,122,979

F. W. WOOLWORTH CO.
Consolidated Balance Sheet
Current Assets:

Merchandise inventories	$121,635,427
Merchandise in transit	3,198,212

Note: Merchandise inventories in stores are stated at the lower of cost or market, as calculated by the retail method of inventory. Merchandise in warehouses and in transit and food products inventories in restaurants are stated at cost.

(e) Base Stock Method

THE EAGLE-PICHER COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories of raw materials, work in process, finished products and supplies (Note 1) .. $13,734,980

Note 1: Inventories at November 30, 1955 were composed as follows:

Ores, metals and metal bearing products	$ 4,267,434
Other	9,467,546
	$13,734,980

Ores, metals and metal bearing products have been valued at the lower of cost or market which has been reduced to state basic quantities of lead and zinc, 9,000 and 16,000 tons respectively, at fixed prices, based on 6.5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St. Louis), under the base stock method of inventory valuation adopted at November 30, 1949.

Other inventories have been valued at average and standard costs, or lower, which approximate replacement market.

THE NATIONAL SUGAR REFINING COMPANY
Statement of Financial Position
Current Assets:
Inventories (see Note):

Raw and refined sugar	$9,274,887
Manufacturing supplies	1,377,124

Note: A base stock of 25,000 tons of sugar is valued at a raw sugar base price of five cents a pound which is lower than cost or current market price. The remainder of the sugar inventories is valued at the lower of cost (first-in, first-out basis) or market. Manufacturing supplies are valued at the lower of average cost or market.

METHODS OF STATING MARKET VALUE are illustrated in the following examples:

THE AMERICAN METAL COMPANY, LIMITED
Consolidated Balance Sheet
Current Assets:
Inventories (Page 38) $36,715,570

Notes to Financial Statements: Inventories—

Metals refined and in process:	
Metals against which firm sales contracts are held, at sales prices	$14,356,927
Metals unsold, at the lower of cost (in part average; in part last-in, first-out) or market (at December 31 market quotations: 1955, $28,603,000; 1954, $27,581,000)	16,544,863
	30,901,790
Ores and concentrates, at lower of cost or estimated realization value	1,667,566
Fuel and other operating supplies, at cost less reserves: 1955, $571,053; 1954, $581,070	4,146,214
	$36,715,570

ANDERSON, CLAYTON & CO.
Consolidated Balance Sheet
Current Assets:
Inventories (Notes 3 and 7):

Cotton	$143,877,549
Other:	
Finished products	23,178,894
Growing crops and work in process	3,250,861
Raw material	11,113,497
Supplies	9,878,139
Total Inventories	$191,298,942

Note 3: Cotton inventories are valued for U. S. growths at the market price quoted as of July 31, 1955 on the New York Cotton Exchange for October futures and for foreign growths on the basis of world market, with adjustments for the various growths and qualities and allowances for freight, compression, carrying charges and other items. Other inventories are valued as follows: finished products on the basis of market after deducting allowances for selling costs and other items; growing crops and work in process at cost; raw materials at the lower of cost or market; and supplies at cost or less.

Note 7: The following assets of the company and its subsidiaries had been hypothecated as of July 31, 1955 as security for the following liabilities or performance of contracts:

Indebtedness on notes and acceptances payable to banks:	
Crop loans, foreign trade accounts and cotton documents in process of collection	$ 7,503,445
Due from agency of U. S. Government	2,893,132
Inventories	109,760,410
	$120,156,988

BOTANY MILLS, INC.
Consolidated Balance Sheet
Current Assets:

Inventories (partially pledged as collateral for notes payable—factor—contra)—Note B	$2,270,705
Current Liabilities:	
Notes payable—factor (collateralized by portion of inventories—contra)	$ 575,296

Note B: During the months of January and February 1956, the Company disposed of a substantial portion of the inventories and thereafter was in the process of disposing of the remainder. The costs of these inventories as shown by the books of the Company have been reduced by a reserve for losses and expenses on disposal. Accordingly, the inventories are stated at anticipated realizable amounts based on prices being obtained after December 31, 1955.

HIGGINS INCORPORATED
Balance Sheet
Current Assets:

Inventories (Note 2)	$31,606,085
Finished Goods	$ 268,751
Work in Process	219,122
Raw Materials and Supplies	1,444,500

Note 2: Inventories of finished goods, work in progress, raw materials and supplies were valued at cost or estimated realizable prices whichever were lower.

PILLSBURY MILLS, INC.
Consolidated Statement of Financial Position
Current Assets:

Inventories (Note 2)	$31,606,085

Note 2: Inventories—

Hedged Commodities:	
Grain and grain products	$18,267,567
Unhedged Commodities:	
Specialties, commercial feed, ingredients, etc.	10,659,034
Sacks, supplies, etc.	2,679,484
	$31,606,085

Grain (including wheat for the account of the Canadian Wheat Board) and grain products have been stated on the basis of market prices of grain at May 31, including adjustment to market of open contracts for purchases and sales. The company enters into commitments for the purchase and sale of these and other related commodities as an essential part of its established policy of hedging these inventories to the extent practicable, to minimize the market risk due to price fluctuations. The financial statements reflect the hedged position by taking into account all elements in the hedge (inventories on hand and long and short commitments) at market, so that the market gains and losses substantially compensate or offset one another, subject to the completeness of the hedge and certain other relatively minor elements. This procedure has been applied in a manner which does not result in taking unrealized profit into account.

Inventories other than those specified above, on which there were no satisfactory hedging facilities, have been stated on the basis of cost (first-in, first-out) or market, whichever lower.

J. P. STEVENS & CO., INC.
Consolidated Balance Sheet
Inventories—Note A:

Raw materials	$17,234,957
Stock in process	17,470,520
Cloth in process	17,924,553
Finished goods	20,475,855
Supplies, waste, etc.	1,786,628
	$74,892,513

Note A: Inventories—Inventories at October 29, 1955 include $7,583,290 which represents cost determined on the LIFO basis. On the FIFO basis, such inventories would amount to approximately $11,855,000.

The remaining inventories at October 29, 1955, amounting to $67,309,223, are stated at the lower of cost or market. Cost of raw materials and raw material content of stock in process, cloth in process and finished goods was determined principally on the basis of FIFO or average cost, and other costs on the basis of standard costs. Market was determined on the basis of replacement cost of materials or selling prices of finished products.

SUPPLEMENTAL INFORMATION with regard to inventories is provided in the following examples:

CERRO DE PASCO CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories (Note 2):	
Refined metals sold for future delivery, at net selling prices	$ 3,974,138
Unsold, at lower of cost or market:	
Refined metals	1,530,596
In process, ores and concentrates	7,169,414
In manufacturing operations	5,513,002
Materials and supplies, at cost	10,887,234

Note 2: Inventories—Costs of inventories include no depletion. Intercompany profits in the inventories, if any, are not significant.

CONSOLIDATED FOODS CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories—merchandise, finished product, raw materials, and supplies at lower of cost or market (Note 1)	$40,734,037
Current Liabilities:	
Accounts Payable:	
Trade (Note 1)	$6,900,885

Note 1: Inventories—In accordance with the practices of the companies, their inventories and accounts payable do not include merchandise in transit. The amount thereof represents a normal float for such merchandise and its exclusion does not materially affect the current position of the companies.

The inventory of whiskey and other liquors in bond, amounting to $1,868,130 is subject to the usual liens for federal and state taxes and accrued unbilled storage on bulk whiskey in bonded warehouses. Since these charges are not generally payable until withdrawal from bond, they are not taken up as liabilities in the accounts. When paid, the amount of such charges will result in a corresponding increase in the book value of the inventory.

THE GLENN L. MARTIN COMPANY
Balance Sheet
Current Assets:

Materials, labor and other costs incurred on contracts in progress (including advances to subcontractors) less estimated costs applied to deliveries—not in excess of realizable values (Note A)	$82,524,902
Less progress payments	54,866,356
	$27,658,546

Note A: At December 31, 1955 title to inventories in the amount of approximately $77,000,000 had passed to the United States Government as consideration for progress payments.

MINNEAPOLIS-MOLINE COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories of products (principally farm machinery) finished and in process, raw materials and supplies—valued at the lower of cost or market—"first-in, first-out" (Note 2)	$42,966,835

Note 2: In accordance with the Company's long-standing accounting policy, heavy-line products (tractors, harvesters, huskers, shellers, balers, etc.) shipped to dealers are not recorded as sales until paid for in cash or resold by the dealer. The inventory value of such products at October 31, 1955 . . . amounted to $7,615,001. . . .

TABLE 10: LIFO INVENTORY COST METHOD

Number of Companies	1955	1954	1953	1950
Using Lifo at beginning of year (See Table 11)	193	191	188	118
Adopting Lifo during year (*Nos. 106, 114**, 383, 591)	4	—	3	42
Subsidiaries acquired with Lifo (In 1955—*Nos. 518, 581)	2	2	—	—
Readopting Lifo during 1950	—	—	—	1
Abandoning Lifo during year (*Nos. 305, 327, 427, 496)	(4)	—	—	—
Using Lifo at end of year (See Table 11)	195	193	191	161
Not referring to use of Lifo as of year end	405	407	409	439
	600	600	600	600
Extending Lifo to additional inventory classes during year (*Nos. 12, 252, 290)	3	—	3	16
Partially abandoning Lifo during year	—	—	1	1

* Refer to Company Appendix Section.
**Company No. 114 discloses for the first time in 1955 the use of Lifo, but does not state or imply that the method was adopted this year. Previous annual reports (to 1946) do not mention Lifo.

Lifo Inventory Cost Method

Four of the 600 survey companies referred to the use of lifo for the first time in their 1955 annual reports. Two companies acquired subsidiaries using lifo and four companies abandoned lifo, thus bringing to 195, the number of survey companies referring to the use of the lifo method of "cost" determination. Table 10 shows the changes in the number of survey companies adopting or abandoning the use of lifo during each of the years 1950, 1953, 1954, and 1955.

Adoption of LIFO

Among the 600 survey companies, *Briggs Manufacturing Company, Metal and Thermit Corporation,* and *Wheeling Steel Corporation* adopted lifo in 1955. *The Budd Company* mentions the use of lifo for the first time in its 1955 annual report but does not disclose the year of adoption. Previous annual reports (1946-1954) of *The Budd Company* do not disclose the method of determining cost. Two companies, *Square D Company* and *Walworth Company,* acquired in 1955 subsidiaries using lifo.

Pertinent information in the annual reports of these companies is given below:

BRIGGS MANUFACTURING COMPANY
Statement of Financial Condition (Consolidated)
Current Assets:

Inventories of raw materials, operating supplies and finished and partly finished products	$7,043,997

Note 2: Inventories are stated at the lower of cost or market. During 1955, the company adopted the last-in, first-out method of arriving at cost for a portion of its inventories. The effect of this change was to reduce federal income taxes by $112,000 and net income by $103,000. The first-in, first-out method is used for the balance of the inventories.

THE BUDD COMPANY
Statement of Financial Position
Current Assets:

Inventories	$45,076,035

Notes to the Financial Statements: Inventories—

Work in process	$22,834,438
Raw materials	13,667,892
Other materials and supplies	6,273,519
Provision for obsolescence, etc.—(deduct)	(881,000)
Tools, dies and jigs chargeable to customers	3,181,186
	$45,076,035

Inventories, for the most part, are at current average cost or estimated realizable amounts. A relatively small portion of inventories, representing productive materials of one subsidiary, are valued at cost determined on the last-in, first-out method.

METAL AND THERMIT CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories (Note 2)	$5,639,087

Note 2: Tin in all forms (including tinplate scrap) is stated at December 31, 1955 on the last-in, first-out lifo) cost basis; the remainder of the inventories is priced at the lower of average cost or market. Heretofore, a fixed quantity of tin in process was carried at a constant price which was lower than cost or market, and the remainder of the inventories was priced at the lower of average cost or market. This change in basis of inventory valuation had a negligible effect upon net income after taxes for the year 1955.

SQUARE D COMPANY
Consolidated Statement of Financial Condition
Current Assets:

Inventories (Note C)	$20,672,061

Note C: Inventories—Inventories have been stated at the lower of cost (first-in, first-out method) or market except for certain inventories acquired in the merger with the Electric Controller & Manufacturing Company aggregating $1,974,129 at December 31, 1955 and $1,370,313 at December 31, 1954 which have been stated at cost on the last-in, first-out method which was not in excess of market. If all inventories had been stated at the lower of cost (first-in, first-out method) or market, they would have been $724,419 greater at December 31, 1955 and $501,887 greater at December 31, 1954.

WALWORTH COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories (Note B):	
Finished product	$ 7,943,700
Work in process	6,669,988
Raw materials and supplies	3,940,474
Total inventories	$18,554,162

Note B: Inventories—Inventories are carried at cost or market whichever is lower, determined by the "first-in, first-out" method, except for certain inventories of a subsidiary company, organized in 1955 which are carried at cost determined by the "last-in, first-out" method, which was less than market.

WHEELING STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories (Note A)	$65,098,894

Note A: Inventories at December 31 were as follows:

Finished and semi-finished products	$28,748,433
Raw materials	27,147,526
Manufacturing and other supplies	6,966,695
By-products and scrap	2,236,240
	$65,098,894

In 1955, the Corporation adopted the last-in first-out method for determining cost of certain finished products and raw materials.

TABLE 11: INDUSTRIAL GROUPS USING LIFO INVENTORY COST METHOD

Group Total	Industrial Group and Company Appendix Numbers	Lifo Use In: 1955	1954	1953	1950
	Chemicals & Chemical Products:				
26	Chemicals (*Nos. 30, 70, 282, 309, 335, 390, 585)	7	7	7	7
11	Drugs and Medicines	—	—	—	—
7	Paints and Varnish (*Nos. 263, 409)	2	2	2	3
26	Clay, Glass & Building Materials (*Nos. 19, 134, 280, 319, 343, 408, 453, 555)	8	8	8	4
29	Electrical Appliances & Machinery (*Nos. 133, 220, 249, 252, 518, 589)	6	5	5	3
	Food Products:				
8	Bakery (*No. 401)	1	1	1	1
11	Beverage (*Nos. 230, 407)	2	2	2	2
17	Canning and Preserving (*Nos. 38, 120, 303, 348, 374, 515, 520, 521, 529)	9	9	9	6
7	Confectionery (*Nos. 85, 104, 290, 596)	4	4	4	4
10	Dairy (*Nos. 102, 126, 239)	3	3	2	3
9	Grain Milled Products (*No. 59)	1	2	2	2
10	Meat Products (*Nos. 63, 304, 371, 393, 469, 538, 593)	7	7	7	6
8	Sugar (*Nos. 297, 574)	2	2	2	2
12	Instruments—Scientific (*Nos. 89, 216, 320)	3	3	3	3
12	Leather and Shoe Products (*Nos. 314, 334, 380)	3	3	3	3
7	Lumber and Wood Products (*Nos. 196, 420, 590)	3	3	3	1
	Machinery:				
6	Agricultural (*Nos. 18, 128, 129, 194, 422)	5	5	5	1
11	Business and Store (*Nos. 117, 278, 402, 475)	4	4	4	3
28	General Industrial (*Nos. 44, 178, 288, 324, 505)	5	5	5	3
9	Household and Service (*Nos. 106, 372, 581)	3	1	1	1
24	Special Industrial (*Nos. 110, 181, 413, 558)	4	4	4	2
24	Metal Products (*Nos. 27, 42, 169, 383, 454, 495, 506)	7	6	6	5
6	Motion Pictures	—	—	—	—
18	Nonferrous Metals (*Nos. 20, 39, 46, 54, 55, 105, 121, 142, 149, 150, 330, 445, 478, 480)	14	14	14	12
21	Paper (*Nos. 137, 195, 202, 213, 313, 333, 362, 378, 494, 550, 586)	11	11	11	9
30	Petroleum (*Nos. 69, 144, 171, 276, 448, 463, 466, 484, 508, 522, 523, 524, 525, 526, 532, 545, 552)	17	17	17	17
10	Printing and Publishing (*No. 546)	1	1	1	1
9	Radio, Records, Television	—	—	—	—
36	Retail Stores (*Nos. 17, 68, 118, 146, 233, 235, 262, 266, 271, 338, 360, 370)	12	12	12	13
9	Rubber Products (*Nos. 234, 259, 268, 269)	4	4	4	4
29	Steel and Iron (*Nos. 3, 9, 12, 62, 92, 156, 172, 183, 308, 322, 357, 411, 477, 500, 530, 570, 571, 575, 591, 599)	20	19	19	15
	Textiles:				
7	Floor Covering (*Nos. 13, 64, 66, 93, 342, 388)	6	6	6	6
6	Synthetic Fibers (*No. 50)	1	1	1	1
20	Wool and Cotton (*Nos. 86, 116, 124, 154, 318, 329, 473, 527, 542, 559, 563)	11	14	13	13
10	Tobacco (*No. 164)	1	1	1	1
	Transportation Equipment:				
7	Boat and Ship (*No. 242)	1	1	1	—
13	Railway (*Nos. 40, 256, 459, 462)	4	4	4	3
19	Aircraft	—	—	—	—
19	Motor Vehicles (No. 114)	1	—	—	—
19	Miscellaneous Manufacturing (*Nos. 437, 461)	2	2	2	1
600	Total	195	193	191	161

*Refer to Company Appendix Section.
Refer also to Table 10.

Other finished products and all semi-finished inventories are stated on the basis of standard costs, which are adjusted periodically to reflect current conditions. Other raw materials, supplies, by-products and scrap are stated at average cost.

The application of Lifo reduced 1955 net income by approximately $268,000.

Extension of Lifo

During 1955 *Allegheny Ludlum Steel Corporation, Hershey Chocolate Corporation,* and *General Electric Company* extended the lifo method of "cost" determination to additional classes of inventories.

Information in the annual reports of these companies is as follows:

ALLEGHENY LUDLUM STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories (Note 1):	
Raw materials	$10,411,834
Semi-finished	28,902,927
Finished	2,724,947
Supplies	1,729,603
	$43,769,311

Note 1: Inventories—The principal raw materials of the corporation, together with the related raw material content of its inventories of semi-finished and finished goods, are stated at cost under the "last-in, first-out" method as in prior years. During 1955, the corporation extended this method of valuation to hourly labor content included in semi-finished and finished goods inventories. Also, a subsidiary adopted the "last-in, first-out" inventory method for certain raw materials, together with the related raw material content in its semi-finished and finished goods. The effect upon earnings for the year of these extensions of the "last-in, first-out" inventory method was not material. The balance of the inventories of the corporation and the aforementioned subsidiary and the inventories of other subsidiaries are stated, as in prior years, at average cost or market, whichever is lower.

GENERAL ELECTRIC COMPANY
Consolidated Statement of Financial Position
Inventories, less reserves (Note 3) $472,314,209

Note 3: Inventories at substantially all locations were verified by physical count during the latter part of the year. Inventories are carried at cost (exclusive of certain indirect manufacturing expenses) which was not in excess of market value. Cost of substantially all inventories is determined on a last-in-first-out (LIFO) basis, less reserves which (a) make provision for possible losses on inactive and excess stocks, and (b) eliminate unrealized intercompany profits. Heretofore, the inventory of tungsten was the only item valued on the last-in-first-out basis. Other inventories were priced on a first-in-first-out basis and an additional reserve was provided, which had the effect of accounting for the inventory of copper substantially in accordance with the base stock principle. The adoption of the LIFO method resulted in a charge to income of $20,271,000 on a net after-tax basis. This charge was offset by the return to income of certain inventory reserves provided in prior years which were no longer required. Additional comments on this subject appear on page 22.

1955 Financial Review: LIFO Method of Inventory Accounting Adopted—The last-in-first-out, or LIFO, method of valuing inventories was adopted by the Company effective January 1, 1955. This method is based on the concept that a continuing quantity of inventory is necessary for the operation of a business. By maintaining this quantity of inventory at a constant price level, the higher costs of current replacements during periods of price increases are matched against current selling prices. As a result, earnings more nearly reflect the effect of current costs.

Costs of materials, especially copper, showed substantial increases during 1955, and future rises in costs of materials seemed probable. In addition, the employee program developed in 1955 provides for wage increases over a five-year period. The LIFO method was adopted because of the desirability of reflecting these increasing costs in the computation of current earnings.

In general, except for tungsten stocks, the first-in-first-out, or FIFO, method was used for inventories prior to 1955. A simplified comparison of the two methods during periods of rising costs may be made as follows:

	Former method: FIFO	Present method: LIFO
Used for valuing inventory:	Higher current costs	Lower earlier costs
Charged against income:	Lower earlier costs	Higher current costs

During periods of rising costs the LIFO method results in lower inventory valuations. By matching higher current costs against current income, LIFO also results in lower income during periods of cost inflation. During periods of declining prices, the reverse is true.

As a result of this new procedure, the Company's 1955 net earnings were reduced $20 million. As previously mentioned, the LIFO method gives lower inventory valuations in periods of rising prices. As these lower valuations are put into effect, certain inventory reserves provided in prior years will no longer be required. Return of such reserves to income in 1955 approximately offset the effect on net earnings of the LIFO revaluation.

HERSHEY CHOCOLATE COMPANY
Balance Sheet
Current Assets:
Inventories (cocoa beans and almonds at cost on last-in, first-out basis; remainder at lower of average cost or market) (Note 1) .. $34,462,204

Note 1: Effective as of January 1, 1955, the last-in, first-out method of computing the cost of almonds included in inventories was adopted with the result that inventories at December 31, 1955, and the net profit for the year then ended were less than would have been reported under the method previously used. Inventories at December 31, 1955, were reduced $2,640,554 and the net profit for the year then ended was reduced $1,222,000 after recognizing the income tax effect.

Abandonment of Lifo

Pacific Mills, Indian Head Mills, Inc., Kellogg Company, and *The Scranton Lace Company* disclosed in their 1955 annual reports, that they have abandoned the lifo method of "cost" determination.

Pertinent information in the annual reports of these companies is given below:

INDIAN HEAD MILLS, INC.
Balance Sheet
Current Assets:
Inventories, at the lower of cost or market (Note B) $4,595,499

Note B: Inventories—Inventories at December 3, 1955 are valued at the lower of cost, first-in, first-out, or market with allowance for slow-moving, obsolete and irregular merchandise. During the year the Company discontinued the method of pricing inventories at cost on the last-in, first-out basis and adopted the method of pricing inventories at the lower of cost or market. Permission to make this change was obtained from the Director of Internal Revenue. This change increased gross profits for the period by approximately $95,000.

KELLOGG COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories at lower of cost or market—	
Raw materials	$11,240,811
Finished products and materials in process	5,201,225
Manufacturing supplies	1,762,405
Total Inventories	$18,204,442

Note 6: In 1955 the "last-in, first-out" inventory method used for valuing a portion of the inventories was discontinued and the lower of cost or market method used. As a result of this change earnings for the year ended December 31, 1955 were increased by approximately $260,000.

PACIFIC MILLS
Balance Sheet
Current Assets:
Inventories (Note A):

Greige and finished goods	$26,035,465
Work in process	7,246,207
Raw materials	10,039,702
	$43,321,374

Note A: Inventories—Inventories at the end of the period are stated at the lower of cost or market, after deduction of an amount ($1,075,967) to so state the material content of cotton and worsted inventories which, in prior years have been stated at cost on the basis of last-in, first-out. At the beginning of the period, the combined value of the material content of the cotton and worsted inventories stated at cost on the basis of last-in, first-out was approximately $468,500 less than their combined value based upon the lower of cost or market at the same date. Application has been filed (November 1955) with the Internal Revenue Service for permission to change the basis of valuing inventories commencing with the fiscal year 1956 to the lower of cost or market for income tax purposes.

THE SCRANTON LACE COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—at lower of cost or market—Note A	$1,199,517

Note A: At December 31, 1955, the inventories were stated on the basis of the lower of cost (first-in, first-out method) or market; whereas, previously, the inventories were stated on the basis of the lower of cost (generally last-in, first-out method) or market. This change in pricing inventories had the effect of increasing by $66,500 the amount stated for inventories, and increased net earnings by $38,500.

Continuing Lifo Adopted in Prior Years

Following are examples from the annual reports of companies which adopted lifo prior to 1955 and continued to use this method during 1955:

THE GOODYEAR TIRE AND RUBBER COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories at cost (partly last-in, first-out) or market whichever is lower:

Raw materials and supplies	$109,023,565
Work in process	35,784,373
Finished product	158,379,714
	$303,187,652

President's Letter: Inventories of rubber on hand and its content in processed materials and finished products in the United States, and the rubber inventory of the Goodyear Canadian Company are carried on the LIFO (or last-in-first-out) system, inaugurated in 1950. All other material on hand, in process of manufacture, finished product, and outstanding commitments for raw materials are carried on the basis of cost or market, whichever is lower.

ROBERTSHAW-FULTON CONTROLS COMPANY
Statement of Consolidated Financial Condition
Current Assets:
Inventories—Note B:

Work in process and finished products	$ 9,380,763
Raw materials and purchased parts	3,720,974
Manufacturing supplies	501,072
	$13,602,809

Note B: Inventories—Inventories pertaining to commercial products (approximately 84% of the total inventories at December 31, 1955) were stated at cost as determined under the last-in, first-out principle. Other inventories, including manufacturing supplies, were stated on the basis of average cost. The resulting amounts were not in excess of market.

President's Letter: Inventories—The higher sales volume, plus the requirements of competition, have necessitated a substantial increase in our investment in inventories, which at December 31, 1955 aggregated $13,602,809 or $2,442,164 over the previous year. It should be noted that the bulk of our inventories are valued at cost under the last-in, first-out method. This procedure, commonly referred to as the "LIFO" method, which was adopted by the Company in 1950, has continued to exert an important influence on the determination of profits, taxes and inventory values. LIFO has permitted us to maintain a closer relationship of current costs to sales, and thus to eliminate much of the effect of constant increases in prices from the inventory valuations. Such policy, during periods of continuing inflationary trends, also serves to state earnings on a conservative basis. In 1955 alone, it is estimated that our net income (after taxes) was approximately $400,000 less as determined by LIFO, than might have been determined by other acceptable but less conservative methods of accounting.

Use of Lifo by Industrial Groups

Table 11 contains a classification of the 600 survey companies by industrial groups and sub-groups and shows the number of companies in each classification which have referred to the use of the last-in, first-out method of determining inventory cost for the years 1950, 1953, 1954, 1955. (The Company Numbers* which are underlined, indicate the first reference to lifo was in the 1955 annual report.

Inventory Reserves

Purpose Stated

Table 12 indicates the nature of the inventory reserves as shown by the survey companies disclosing such reserves. The most common types of reserves are those for possible future inventory price declines, obsolescence, or the restatement of, or replacement of, or reduction to lifo inventories. Since 1950 there has been a decrease of over 40 per cent in the number of companies revealing the existence of inventory reserves, with a corresponding decrease in the number of such reserves. The principal decline is in the use of reserves for possible future inventory price decline (a drop from 49 in 1950 to 16 in 1955) and basic lifo replacement (18 in 1950; 6 in 1955). During 1955 there was a net decrease of seven reserves since the prior year; twelve reserves were eliminated and five new reserves were created. Extensive references are given within Table 12 to the companies which disclose the respective reserves.

Balance Sheet Presentation

Inventory reserves were presented most frequently by the survey companies in the current asset section of the balance sheet with the related inventories (44 reserves in 1955); within the stockholders' equity section (20 reserves in 1955); or above that section of the balance sheet (15 reserves in 1955). Table 13 sets forth, by type of reserves, the various balance sheet presentations in the annual reports of the survey companies for the years 1950, 1953, 1954, and 1955.

*Refer to Company Appendix Section.

Examples of Inventory Reserves
Lifo Replacement and Reduction to Lifo

ARTLOOM CARPET CO., INC.
Consolidated Balance Sheet
Current Assets:

Inventories (Priced at Standard Cost) "A"	
Finished Goods	$1,511,769
Work in Process	675,776
Raw Materials	2,132,628
Miscellaneous Supplies, etc.	106,836
	$4,427,010
Less—Adjustment of Standard Cost to give effect to Last-in—First-out Value of Raw Materials, Wool, Cotton and Jute in Inventory	1,124,421
	$3,302,588

Note A: The net inventories in the Consolidated Balance Sheet and those used in computing cost of sales are stated as to Raw Materials, Wool, Cotton and Jute included in the Finished Goods, Work in Process and Raw Materials, at cost on the basis of Last-in —First-out. Other Materials, Labor and Burden are stated at Standard Costs. The Miscellaneous Supplies, etc., are stated at Cost (on First-in—First-out basis) or Market, whichever is lower. The amount at which the Inventories are stated at July 30, 1955 is less than the current replacement cost.

Note: Federal Income Taxes—During the year ended July 30, 1955, the Company in settlement of Federal Income Taxes for the year 1950 to July 31, 1954, inclusive, reverted to method of Last-in —First-out inventory accounting in use prior to year 1950 to include Raw Materials, Wool, Cotton and Jute instead of the expanded procedures adopted in year 1950 to include all Raw Materials, Labor and Burden. The Statements herewith reflect these settlements. The Claims for Refund of Income Taxes in the amount of $206,890.55 includes $142,514.71 arising out of settlement of taxes for years 1950 to July 31, 1954, inclusive, and $64,375.84 due to carry back of operating loss of year ended July 30, 1955. The Federal Tax Liability as shown on the Consolidated Balance Sheet includes Subsidiary Company taxes for year 1955 of $31,612.00.

TABLE 12: INVENTORY RESERVES

Purpose Stated	1955	1954	1953	1950
Possible future inventory price decline (*Nos. 16, 294, 465, 516)	16	20	25	49
Increased replacement costs	—	—	1	1
Restatement of Lifo (*Nos. 3, 480)	2	1	1	—
Basic Lifo replacement (*Nos. 59, 105, 348, 393, 538, 593)	6	7	7	18
Reduction to Lifo cost (*Nos. 66, 102, 271, 288, 319, 372)	6	6	6	6
"Base stock" adjustment (*Nos. 175, 225, 252, 528)	4	4	5	5
Reduction to market (*Nos. 13, 93, 569)	3	4	4	2
Inventory markdown (*Nos. 146, 326, 344)	3	2	2	2
Released "film" amortization (*Nos. 201, 353, 429, 549, 583)	5	5	5	5
Inventory obsolescence (*Nos. 114, 306, 422, 584)	12	12	13	19
Inventory shrinkage (*Nos. 217, 400, 411)	3	4	3	3
Overhead in inventory (*No. 577)	1	1	1	1
Materials and supplies adjustments (*No. 463)	1	1	1	4
Intercompany sales—discounts—profits (*Nos. 252, 326, 480)	4	5	5	7
Purchase commitments	—	1	—	—
Inventory hazard (*No. 164)	1	1	1	1
Purpose not stated (*Nos. 65, 342, 401, 579)	16	16	20	24
	83	90	100	147
Number of Companies with:				
Inventory reserves	72	79	87	124
No inventory reserves	528	521	513	476
	600	600	600	600
Number of Reserves:				
Beginning of year	90	100	121	149
Established during year	5	3	1	24
Eliminated during year	(12)	(13)	(22)	(26)
End of year	83	90	100	147
Terminology Used:				
"Reserve"	45	45	52	86
"Provision"	7	9	7	11
Various other terms	31	36	41	50
	83	90	100	147

*Refer to Company Appendix Section.
Refer also to Table 13.

HERCULES MOTORS CORPORATION
Balance Sheet
Current Assets:

Inventories:	
Raw materials, finished parts, products in process and finished—at approximate cost (generally first-in, first-out basis) not in excess of market	$8,187,019
Less allowance to reduce to cost on the basis of last-in, first-out—Note A	2,944,000
	$5,243,019

Note A: The allowance to reduce inventories substantially to cost on the basis of last-in, first-out at July 31, 1955, has been provided by charges to income in prior years less credits to income in certain years, including a credit of $48,000 for the seven months ended July 31, 1955. These charges and credits to income have not been used in the determination of federal taxes on income.

LIBBY, McNEIL & LIBBY
Consolidated Balance Sheet
Current Assets:

Inventories:	
Products	$46,410,232
Ingredients and supplies	7,012,338
Below Current Liabilities:	
Reserve for Replacement of "Lifo" Inventories (after income taxes)	$ 1,750,000

Note: Inventories—A substantial portion of the parent Company's product inventories is valued at cost under the "Last-in, First-out" ("Lifo") method. The remainder of the product inventories in the consolidated balance sheets is valued at cost or market, whichever is lower. Ingredients and supplies are valued at cost.

The Year in Review: Inventories—Through improved sales and closer budgeting of packs, we were able to reduce our inventories $8,096,462 below a year ago. . . .

In 1941 we adopted the "Last-in, First-out" (LIFO) method of inventory valuation for many products, and since that time its use has been extended to other products. It is not used for frozen foods, as the Company entered this field postwar when costs were high and as costs have declined steadily ever since, LIFO would have had an adverse effect. LIFO is widely used in the food industry because it minimizes the effect on profits of changes in inventory values. At the present time, the use of the LIFO method provides a "cushion" of $10,069,000 against inventory losses when costs decline.

THOR CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories—Note C:	
Finished products	$ 609,744

Raw materials and supplies, work in process, and finished parts, less allowance	1,854,185
	$2,463,929

Above Shareholders' Equity:
Reserves:

For adjustment of inventories on last-in, first-out cost basis to approximate replacement cost—Note C	$1,314,117

Note C: Inventories—Inventories have been priced at the lower of cost (first-in, first-out method) or market, less an allowance of $203,870 for possible obsolescence of service parts, except in the case of paper products of the Allied Paper Mills Division in the total amount of $477,333 which have been stated at the cost ascribed thereto under the last-in, first-out method as adopted on December 1, 1955, the date on which the net assets of that division were acquired.

In the balance sheet, the amount of total current assets has been adjusted to increase the inventories priced at cost under the last-in, first-out method to a basis representing approximate replacement cost, and the resulting credit of $1,314,117 has been shown as a reserve.

WILSON & CO., INC.
Consolidated Balance Sheet
Current Assets:

Inventories (See Note 1 for basis of valuation):	
Packing house and other products	$42,800,588
Supplies	4,913,853

Below Current Liabilities:

Reserve for Replacement of "Last-in, First-out" Inventories	$ 500,000

Consolidated Statement of Income and Retained Earnings

Cost of goods sold, including outgoing freight and provision for replacement of "last-in, first-out" inventories but excluding items below	$595,049,491

Note 1: Inventories—Certain packing house and other product inventories are valued at cost on the basis of "last-in, first-out." Balance of products and supplies are valued at the lower of cost or market, except for products where cost was not ascertainable, which products were valued at market, less allowance for selling and distribution expenses.

To the Stockholders: . . . "Last-in, First-out" inventories are generally valued on the basis of 1940 costs. In the normal conduct of the business a portion of the quantities on hand January 1 each year is liquidated during the fiscal year which ends on or about October 31. Since the Company's Federal Tax year ends December 31, a reserve is provided during the fiscal year to cover the replacement of such inventories on or before December 31.

Because of the closing of the Chicago Plant and other considerations, we did not replace fully the "Lifo" base stock inventories of pork and lard. Consequently, because of the low base cost of the portion of the inventories not replaced, the net income for the fiscal year 1955 includes approximately $780,000 resulting from such liquidation.

TABLE 13: INVENTORY RESERVES

Balance Sheet Presentation:	1955	1954	1953	1950
With Inventories for:				
Possible future inventory price decline	3	3	6	9
Increased replacement cost	—	—	1	1
Intercompany sales—discounts—profits	3	3	5	6
Reduction to "Lifo" cost	4	5	5	5
Materials and supplies adjustments	1	1	1	3
Inventory obsolescence	12	12	13	15
Reduction to market	2	3	3	1
"Base stock" adjustments	3	3	4	4
Inventory markdown	2	1	1	1
Released "film" amortization	5	5	5	5
Inventory shrinkage	2	3	3	3
Purpose not stated	7	6	9	11
Among Noncurrent Assets for:				
Intercompany sales—discounts—profits	—	1	—	—
Among Current Liabilities for:				
Basic "Lifo" replacement	3	3	6	7
Purchase commitments	—	1	—	—
Inventory markdowns	1	1	1	1
Above Stockholders' Equity for:				
Possible future inventory price decline	1	2	4	15
Intercompany sales—discounts—profits	1	1	—	1
Reduction to "Lifo" cost	2	1	1	1
Basic "Lifo" replacement	2	4	1	9
Overhead in inventory	1	1	1	1
Reduction to market	1	1	1	1
"Base stock" adjustments	1	1	1	1
Restatement of "Lifo"	2	1	1	—
Inventory obsolescence	—	—	—	4
Purpose not stated	4	5	5	7
Within Stockholders' Equity for:				
Possible future inventory price decline	12	15	15	25
Inventory hazard	1	1	1	1
Inventory shrinkage	1	1	—	—
Basic "Lifo" replacement	1	—	—	1
Inventory obsolescence	—	—	—	—
Materials and supplies adjustments	—	—	—	1
Purpose not stated	5	5	6	7
Total	83	90	100	147

Refer also to Table 12.

Restatement of Lifo

REYNOLDS METALS COMPANY
Consolidated Balance Sheet
Current Assets:

Cash	$ 56,280,349
Receivables:	
From customers (less allowances for losses)	40,648,871
From subsidiaries and other affiliated companies	4,254,852
Other notes, accounts, and claims	4,721,505
Prepaid insurance, taxes, etc.	824,528
Inventories of products, materials, and operating supplies—Note B	79,216,342
Total before adjustment of inventory amount to FIFO basis	$185,946,447
Amount ($6,900,000) to increase total for inventories as above, to first-in, first-out cost basis, less applicable taxes on income at current rates—Note B	3,500,000
Total Current Assets	$189,446,447

Above Capital Stock and Surplus:
Reserves:

For unrealized intercompany profits in inventories of unconsolidated subsidiary	$ 166,600
For net adjustment of total for inventories on last-in, first-out cost basis, to first-in, first-out cost basis—Note B	3,500,000

Note B: Inventories—Inventories have been stated at the lower of cost or market. Cost as to inventories of bauxite, alumina, and aluminum (including the aluminum content of finished and in-process products), amounting to approximately $42, 946,000, has been determined by the last-in, first-out method. Cost of all other inventories represented the average or standard (approximate production) cost on a first-in, first-out basis of pricing. As a consequence of pricing certain components of the inventories on the basis of last-in, first-out cost, the apparent amount for consolidated working capital at December 31, 1955, was less than if these components had been priced on a first-in, first-out basis. Accordingly, the difference (after giving effect to applicable taxes on income at current rates) has been restored to working capital, as shown in the balance sheet.

Base Stock

ENDICOTT JOHNSON CORPORATION
Consolidated Balance Sheet
Current Assets:
Inventories on the basis of cost (principally average cost) or market, whichever is lower (Note 1):

Finished footwear on hand and in own retail stores	$23,479,605
Footwear in process	2,234,053
Raw materials on hand and in transit	12,799,404
Miscellaneous supplies	1,238,018
	$39,751,080

Above "Stockholders' Equity":

Provision to give effect to the normal base stock method of inventory (Note 1)	$15,496,874

Comparative Consolidated Statement of Earnings

(Undesignated total)	$ 2,587,937
Net amount to give effect to the normal base stock method of inventory transferred from provision therefor after deducting approximate applicable federal taxes on income thereon at current rates (Note 1)	256,019
Net Earnings	$ 2,843,956

Consolidated Statement of Accumulated Retained Earnings

Add: Federal taxes on income at current rates applicable to provision for the year to give effect to the normal base stock method of inventory (Note 1)	$ 277,400
Deduct: Amount added to the provision to give effect to the normal base stock method of inventory so as to include additional items and to reflect changed conditions (Note 1)	$ 1,186,054

Note 1: The Corporation employs the normal base stock method of inventory under which the inventories are stated on the basis of cost or market, whichever is lower, and a provision is made to reduce the established normal inventory to fixed prices.

The method has been extended as of December 1, 1954 to include additional items in process and synthetic rubber. At the same time, the fixed price of purchased upper leather and certain normal quantities of other commodities were adjusted to reflect changed conditions, and some refinements were made in the application of the method. As a result of these changes, the provision as of November 30, 1954 was increased by $1,186,054, which was charged directly to "Accumulated Retained Earnings." These changes had the effect of increasing earnings during the year by $111,413.

Fixed prices employed in the application of the method, which are substantially below current market levels, are as follows:

Hide value in (a) raw hides and hides in process; (b) own upper and sole leather; and (c) own upper and sole leather in footwear	7 cents per lb.
Purchased upper leather, including purchased upper leather in footwear	17 cents per ft.
Crude rubber unprocessed and in rubber and leather footwear	5 cents per lb.
Synthetic rubber unprocessed and in rubber and leather footwear	18 cents per lb.

In addition to the above materials the provision covers that portion of inventory valuation attributable to the following costs on the normal quantities to the extent such valuation exceeds costs prevailing in 1939:

Labor and overhead costs.
Certain miscellaneous raw materials and supplies.
Purchased shoes, slippers and hosiery in retail stores.

The normal base stock method is not recognized for federal income tax purposes and taxes have, therefore, been paid in prior years on the entire provision of $15,496,874. Tax rates have increased materially since 1936 when the normal base stock method was established. If the "Provision to give effect to the normal base stock method of inventory" were computed net of taxes at the current year's rate of 52%, it would be $7,438,500 and the excess of $8,058,374 would represent a part of "Accumulated retained earnings."

The normal base stock method is designed to eliminate from earnings most of the inventory price increases or declines. Prices decreased during the year, and earnings have been increased by a reduction of the provision accumulated in prior years. Moreover, since the decrease also resulted in a decrease in 1955 federal taxes on income, such credit to earnings has been reduced to $256,019 by an amount equivalent to the tax decrease ($277,400), which has been credited directly to "Accumulated retained earnings."

Abandonment of Base Stock

NATIONAL LEAD COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories (Note 2)	$77,569,948

Above Capital:

Inventory reserves (Note 2)	11,551,918

Note 2: Inventories are priced at the lower of cost (on various "average," "first-in, first-out" or "last-in, first-out" bases) or market.

The inventory reserve has been maintained on the basis of the following quantities and prices of normal stocks:

	Normal Quantities (Short Tons) December 31 1955	1954	Fixed Inventory Price per Pound
Lead	49,687½	49,687½	$.03
Tin	1,124½	1,124½	.21
Antimony	1,400	1,400	.05
Linseed oil	—	3,125	.06

The company discontinued the normal stock principle as applied to linseed oil, and likewise considers the maintenance of the general inventory reserve of $800,000 no longer necessary. Accordingly, during 1955, $1,266,513 was released to income.

Inventory Price Decline

ARMOUR AND COMPANY
Consolidated Statement of Financial Position
Current Assets:
Inventories—certain products valued at cost on basis of "last-in, first-out," balance of products and supplies either at the lower of cost or market or at market less allowance for selling expense

Products	$140,325,457
Supplies	16,227,067

Earnings Employed in the Business:

(Includes appropriation for inventory price decline $17,500,000)	$134,187,054

CONTINENTAL CAN COMPANY, INC.
Comparative Consolidated Balance Sheet
Current Assets:
Inventories, at the lower of cost or market:

Raw materials	$ 29,624,788
Work in process and finished	69,386,290
Supplies	12,244,066
	$111,255,144
Less Reserve for obsolescence	540,061
	$110,715,083

Earnings Retained in the Business:

Appropriated for Inventory Price Decline or other contingencies	$ 6,170,000

Financial and Operating Review: Working Capital— . . . Inventories are valued at the lower of cost or market. Cost, for this purpose, represents standard, average, or actual cost with respect to

71% of the 1955 inventories (70% in 1954) and "Last in—first out" (LIFO) cost as to the remaining 29% (30% in 1954). This latter method was initially applied in 1946 to the stock of raw paper of one of the Company's subsidiaries and to the Company's tin-plate in 1947.

JAMES MFG. CO.
Consolidated Balance Sheet
Current Assets:

Inventories—at the lower of cost (determined by the first-in, first-out method) or market	
Raw materials and supplies	$1,231,206
Work in process and finished parts	836,865
Finished products	2,090,552
	$4,158,623

Retained Earnings:
Appropriated for possible future decline in inventories (Note 2) .... $ 60,000

Note 2: Prior to 1955, the company appropriated part of its retained earnings for possible future decline in inventory values by charging earnings for the amounts so appropriated. A reduction of $90,000 was made in the 1955 year-end inventory to recognize the obsolescence factor of certain inventory items, and such amount was charged to the appropriated retained earnings and not shown as a reduction of 1955 net earnings. This item was taken as a deduction for 1955 income tax purposes and, therefore, the provision for Federal and state income taxes of $355,791 is approximately $49,000 less than it would have been had such taxes been based on net earnings, before taxes, of $757,401.

THE QUAKER OATS COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories of grain, materials, products and supplies, at lower of cost or market $28,423,206

Earnings Retained in the Business:
Reserved for:
Future inventory losses and necessary price adjustments .... $ 7,800,000

Obsolescence and Shrinkage

AMERICAN PHENOLIC CORPORATION
Comparative Balance Sheet
Current Assets:
Inventories, priced at the lower of cost or market after applying reserve for obsolescence $6,247,704

TABLE 14: CASH SURRENDER VALUE OF LIFE INSURANCE

Balance Sheet Presentation	1955	1954	1953	1950
As a current asset separately set forth (*Nos. 321, 380)	2	2	3	3
As a noncurrent asset separately set forth (*Nos. 52, 54, 197, 200, 215, 386, 398, 433, 469)	36	29	27	31
Combined with or shown under heading of other noncurrent assets (*Nos. 94, 201, 385, 434, 510, 573)	51	63	61	79
Not shown on balance sheet but existence thereof discussed in notes (*Nos. 191, 374)	2	2	2	—
Number of Companies				
Disclosing the above asset	91	96	93	113
Not disclosing the above asset	509	504	507	487
	600	600	600	600

*Refer to Company Appendix Section.

THE HOOVER COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—at lower of cost (principally standard costs) or market on basis of first-in, first-out:	
Finished products	$4,702,055
Work in process	1,612,386
Raw materials and supplies	2,422,356
Defense contracts	583,473
	$9,320,270

Income Employed in the Business:
Appropriated:
For inventory obsolescence, price adjustments, etc. $415,000

NATIONAL STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:
Inventories of finished and semi-finished products, raw materials and supplies—Note A $65,532,175

Note A: Inventories—Inventories were stated at cost as determined generally under the last-in, first-out principle, less reserves for shrinkage, and the resulting amounts were not in excess of market. The composition of the inventories was as follows:

	December 31, 1955
Finished and semi-finished products	$22,555,059
Raw materials	36,201,176
Supplies	8,515,929
	$67,272,164
Less reserves for shrinkage	1,739,989
	$65,532,175

Discounts and Markdowns

GEO. E. KEITH COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories, at the lower of cost or market:	
Raw materials and supplies	$ 200,493
Shoes in process	95,398
Finished goods	4,028,600
Less—Reserve for possible future markdowns	(167,689)
Less—Reserve for unrealized intercompany profit	(156,908)
Less—Reserve for discount	(122,190)
	$3,581,813
	$3,877,704

CASH SURRENDER VALUE OF LIFE INSURANCE

Table 14 indicates that 91 survey companies revealed "cash surrender value of life insurance"; 89 of these companies presented the item on the balance sheet, two as current assets, the balance as noncurrent assets. Two companies disclosed the existence of cash surrender value of life insurance in the notes to the financial statements.

The treatment of this asset as "noncurrent" is generally recommended and is in conformity with the pronouncement in *Restatement and Revision of Accounting Research Bulletins* (Chapter 3, Section A), issued by the Committee on Accounting Procedure of the American Institute of Accountants.

The examples which are provided below illustrate the methods used to present cash surrender value of life insurance policies in the financial statements:

GENERAL PLYWOOD CORPORATION
Consolidated Statement of Income

Other Income, Net (1955 includes $37,800 excess of insurance proceeds over cash surrender value of life insurance)	$41,152

McCORMICK & COMPANY INCORPORATED
Balance Sheet

Liability for Supplemental Pension Plan—Net (Note B)	$45,611

Note B: Under the company's pension plan, at November 30, 1955, there remained approximately $160,000 of past service credits to be paid prior to the dates of retirement of the respective employees.

The net liability at November 30, 1955, under the supplemental pension plan for executive and supervisory employees, is after the deduction of assets which have been designated by the Board of Directors as the source of funds for financing this supplemental plan. The liability is computed as follows:

Liability for past service, less estimated Federal income tax savings in future years when payments are made to participants		$442,000
Less:		
Cash surrender value of individual life insurance contracts on employees	$229,588	
Investments in marketable securities—at cost (quoted market value $169,792)	166,801	396,389
Net Liability		$ 45,611

TIME INCORPORATED
Consolidated Balance Sheet
Other Assets:

Cash surrender value of life insurance (principal amount $720,000)	$380,635

TOBIN PACKING CO., INC.
Consolidated Balance Sheet
Noncurrent Assets:

Cash surrender value of life insurance	$ 437,642

Consolidated Statement of Earnings

Net Earnings for the year before Special Items	$1,103,198
Special Items:	
Proceeds from life insurance on death of former officer (net)	59,500
Net Earnings and Special Items	$1,162,698

CLAIMS FOR REFUND OF INCOME TAXES

There were 74 claims for refunds of income taxes disclosed by 64 of the survey companies in their 1955 annual reports. In approximately one-half of the instances the basis of the claim was set forth in the report. The most commonly stated bases of such refund claims were in connection with the replacement of basic lifo inventories, operating loss carry-backs, and adjustments under Sections 721 and 722 of the Internal Revenue Code of 1939. The various types of tax refund claims found in the reports of the survey companies for 1955 and 1954 are summarized in Table 15. This tabulation also shows the balance sheet or other presentation of such claims in the 1955 survey reports.

TABLE 15: TAX REFUND CLAIMS

Nature of Tax Refund Claims	1955	1954
Claims for Refund of Federal Income or Excess Profits Taxes:		
Basis of Claims Explained As—		
A. Operating loss carry-back (*Nos. 83, 394, 423, 496)	16	23
B. Sections 721-722 of Internal Revenue Code (*Nos. 130, 314, 546)	3	10
C. Replacement of basic lifo inventory (*Nos. 42, 120, 150, 454)	7	7
D. Adoption of lifo inventory (*Nos. 66, 68, 271, 360, 370)	6	5
E. Renegotiation	—	—
F. Excess profits credit—carry-back (*Nos. 46, 546)	2	3
G. Various other	2	4
Basis of Claims Not Explained—		
H. Income taxes (*Nos. 45, 57, 98, 175, 251, 257, 359, 369, 489)	22	27
I. Excess profits taxes (*Nos. 50, 150, 281, 489)	9	12
J. Taxes (*Nos. 108, 353, 590)	4	7
Claims for Refund of:		
K. State taxes (*No. 452)	1	1
L. Foreign taxes (*No. 57)	2	3
Total	74	102

Presentation in 1955	A	B	C-D	E	F	G	H-I	J	K	L	1955 Total
Current assets	10	1	1	—	—	1	10	1	1	—	25
Noncurrent assets	—	—	8	—	1	—	9	3	—	2	23
Tax liability offset	2	—	—	—	—	—	—	—	—	—	2
Notes to statements	4	1	2	—	1	1	6	—	—	—	15
Letter to stockholders	—	1	2	—	—	—	6	—	—	—	9
Total	16	3	13	—	2	2	31	4	1	2	74

Number of Companies	1955	1954
Referring to tax refund claims	64	91
Not referring to tax refund claims	536	509
	600	600

*Refer to Company Appendix Section.

The following examples from the 1955 reports illustrate the nature and degree of disclosure of information by the survey companies concerning the basis of claims for refund of taxes and the accounting treatment given:

Adoption of Lifo Inventory

THE MAY DEPARTMENT STORE COMPANY
Consolidated Balance Sheet

Overpayments of Federal Taxes on Income claimed for the six years ended January 31, 1947 as a result of the readoption of the LIFO basis (Note B)	$5,990,000

Note B: Inventories—Merchandise inventories are stated at cost or market, whichever lower. Cost is determined on the LIFO (last-in, first-out) basis, using the retail inventory method.

Inventories are stated at January 31, 1955 and January 31, 1954 at $14,348,000 and $15,133,000, respectively, less than they would have been if the first-in, first-out principle had been applied in determining cost.

In the year ended January 31, 1942, the Company adopted the LIFO method of inventory valuation based on the use of statistical indices. Before the federal income tax return for that year was filed, the Treasury Department ruled that retail organizations, employing the retail inventory method, would not be permitted to use the LIFO method employing indices. In 1947, the Tax Court of the United States, in a test case brought by another taxpayer, clearly established the right of retailers to use this method. Accordingly, the Company resumed the use of the LIFO method, effective with the year ended January 31, 1942. By application of the LIFO method, it is the Company's position that federal taxes on income for the year ended January 31, 1955 and prior years have been reduced by $7,660,000. Of this amount, $5,990,000 represents overpayments claimed for the six years ended January 31, 1947 and $1,670,000 the reduced provision for federal taxes on income for the eight years ended January 31, 1955. No final disposition has yet been made of the Company's claims. It may be necessary for the Company to bring suit to establish its position.

Claims Re: Section 721-722 of the Internal Revenue Code

AMERICAN VISCOSE CORPORATION
Notes to Financial Statements

Note 2: Federal Taxes on Income—Federal income tax returns for 1954 and prior years have been examined by the Internal Revenue Service and all tax issues have been settled. Claims for relief from excess profits tax for the years 1941-1945 were settled early in 1956—see page 6 of this report.

Review of the Year: Working Capital— . . . Under an agreement with the Internal Revenue Service relating to claims for relief from the World War II excess profits tax, the Corporation will receive a net refund of $3,500,000. The interest accrued to the end of 1955 on such refund less applicable income taxes, will approximate $750,000. Settlement of this tax case will also release reserves for income taxes of $3,500,000. The tax refund when received and the amount of the reduction in reserves will not be included in income but will be added to retained earnings.

CELANESE CORPORATION OF AMERICA
Consolidated Balance Sheet
Current Assets:

Federal Taxes and Interest recoverable (received January 10, 1956)—(Note 4)	$ 4,082,438
Consolidated Statement of Income	
Income before provision for Federal taxes on income	$19,720,830
Provision for Federal taxes on income (less credit of $1,000,000 in 1954 for estimated excess provision in prior years)	8,500,000
Net income for the year, excluding tax recovery	$11,220,830
Federal taxes and interest recovered (net)—(Note 4)	4,082,438
Net income for the year and tax recovery	$15,303,268

Note 4: Federal Taxes on Income—The net accrued liability for Federal taxes on income at December 31, 1955, is as follows:

Provision for Federal income and excess profits taxes, net of refund claims	$16,804,332
Deduct U. S. Treasury Notes and Certificates and accrued interest	16,804,332
Net	$ —

The provision for Federal taxes on income is believed to be sufficient to meet all related liabilities.

During 1955 the claims of the Corporation for relief from excess profits taxes under Section 722 of the Internal Revenue Code for the years 1943 to 1945, inclusive, were settled. The net amount ($4,082,438) recovered, after providing for related income taxes and expenses, has been added to the income of 1955.

Applications for relief from such taxes made by the Corporation for the years 1940 to 1942 inclusive are still pending. Similar applications filed by Tubize Rayon Corporation for the years 1941 through 1945 and by certain subsidiaries for all of such years have been rejected by the Excess Profits Tax Council but petitions for redetermination have been filed with the Tax Court. While recoveries are expected, no credit therefor has been taken in the financial statements pending final settlement or adjudication.

THE OVERLAND CORPORATION
Balance Sheet
Claims for Refund of Taxes (Note 2):

Federal taxes on income	$2,500,000
Federal excise and state taxes, less applicable Federal income taxes	503,147
	$3,003,147

Note 2: The Federal income and excess profits tax returns of the company and its subsidiaries for all open years through the fiscal period ended June 30, 1953, have been examined by an agent of the Internal Revenue Service, and the accompanying financial statements reflect the estimated claims for refunds of Federal taxes on income (exclusive of interest) based on the agent's report as submitted to the company. The agent's report is currently being reviewed by the Appellate Staff of Internal Revenue Service. The claims for refunds are also subject to review by the Internal Revenue Service and the Joint Committee of Congress on Internal Revenue Taxation.

The company and one of its subsidiaries have filed claims under Sections 721 and 722 of the Internal Revenue Code for reductions in Federal excess profits taxes paid for the three fiscal years ended September 30, 1942, 1943 and 1944. The final outcome of these issues, which have been pending for a number of years, cannot be foreseen at this time and no effect has been given thereto in the financial statements.

The company, for Federal income tax purposes, is a personal holding company and, as such, is not a regulated investment company as defined in Subchapter M of Chapter 1 of the Internal Revenue Code of 1954.

THE STANDARD TUBE COMPANY
Statement of Financial Condition
Current Liabilities:

Federal income taxes (Note 2)	$209,854

Note 2: The Company has not reflected in its accounts claims for refund of $141,766 of Federal income taxes under Section 722 of the Internal Revenue Code of 1939.

Carry-Back of Operating Loss

AMERICAN MOTORS CORPORATION
Consolidated Balance Sheet

Current Assets:	
Refundable federal income taxes of prior years resulting from carry-back of operating loss	$9,683,803
Current Liabilities:	
Federal and state taxes on income—prior years	1,097,158

THE BULLARD COMPANY
Statement of Financial Position

Current Assets:	
Claims for refund of prior years' taxes	$1,478,000
Statement of Income	
Net Income *Loss* before Federal Taxes on Income and Renegotiation	*$2,339,599*
Credit arising from Claim for Refund of Prior Years' Taxes	1,310,000
Net Income *Loss* for the Year	*$1,029,599*

Other Claims

COPPER RANGE COMPANY
Consolidated Balance Sheet

Other Assets:	
Federal income taxes refundable on lifo involuntary liquidation 1951	$119,000

GISHOLT MACHINE COMPANY
Balance Sheet

Current Assets:	
Refundable Federal income taxes under carry-back provision	$502,730
Current Liabilities:	
Accrued Federal and State taxes on income and provision for renegotiation (Note 1)	297,232
Statement of Profit and Loss	
Provision for taxes on income:	
Refundable Federal income taxes ($502,730) less adjustment due to reversal of accrued expenses (Note 2) ($178,152)	($324,578)

Note 1: Provision has been made for renegotiation refunds, less

UNITED STATES STEEL CORPORATION

Consolidated Statement of FINANCIAL POSITION

		Dec. 31, 1955	Dec. 31, 1954
Current assets			
Cash		$ 249,817,576	$ 226,318,363
United States Government securities, at cost		317,659,464	413,260,066
Receivables, less estimated bad debts		300,576,212	214,988,648
Inventories *(details on page 38)*		475,086,019	471,474,749
Total		1,343,139,271	1,326,041,826
Less			
Current liabilities			
Accounts payable		352,944,492	288,781,173
Accrued taxes, less United States Government securities of $346,800,000 at December 31, 1955 and $190,000,000 at December 31, 1954		220,861,844	212,525,329
Dividends payable		41,101,678	32,875,467
Long-term debt due within one year		33,089,933	39,846,636
Total		647,997,947	574,028,605
Working capital		695,141,324	752,013,221
Miscellaneous investments, less estimated losses		36,356,888	21,114,110
United States Government securities, at cost, set aside for property additions and replacements		300,000,000	–
Plant and equipment, less depreciation *(details on page 37)*		1,873,614,626	1,925,710,009
Operating parts and supplies		43,208,254	45,707,261
Costs applicable to future periods		24,041,577	30,123,093
Total assets less current liabilities		2,972,362,669	2,774,667,694
Deduct			
Long-term debt *(details on page 38)*		286,083,534	324,120,277
Reserves for insurance, contingencies and accident and hospital expenses *(details on page 37)*		103,707,084	101,834,776
Excess of assets over liabilities and reserves		$2,582,572,051	$2,348,712,641
Ownership evidenced by			
Preferred stock, 7% cumulative, par value $100 (authorized 4,000,000 shares; outstanding 3,602,811 shares)		$ 360,281,100	$ 360,281,100
Common stock (authorized 90,000,000* shares; outstanding 53,495,274 shares at December 31, 1955, and 52,782,044* shares at December 31, 1954)		2,222,290,951	1,988,431,541
Par value, $16⅔ per share	$ 891,587,900		
Income reinvested in business *(see page 33 for addition of $221,972,243 in 1955)*	1,330,703,051		
Total		$2,582,572,051	$2,348,712,641

*Adjusted to reflect 2 for 1 stock split on May 12, 1955.

UNITED STATES STEEL CORPORATION

Notes to FINANCIAL STATEMENTS

Common stock

Following approval by the stockholders, a two for one split of the common stock with a change in par value was made effective at the close of business on May 12, 1955, whereby each share without par value, but having a stated value of $33⅓ per share, was changed and reclassified into two shares having a par value of $16⅔ each. A summary of the changes during the year in the number of common shares outstanding is as follows:

	Old shares	New shares
Outstanding Dec. 31, 1954......	26,391,022	52,782,044
Issued under stock option plan to May 12, 1955............	257,650	515,300
Outstanding May 12, 1955......	26,648,672	53,297,344
Issued under stock option plan to Dec. 31, 1955.....................		197,930
Outstanding Dec. 31, 1955................		53,495,274

Stock Option Incentive Plan

In describing the Stock Option Incentive Plan below, all shares and prices related thereto are stated in terms of the reclassified shares. This Plan, approved by stockholders May 7, 1951, thus authorized the option and sale of up to 2,600,000 shares of common stock to key management employes, such shares to be made available from authorized unissued or reacquired common stock at market price on the date the options are granted. At December 31, 1955, 799,500 of these shares were available for future options. An option may be exercised in whole, at any time, or in part, from time to time during the option period, except that during the first year of the option period it may be exercised only in the event of death or retirement of the optionee. The option period begins on the date the option is granted and ends ten years thereafter, except in cases of death, retirement or other earlier termination.

During 1955, options for 286,200 shares were granted to 256 employes at the then market price of $48.00 per share. By exercise of options granted in prior years, 315 optionees purchased 282,360 shares at $20.50 per share and 430,870 shares at $18.50 per share during 1955.

At December 31, 1955, 310 optionees held options to purchase 87,544 shares at $20.50 per share (granted in 1951), 153,194 shares at $18.50 per share (granted in 1953), and 284,000 shares at $48.00 per share (granted in 1955).

U. S. Government securities set aside for property additions and replacements

At December 31, 1955, completion of authorized additions to and replacements of facilities required a further expenditure of $550,000,000. During 1955, $300,000,000 of U. S. Government securities were set aside to cover in part these expenditures.

Wear and exhaustion of facilities

For a number of years, U. S. Steel has followed the policy of reflecting accelerated depreciation on the cost of new facilities in the first few years of their lives when the economic usefulness is greatest. Under the Internal Revenue Code, that portion of the cost of facilities certified by the Defense Production Administration as essential to the defense effort is covered by a Certificate of Necessity and can be written off for tax purposes at the rate of 20 per cent per year. The effect of amortization of these facilities is to charge to income a greater portion of their cost in the earlier years of life and, therefore, follows the principle of accelerated depreciation. Wear and exhaustion includes as a measure of accelerated depreciation $147,748,155 in 1955 and $142,778,406 in 1954 representing amortization of facilities covered by Certificates of Necessity.

The amount included in wear and exhaustion for the cost of facilities not covered by Certificates of Necessity is related to U. S. Steel's rate of operations.

Reserves for insurance, contingencies and accident and hospital expenses

U. S. Steel is, for the most part, a self-insurer of its assets against fire, windstorm, marine and related losses. The insurance reserve of $50,000,000 is held available for absorbing possible losses of this character, and is considered adequate for this purpose.

The reserves for contingencies and accident and hospital expenses of $53,707,084, provided mainly in previous years by charges to operations, are held for exceptional unanticipated losses other than those covered by the insurance reserve.

Other items

Products and Services Sold — Products and services sold includes interest, dividends and other income of $17,915,718 in 1955 and $9,043,541 in 1954.

Wages and Salaries — Wages and salaries totaled $1,440,334,889 in 1955. Of this amount, $1,415,011,634 was included in costs of products and services sold and the balance was charged to construction and other accounts.

Products and Services Bought—Products and services bought reflects the changes during the year in inventories and deferred costs. These items decreased during 1955 approximately $5,000,000.

applicable income taxes, for the years 1952 and 1953 in amounts which are believed to be adequate based on the settlement for 1951. No provision has been made for any refund for the years 1954 and 1955 and none appears to be required.

Note 2: In 1954 the Company changed certain accounting practices, in accordance with permissive tax treatment under the Internal Revenue Code of 1954, to charge income for the year with a year-end accrual for vacation pay, product warranty costs and certain other items in addition to the usual charge for such expenses paid during the year. The result of such changes after applicable Federal income tax reduction of $178,152 was to reduce net profit for the year by $164,448.

In 1955 Congress repealed, retroactive to 1954, the section of the Code which had provided for the permissive tax treatment and the Company reversed the accruals referred to above. The reversion resulted in reducing net loss for 1955 by $164,448.

BOOK VALUE

The Committee on Terminology of the American Institute of Accountants, in August, 1956, issued *Accounting Terminology Bulletin No. 3—Book Value.* This bulletin is reproduced in its entirety in the Appendix of Recent Accounting Bulletins since it bears a relation to the valuation of fixed assets under discussion here.

FIXED ASSETS—Basis of Valuation

The basis used in the valuation of fixed assets was disclosed by 547 of the 600 survey companies in their 1955 reports, as compared with 535 companies that gave such information in their 1950 reports. The great majority of these companies stated that they valued their fixed assets at "cost." The method of valuing "subsequent additions," whenever indicated, was usually stated as "cost." Relatively few companies disclosed a valuation of fixed assets on a basis other than "cost." Table 16 presents the various bases used by the survey companies in valuing their fixed assets, as disclosed in their 1955 annual reports.

"Approximate cost" is the basis of valuation stated by *Consolidated Foods Corporation* and *California Packing Corporation;* both companies disclosed separate totals for accumulated depreciation.

The Billings and Spencer Company disclosed that the property, plant and equipment:

"acquired in part from the Company's predecessor pursuant to reorganization proceedings, is stated at the transferor's basis at November 19, 1928, plus additions at cost, less retirements and accumulated depreciation and amortization subsequent to November 19, 1928. Dies, tools, jigs and fixtures are stated at the transferor's basis at November 19, 1928 and, in accordance with the established practice of the Company, are not subject to annual depreciation charges but current replacements are charged to manufacturing costs and expenses. Plant assets of subsidiary corporations are stated at cost."

Air Associates, Incorporated also indicated that property, plant and equipment are stated at cost to the Company or its predecessors, and included an amount for facilities wholly or partially in use, the cost of which has been fully depreciated.

Examples

The following examples of the valuation of fixed assets have been selected from the 1955 annual reports of the companies included in the survey and from the additional reports examined:

At Cost

The most common valuation assigned to fixed assets is that of "cost."

One of the relatively few companies which provided detailed information regarding fixed assets was *Armco Steel Corporation* which disclosed in a separate certified schedule the changes in fixed asset accounts and provided other pertinent data.

Included among the additional 1955 reports reviewed was *Gemmer Manufacturing Company* which stated its "plant and equipment at cost (after eliminating fully depreciated assets)"; "land not presently used in operations, at cost" was included among "other assets." *Drexel Furniture Company* disclosed "land, buildings, machinery and equipment—at cost" in total with a separate "allowance for depreciation and obsolescence."

Examples

AVCO MANUFACTURING CORPORATION
Consolidated Financial Position

Property, Plant & Equipment, at cost (Note 1):	
Land	$ 1,130,070
Plants and Equipment	75,037,752
Less: Reserves for Depreciation	(36,927,620)
	$39,240,202

Note 1: Property, plant and equipment at November 30, 1955 included $7,175,923 of World War II emergency facilities (which are fully reserved for) and $5,508,448 of facilities certified by the U. S. Government as necessary in the present defense program. Prior to the 1955 fiscal year the latter facilities were depreciated at 20% per year, the rate permitted for Federal income tax purposes. In 1955, the Corporation retroactively adopted the depreciation rates determined in 1955 by the U. S. Emergency Facilities Depreciation Boards for contract cost purposes. The effect of this change was (a) to reduce the provision for depreciation for the 1955 fiscal year by $1,847,000, of which $580,000 was applicable to 1955 and the balance to prior years, and (b) to increase 1955 net earnings after taxes by $783,000, of which $175,000 was applicable to 1955 and the balance to prior years.

BOND STORES INCORPORATED
Consolidated Balance Sheet

Fixed Assets—at cost—Note B:	
Land and buildings	$16,284,027
Less: Reserves for depreciation	3,228,038
	$13,055,988
Machinery, furniture, fixtures and equipment	5,860,945
Less: Reserves for depreciation	2,707,598
	$ 3,153,347
Alterations, improvements and leaseholds	6,408,659
Less: Reserves for amortization	2,431,412
	$ 3,977,246
	$20,186,582

TABLE 16: PROPERTY—FIXED ASSETS

Basis of Valuation	1955	1954	1953	1950
Cost (*Nos. 1, 3, 38, 72, 147, 212, 306, 429)	457	445	432	396
Cost plus appraisal value (*Nos. 66, 145, 168, 175, 180)	13	14	17	22
Cost plus assigned, estimated, or revised values (*Nos. 65, 78, 96, 438, 440, 541)	6	4	7	5
Cost plus cost in cash or securities	—	1	1	1
Cost plus various other bases (*Nos. 148, 400, 445)	3	3	6	9
Cost in cash or securities (*Nos. 55, 142, 516)	3	4	3	8
Cost in cash or securities plus subsequent additions at cost (*Nos. 53, 478)	2	2	3	2
Cost in cash or securities plus estimated and nominal values or assigned values (*No. 312)	1	2	3	2
Cost or below cost (*Nos. 63, 196, 207, 357, 531)	11	16	14	17
Approximate cost (*Nos. 19, 120, 211, 302, 379)	13	19	18	11
Approximate cost plus appraisal or revised values (*No. 181)	1	2	2	2
Appraisal value with subsequent additions at cost (*Nos. 34, 128, 134, 159, 191, 249)	16	14	13	24
Appraisal value with subsequent additions at cost plus various other bases (*No. 388)	1	4	4	6
Assigned value with subsequent additions at cost (*Nos. 253, 329, 474, 522, 574)	8	8	7	9
Revised value with subsequent additions at cost (*Nos. 356, 376)	2	1	2	5
Revised value with subsequent additions at cost plus various other bases	—	—	1	3
Acquisition value with subsequent additions at cost	—	2	1	2
Acquisition value with subsequent additions at cost plus assigned or appraisal values	—	1	1	—
Acquisition value	—	—	—	2
Bases of predecessor plus additions at cost (*Nos. 94, 593)	2	2	2	2
Book value (*Nos. 232, 490)	2	2	1	1
"Book value" with subsequent additions at cost (*Nos. 452, 571)	2	2	2	4
Reproductive value with subsequent additions at cost (*Nos. 66, 106, 499, 528)	4	3	3	2
Number of Companies				
Stating valuation basis for fixed assets	547	551	543	535
Not stating valuation basis for fixed assets	53	49	57	65
	600	600	600	600

*Refer to Company Appendix Section.

Noncurrent Liabilities:
Mortgages and Mortgage Bonds Payable by Subsidiaries—Note B $11,185,013

Note B: Land in the amount of $5,916,192.84 and buildings in the amount of $10,367,834.28, totaling $16,284,027.12 consist principally of property located at 45th Street and Broadway, New York City, owned by Adda, Inc., a wholly-owned subsidiary; properties in Rochester, New York, including the factories owned by Style Manor, Inc., a wholly-owned subsidiary; property located in Chicago, Illinois, owned by Stajac, Inc., a wholly-owned subsidiary; property located in Atlanta, Georgia, owned by Bond Stores of Georgia, Inc., a wholly-owned subsidiary; a factory in New Brunswick, New Jersey; and a shirt factory located in Meridian, Mississippi, owned by Burnley Shirt Corporation, a wholly-owned subsidiary.

The property owned by Adda, Inc., a wholly-owned subsidiary, is subject to a first mortgage in the amount of $2,785,013.31, payable in quarterly installments to December 13, 1959. The property located in Chicago, Illinois, owned by Stajac, Inc., a wholly-owned subsidiary, is subject to a first mortgage in the amount of $2,879,000.00, payable in quarterly installments to December 17, 1967. The factories located in Rochester, New York, owned by Style Manor, Inc., a wholly-owned subsidiary, are subject to a first mortgage in the amount of $5,311,000.00, payable in quarterly installments to December 15, 1968. The property located in Atlanta, Georgia, owned by Bond Stores of Georgia, Inc., a wholly-owned subsidiary, is subject to a first mortgage note in the amount of $210,000.00, payable on or before December 31, 1955. At each of the said dates the unamortized balance of the respective mortgages becomes due and payable. The Corporation is not liable under any of such mortgages, being in each case, except for property owned by Bond Stores of Georgia, Inc., a lessee of the property, or a substantial part thereof, under long term leases; such leases are assigned as collateral under the mortgages, respectively.

COLLINS RADIO COMPANY
Balance Sheet

Fixed Assets (Note 3):
Property, plant and equipment (including Emergency facilities and Leasehold improvements)—At Cost $7,932,849
Less—Depreciation and amortization to date 3,356,397
$4,576,451

Note 3: Fixed Assets—Fixed assets include items aggregating $3,466,855 of Emergency Facilities acquired under Necessity Certificates, $286,825 of which has been fully amortized. Accumulated amortization and depreciation on the balance amounted to $1,110,723.

Title to certain buildings and equipment, purchased from the Government in 1948 at a cost of $374,000, is subject for twenty years thereafter to the right of the Government in time of national emergency to assume possession of the property and to pay the Company reasonable compensation for its use should the Company and the Government fail to negotiate a satisfactory supply contract.

HARBISON-WALKER REFRACTORIES COMPANY
Consolidated Financial Position

Fixed Assets:
Buildings, machinery and equipment, at cost including $22,266,368 at December 31, 1955 for emergency facilities being amortized in 60 months $86,716,457
Less accumulated depreciation, including

$16,999,264 amortization of emergency facilities at December 31, 1955	51,026,855
Net buildings, machinery and equipment	$35,689,602
Mineral lands, rights and development, at cost less depletion	6,413,347
Land, at cost	891,967
Net fixed assets	$42,994,916

McQUAY-NORRIS MANUFACTURING CO.
Consolidated Balance Sheet

Plant and Equipment, at cost less depreciation (including fully amortized emergency facilities: 1955—$1,113,353):	
Land	$ 175,188
Buildings and improvements	2,290,995
Machinery and equipment	7,484,965
	$9,951,148
Less accumulated depreciation	7,140,686
	$2,810,462

SUBURBAN PROPANE GAS CORPORATION
Consolidated Balance Sheet

Fixed Assets—at cost (Note 2):	
Equipment on customers' premises	$33,520,832
Other property and equipment	9,172,853
	$42,693,685
Less accumulated depreciation	9,563,211
	$33,130,474

Note 2: Fixed Assets—Equipment on customers' premises includes cost of installing such equipment. Installation charges paid by customers are recorded as other operating income. Depreciation is provided on this equipment, in general, at 5% per annum. At the time any such equipment is removed, the undepreciated balance of installation costs is charged against income.

Other property and equipment consist of the following at December 31, 1955:

Land	$ 561,614
Buildings	3,340,360
Storage tanks and other equipment	5,237,112
Construction work in progress	33,767
	9,172,853
Less accumulated depreciation	2,299,768
	$6,873,085

F. W. WOOLWORTH CO.
Consolidated Balance Sheet

Fixed Assets—at cost:	
Land and buildings	$ 64,989,728
Less—Reserve for depreciation of buildings	10,027,586
	$ 54,962,142
Furniture and fixtures	$109,621,281
Less—Reserve for depreciation	42,384,140
	$ 67,237,141
Equipment, less amortization	$ 13,159,290
Buildings on leased ground, less amortization	36,876,539
Alterations to leased and owned buildings and store organization expenses, less amortization	82,374,372
Total Fixed Assets	$254,609,484

At Cost in Cash and/or Capital Stock

INSPIRATION CONSOLIDATED COPPER COMPANY
Statement of Financial Position

Plant and equipment—see Notes B and C	$25,753,402
Less depreciation	19,553,336
	$ 6,200,066
Mines, mining claims and lands, without deduction for depletion—see Note C	$18,153,204

Note B: Commitments Not Included in the Accounts—It is estimated that installation of the dual metallurgical process will require the expenditure of approximately $5,150,000 during 1956.

Note C: Plant and Equipment; Mines, Mining Claims and Lands —Basis of Valuation—These accounts are carried at cost represented by par value of shares of Company stock issued for property and by cash cost of subsequent additions. This basis does not indicate current values which could be determined only by current appraisals.

Detail of Mines, mining claims and lands account appearing on the statement of financial position is as follows:

Mines and mining claims:	
Par value of shares issued for mining properties	$14,967,520
Cash cost of mining properties	2,832,056
	$17,799,576
Lands—cash cost	353,628
	$18,153,204

From the beginning of operations to December 31, 1955 a total of 2,839,709,827 pounds of copper has been produced from the properties of the Company. The Company's mining engineers estimate, from the data now available, that at December 31, 1955 the proven ore reserves in the Inspiration Mine of the Company contained approximately 1,033,000,000 pounds of recoverable copper. These estimates are subject to variation as mining and development progress. Changes may also be caused by any wide fluctuations in costs or market prices, or the development of new mining and metallurgical techniques.

The Company has consistently followed the practice of publishing its accounts without deduction for depletion of metal mines, and no such deduction is included in these financial statements. However, solely for Federal and Arizona income tax purposes, there have been recorded on the books valuations of mining properties and their amortizataion by depletion deductions allowable in arriving at taxable net income.

At Cost to the Corporation or Its Predecessors

ANACONDA WIRE AND CABLE COMPANY
Balance Sheet

Fixed Assets:	
Land, buildings, machinery, equipment, reels, spools, cases and dies—see Note B	$45,310,883
Less accumulated depreciation—see Note B	13,988,301
	$31,322,582

Note B: Property, Plant and Equipment—Basis of Valuation—Land acquired for stock of Anaconda Wire and Cable Company is carried at valuations fixed at time of acquisition, and subsequent additions acquired for cash are carried at cash cost.

Buildings, machinery and equipment are carried at cash cost of such property to the Company or its predecessors.

Depreciation of buildings, machinery and equipment has been calculated on the basis of the estimated remaining lives of individual items at rates approved for Federal income tax purposes.

The values of property, plant and equipment are shown on the bases above set forth and do not indicate current values which could be established only by current appraisals.

Appraisal Value

Among those reports which were reviewed independently of the 600 survey companies were several companies which stated fixed assets at an appraisal value. *International Milling Company* disclosed that "property and plant" were stated "substantially at sound value per appraisal in 1922, plus subsequent additions at cost, less subsequent depreciation." *The Foote-Burt Company* showed "land—principally as appraised as of November 21, 1921," and "buildings and improvements" and "machinery and equipment" at cost.

Examples

THE AMERICAN DISTILLING COMPANY
Balance Sheet
Fixed Assets:

Stated at values, including reserve for depreciation determined by independent appraisers at December 31, 1934, plus subsequent additions at cost, less retirements:	
Buildings, machinery and equipment	$7,107,384
Less: Reserve for depreciation	4,051,668
	$3,055,716
Land	112,130
	$3,167,846

GENERAL CABLE CORPORATION
Consolidated Balance Sheet

Property, Plant and Equipment (Note 2, page 12):	
Land	$ 1,779,041
Buildings	16,592,437
Machinery, equipment, containers, etc.	34,307,106
	$52,678,584
Less reserves for depreciation	23,164,784
	$29,513,800

Note 2: Property, plant and equipment are stated at amounts based on appraised sound values in 1927 or prior (discounted approximately 20%) plus subsequent additions at cost less special write-offs and reserves. The Corporation's policy is to amortize the book amount of these assets over the period of the remaining useful life on a straight-line method. The principal rates are: buildings, 2 to 5%; machinery and equipment, 5%; containers and defense facilities, estimated useful life. The depreciation provision includes amortization of defense facilities of approximately $67,000 in 1955 and $185,000 in 1954.

THE LONG-BELL LUMBER COMPANY
Consolidated Balance Sheet

Property, Plant, and Equipment—Note C:	
Stumpage (standing timber)	$14,887,817
Land—exclusive of mill and retail yard sites	996,593
Manufacturing plants, retail yards, railroads, rental property, etc.	54,241,081
Less allowances for depreciation	36,452,199
	$17,788,881
	$33,673,292

Note C: Property, Plant, and Equipment—Property, plant, and equipment accounts are stated at amounts appraised and/or determined by company officials as of January 1, 1935, plus subsequent additions at cost, less adjustments for sales or other disposals and annual provisions for depletion and depreciation since that date.

MOHASCO INDUSTRIES, INC.
Combined Balance Sheet of Constituent Companies—Mohawk Carpet Mills, Inc. and Alexander Smith, Incorporated (merged December 31, 1955)

Operating property, plant and equipment (Note 4)	$59,130,889
Less accumulated depreciation and amortization	24,274,725
	$34,856,164
Nonoperating property, plant and equipment, at cost, less accumulated depreciation of $7,765,582 (Note 5)	$ 4,822,038

Note 4: Operating Property, Plant and Equipment—Mohawk Carpet Mills, Inc.:

Property, plant and equipment of the parent company is stated at adjusted appraised reproductive values at December 31, 1932, plus subsequent additions at cost and including the cost of stock in a subsidiary, allocated to fixed assets, which subsidiary was merged into the parent company in 1954. The costs so allocated were substantially less than the net value of such fixed assets as determined by independent appraisers. Property, plant and equipment of subsidiaries is stated at cost to the subsidiaries.

Provision for depreciation of property, plant and equipment in 1955 amounted to $1,834,530, of which $1,631,914 was charged to cost of sales, $201,722 to selling, general and administrative expenses and $894 to other income.

Alexander Smith, Incorporated:
Operating property, plant and equipment is stated at cost. Related provision for depreciation and amortization in 1955 amounted to $780,437, of which $609,441 was charged to cost of sales and $170,996 to selling, general and administrative expenses.

Note 5: Nonoperating Property, Plant and Equipment—Nonoperating property, plant and equipment, with minor exceptions, is stated at cost less $7,765,582 representing depreciation accumulated until withdrawal from service in 1954. Facilities included under this caption comprise land and buildings in Yonkers, New York, and machinery and equipment at Yonkers and other locations.

The company is not in a position to estimate the amount that may be realized from the disposition of this property but it believes that any aggregate loss incurred upon such disposition will not be material. Expenses and losses (net) in maintaining and disposing of such properties in 1955 amounted to $1,998,905, including a provision in the amount of $150,000 for estimated maintenance expenses subsequent to December 31, 1955, all of which were charged to earned surplus (deficit).

In September 1955 the company entered into an agreement for the sale of the nonoperating land and buildings at Yonkers for an aggregate consideration of $4,000,000 (before commissions of $102,500), of which $1,000,000 was to be received in cash and the remainder in mortgages. The company received a cash deposit of $250,000 in connection therewith. The agreement provides that the company will share pro rata in any proceeds from resale of part or all of such properties in excess of defined minimum amounts and after deducting specified charges. The closing was to have been made on October 31, 1955, but it has been postponed by mutual agreement between the company and the prospective purchaser. Sale of a small part of the land and buildings covered by this agreement was effected prior to December 31, 1955, and the financial statements reflect the sale of such part and the receipt of $611,500 in cash and mortgages in consideration therefor.

WAGNER BAKING CORPORATION
Comparative Balance Sheet

Plant and equipment—at cost or appraisal value of April 30, 1925, whichever is lower, plus subsequent additions at cost, less depreciation	$1,788,917

Assigned Value with Subsequent Additions at Cost

GENERAL MILLS, INC.
Financial Position
Noncurrent Assets:

Land, buildings and equipment (Note 4)	$65,289,183

Note 4: Land, Buildings and Equipment—

Buildings and equipment	$105,108,155
Less accumulated depreciation	42,723,966
Depreciated cost of buildings and equipment	62,384,189
Land	2,904,994
	$ 65,289,183

Land, buildings and equipment are stated generally at gross valuations placed by the company on the properties acquired (representing in most cases actual or estimated cost to the vendor) together with the cost of subsequent additions, less retirements and amounts written off. Accumulated depreciation includes amounts accrued at date of acquisition equal to the excess of the gross valuation over the cost to the company. Thus, the depreciated amount for buildings and equipment represents the portion of the cost not yet allocated as a charge against operations, and does not purport to be either a realizable or replacement value.

During the year ended May 31, 1955 the company spent $12,695,211 for physical facilities, while the gross book value of property sold or retired totaled $2,869,275. Authorized but unexpended appropriations for additions and improvements aggregated $5,623,681 at May 31, 1955.

LONG-TERM LEASES—Disclosure by Lessees

There were 214 survey companies that referred to, or implied, the existence of long-term leases in their reports for 1955. One hundred twenty-three of these companies merely mentioned or indicated that such leases existed but did not furnish any details with regard to them. The remaining 91 companies in this group provided in varying degrees and combinations such factual data as the amount of the annual rental, the aggregate rental, the term of the lease or its expiration date, the number of leases, information as to renewal options, and details as to sale-and-lease-back provisions. The foregoing information was usually presented in the footnotes to the financial statements.

The necessity for the disclosure in the financial statements or in the notes thereto of information with regard to long-term leases is discussed in Rule 3-18 (b) of Regulation S-X issued by the Securities and Exchange Commission and in the *Restatement and Revision of Accounting Research Bulletins* (Chapter 14) issued by the Committee on Accounting Procedure of the American Institute of Accountants.

Where the rentals or other obligations under long-term leases are material in the circumstances, it is recommended that disclosure should be made in financial statements or in notes thereto of the amounts of annual rentals to be paid under such leases with some indication of the periods for which they are payable and any other important obligation assumed or guarantee made in connection therewith.

Table 17 summarizes the nature of the information disclosed in the 1955 survey reports with regard to long-term leases and the related methods of disclosure.

Examples—Long-Term Leases

The following examples have been selected from the 1955 reports of companies disclosing data with regard to their long-term leases and sale-and-lease-back arrangements:

Sale and Lease Back

AMERICAN MACHINE & FOUNDRY COMPANY

Notes to Financial Statements

Note B: The land and buildings housing most of the principal plants of the companies are occupied under long term leases, the earliest expiring in 1970 and the latest in 1977, such properties having been sold and leased back by the companies. The annual rental payments under these leases at the present time aggregate $460,000 plus maintenance, insurance and taxes. All leases provide the right of renewal for four subsequent successive periods of ten years each at substantially reduced rentals.

AMERICAN SEAL-KAP CORPORATION

Notes to Financial Statements

Note 7: Land and buildings having a depreciated book value of $443,028 were sold during the year. A lease agreement was entered into for the use of these properties for a period of 22½ years at an annual rental of $57,200 plus real estate taxes, insurance, maintenance and other occupancy costs. At December 31, 1955 the corporation was obligated under four other long-term leases with minimum annual rentals of $40,420, such leases expiring from 1960 to 1963.

MELVILLE SHOE CORPORATION

Notes to Financial Statements

Note 4: At December 31, 1955 the total minimum annual fixed rentals payable under leases expiring after five years was approximately $2,435,000 plus real estate taxes, insurance, etc., under certain leases. Leases covering about 80% of this amount expire on various dates within the next 13 years. During the year the company sold a warehouse property at a profit of $638,402 which is included in "other income" and leased it back under a 30 year lease at an annual rental of about $56,000 plus real estate taxes, insurance, etc. The gain on the sale amounted to $469,039 after taxes.

WESTERN AUTO SUPPLY COMPANY
Comparative Balance Sheet
Below Capital Stock and Surplus:
Contingent Liabilities (Note 5)

Note 5: Lease Commitments—The approximate minimum annual rental on real property occupied under leases is $3,076,500. The number of such leases is 461. A summary by periods of expiration is as follows: (1) 1956 through 1958, 272 leases amounting to $1,582,900, (2) 1959 through 1963, 162 leases amounting to $1,065,200, (3) 1964 through 1982, 27 leases amounting to $428,400.

To the Stockholders: . . . The total net liability on leases in effect at the year-end, after adjustments for rentals and penalties on leases subject to cancellation was $12,458,000 as compared with $8,742,000 at the end of 1954. 84% of the total number of leases on properties will expire within five years. The substantial increase in lease liability was due to the western states acquisition and to long-term wholesale house leases mentioned later. . . .

The Company now operates 18 wholesale houses. During the year, our wholesale house properties at Kansas City, Missouri and Fort Wayne, Indiana were sold to The Penn Mutual Life Insurance Company and leased back under long-term leases with options giving flexibility as to cancellation.

Disclosure by Lessees

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.

Notes to Financial Statements

Note G: Rentals Under Leases of Real Property—American Broadcasting-Paramount Theatres, Inc. and its consolidated subsidiaries were liable as of December 31, 1955 under 345 leases of real property expiring subsequent to December 31, 1958 under which the minimum annual rental was approximately $6,197,000. The minimum annual rentals stipulated in these leases which expire during the three five-year periods ending December 31, 1973 and subsequent to that date are as follows:

Leases expiring:	
During the 5 years ending:	
December 31, 1963	$2,046,000
December 31, 1968	1,660,000
December 31, 1973	760,000
Subsequent to December 31, 1973	1,731,000
	$6,197,000

A. S. BECK SHOE CORPORATION
Consolidated Balance Sheet

Noncurrent Assets:	
Leaseholds	$220,695
Less reserves for amortization	183,517
	$37,178
Current Liabilities:	
Miscellaneous liabilities re leases	$55,510

Note 5: The companies rent numerous properties under long-term leases which expire at various dates subsequent to December 31, 1958, the longest lease expiring in 1982. For the year 1955, the aggregate rentals paid under these leases approximated $3,000,000.00. Commencing late in 1955, store fixtures and machinery and equipment used by certain subsidiaries were leased from New York Leasing Corporation, a 50% owned company not consolidated herein. The amount of annual rentals on these leases was not material at December 31, 1955.

COLONIAL STORES INCORPORATED
Statement of Financial Position
Below Stockholders' Equity:
Commitments and contingencies (Notes 7 and 8)

Note 7: (Not reproduced here.)

Note 8: Commitments and Contingencies—(a) At December 31, 1955, the company was lessee of warehouse, store and other properties under 555 leases, of which 338 have terms extending beyond three years from that date. The rentals for the year 1956 under the 338 leases expiring after 1958 aggregate $3,468,581 plus, in some instances, real estate taxes and other expenses, or increased amounts based on percentages of sales; approximately 55% of such aggregate relates to leases expiring within ten years and the major portion of the balance to leases expiring in from ten to twenty-six years.

(b) Claims for refunds of Federal taxes on income (principally under relief provisions of the Internal Revenue Code) for the years 1940 to 1945, inclusive, were filed by Albers Super Markets, Inc. prior to the combination thereof with the company. Pending final settlement, such claims have not been reflected in the financial statements.

CONSOLIDATED CIGAR CORPORATION
Consolidated Balance Sheet
Current Assets:

Recoverable construction costs under sales contract (Note 6)	$110,294

Note 6: The Corporation and its subsidiaries lease certain factory, warehouse and office premises under long-term leases. The aggregate annual rental under leases extending beyond five years from December 31, 1955 is approximately $285,000 (including $112,000 for the Puerto Rico factory), plus taxes, insurance and maintenance costs in certain instances. The Corporation and certain subsidiaries are committed to enter into two additional long-term leases at an annual aggregate rental of approximately $30,000, plus taxes, insurance and maintenance, upon completion of the premises to be leased.

The Corporation is constructing an addition to a leased warehouse under the terms of a contract which provide that the owner will purchase the additional premises upon completion in 1956 for a stated maximum amount and will enter into a long-term lease of all of the premises with the Corporation. The additional annual rental will be approximately $75,000, plus taxes, insurance and maintenance.

At December 31, 1955 the Corporation had commitments of approximately $1,450,000 for construction costs of the aforesaid premises and for additions, including machinery, to its plants. On January 18, 1956 the Corporation entered into an agreement with P. Lorillard Company for the purchase of certain of its assets, the estimated cost of which will be approximately $4,500,000.

LANGENDORF UNITED BAKERIES, INC.
Balance Sheet

Current Assets:	
Land and buildings under construction, at cost, covered by agreement for sale and leaseback	$ 650,980
Noncurrent Assets:	
Funds set aside for purchase of plant and equipment (Note 2)	$ 435,570
Property, plant, and equipment, at cost (Notes 1 and 2):	
Buildings and improvements	2,351,821
Machinery and equipment	11,665,278
	$14,017,099
Less, allowance for depreciation and amortization	7,501,471
	$ 6,515,628
Land	429,034
	$ 6,944,662

Note 1: At July 2, 1955, the company was obligated under thirty-four real estate leases expiring more than three years after that date, some of which require payment of taxes, maintenance, and insurance. The aggregate annual rental under such leases amounts to $307,400.

In June 1950 the company entered into an agreement for the lease of trucks from a lessor whose sole business consists of the leasing of such trucks to the company. As of July 2, 1955 the valuation of trucks under the lease amounted to approximately $1,550,000. The number of trucks leased represented approximately 40 per cent of the company's requirements and the total annual rental payments for trucks under lease at July 2, 1955 will aggregate approximately $450,000. At the expiration of seven years from the date of lease of the respective trucks, the company has the option to acquire them for a nominal consideration. Among other provisions of the lease the company has agreed to maintain a specified amount of working capital. Noncompliance with the terms of the agreement would entitle the lessor to require the company to purchase the trucks.

Note 2: Unrecorded contractual commitments for construction of and equipment for new plant facilities amounted to approximately $1,560,000 at July 2, 1955. Of this amount $615,000 applies to plant buildings under construction which, under existing agreements will be sold and leased back, and $945,000 applies to equipment scheduled for future delivery. Funds to cover these anticipated expenditures will be provided, first, from the $435,570 unexpended proceeds of the $900,000 note payable to The Equitable Life Assurance Society of the United States, which had been designated for such purposes, and the remainder from general company funds, which will include proceeds of sales under lease-back agreements.

TABLE 17: LONG-TERM LEASES

	Details set forth in:			
Disclosures by Lessees	Footnotes	Letter to Stockholders	Accountant's Report	1955 Total
Annual rental amount (*Nos. 17, 36, 47, 71, 82, 164)	73	4	1	78
Aggregate rental amount (*Nos. 352, 405, 438)	9	1	—	10
Lease expiration date (*Nos. 111, 182, 464, 497)	17	1	1	19
Number of leases (*Nos. 118, 146, 225, 344, 504)	27	1	—	28
Term of leases (*Nos. 144, 187, 203, 233)	38	6	—	44
Renewal option (*Nos. 123, 357, 360, 419)	10	4	—	14
Sell-lease-back feature (*Nos. 36, 93, 155, 380, 492)	9	12	—	21
Total	183	29	2	214

Number of Companies	
Setting forth details of long-term leases	91
Mentioning long-term leases but omitting details thereof	73
Indicating long-term leases without mention thereof by reference to leaseholds or leasehold improvements	50
Total	214
Neither referring to nor indicating long-term leases	386
	600

*Refer to Company Appendix Section.

LEHN & FINK PRODUCTS CORPORATION
Notes to Financial Statements

Note 2: The plant in Lincoln, Illinois is operated under a long-term lease agreement which provides for an annual rental of $115,000 until November 1957, thereafter $68,500 annually for the next fifteen years, plus payment of taxes, insurance, maintenance, etc. Plant and property in Bloomfield, New Jersey are owned by the corporation.

MILLER MANUFACTURING CO.
Consolidated Balance Sheet
Other Assets:

Deposit under leasehold agreement (Note 2)	$76,200

Note 2: Contingent Liabilities— . . . The company has entered into a lease agreement for the rental of land and building to be erected by the lessor for a term of twenty-five years at an annual rental approximating $76,200, commencing on the first day of the calendar month next succeeding the completion of the building and acceptance by the company. As of September 30, 1955 the premises were not ready for occupancy. The lease also provides for the payment by the lessee of taxes, repairs and insurance.

Under the terms of the agreement the company has an option to purchase the land and building during the term of the lease. In connection with the agreement, the company deposited in escrow $76,200 of which one-third will be credited each year for the first three years as a reduction of the annual rent.

NATIONAL CYLINDER GAS COMPANY

Notes to Financial Statements

Note 7: Commitments and Leases—At December 31, 1955, the Company had commitments for equipment purchases and for construction contracts aggregating $650,000.

The Company has leased certain equipment for a period of about sixteen years at basic rentals which (over the period of the leases) aggregate the approximate purchase price of the equipment plus additional rentals to cover interest on unpaid balances and carrying charges. The total rental payable for the calendar year 1956 approximates $233,000 and the total rental payable over the subsequent period of the leases approximates $2,427,000, including basic rental of $1,772,000. The Company has the option to purchase the equipment at any time at prices approximating the total basic rental payable over the remaining lease period.

NUNN-BUSH SHOE COMPANY

Consolidated Balance Sheet

Property, plant and equipment—at cost:

Land	$ 88,029
Factory buildings and equipment	2,259,961
Retail store fixtures and leasehold improvements	883,166
	$3,231,156
Less depreciation and amortization to date	1,657,650
	$1,573,506

Note 6: The company and its subsidiary operate retail shoe stores and departments at various locations under long-term leases which expire successively to 1966. Store leases which expire after October 31, 1958 stipulate minimum annual rentals aggregating $206,000. Leased departments are operated under agreements which provide for payment of a percentage of sales in lieu of rent; during the current year $212,210 was paid in lieu of rent under agreements expiring after October 31, 1958.

SHOE CORPORATION OF AMERICA

Consolidated Balance Sheet

Fixed Assets—at cost:

Leaseholds and leasehold improvements, less amortization $2,317,298	$2,737,377

Below Capital Stock and Surplus:

Lease commitments (Note 5)

Note 5: At December 31, 1955, minimum rentals of real properties on 391 leases expiring after December 31, 1958, aggregate approximately $2,775,000 per annum. Of these, 352 leases, with aggregate minimum rentals of approximately $2,340,000 per annum, expire prior to December 31, 1973, and 39 leases, with aggregate minimum rentals of approximately $435,000 per annum, expire subsequent thereto.

Commencing in 1954, a portion of store fixtures and equipment used by the company and certain subsidiaries are leased from Interstate Leasing Corporation, a 79% subsidiary not consolidated, for a period of ten years. This subsidiary has assigned and will assign fixed rentals under such leases as security for payment of its long-term bank obligations, which amounted to $342,313 at December 31, 1955. Annual rentals on 55 such leases in effect at December 31, 1955 aggregate approximately $79,000.

WINN & LOVETT GROCERY COMPANY

Consolidated Balance Sheet

Plant and equipment:

Improvements to leased premises (at cost)	$5,631,053
Deferred charges:	
Leaseholds, at cost less accumulated amortization $331,761	$ 146,998

Note 7: Commitments and Contingencies—(a) The companies rent the majority of the premises occupied, in some instances from companies owned by controlling stockholders. At June 25, 1955, there were in effect 200 leases extending beyond three years from that date. The rentals under such leases for the fiscal year 1956 aggregate $2,019,949 plus, in some instances, real estate taxes and other expenses, or increased amounts based on percentages of sales; of such aggregate, $586,924 relates to leases extending beyond 1965.

SMALL TOOLS, CONTAINERS, DIES, ETC.

Small tools, containers, dies, etc., were disclosed in the 1955 annual reports of 101 companies included in the survey. Such assets were generally shown in the noncurrent asset section of the balance sheet although many companies included such items in the current asset section under inventories. Table 18 indicates the methods of presentation and the bases of valuation of small tools, etc., found in the 1955 survey reports.

The examples which follow illustrate the various methods of presentation and valuation:

Current Asset Section

BELDEN MANUFACTURING COMPANY

Balance Sheet

Current Assets:

Inventories:	
Merchandise	$4,668,854
Spools and supplies	472,262
	$5,141,116

Note: Inventories—Merchandise inventories are priced on the basis of cost or market, whichever is lower, except that copper rod and copper content of products fabricated therefrom are priced at cost under last-in, first-out method adopted in 1939. The use of the last-in, first-out method had the effect of stating this portion of the inventory below current replacement value by $1,513,908 at December 31, 1955 and $793,820 at December 31, 1954. The supplies and spool inventories are priced at cost and, in the case of Belden spools, a valuation reserve has been applied.

MERRITT-CHAPMAN & SCOTT CORPORATION

Consolidated Balance Sheet

Current Assets:

Inventories, at cost or less, which is not in excess of market:	
Raw materials and supplies	$18,577,063
Rolls, molds, stools, etc.	1,287,281
In process and finished products	34,728,812
	$54,593,156

Noncurrent Asset Section

MERGENTHALER LINOTYPE COMPANY

Consolidated Financial Position

Noncurrent Assets:

Deferred Charges:	
Small tools and supplies	$304,658

MICHIGAN CHEMICAL CORPORATION

Comparative Statement of Financial Condition

Current Assets:	
Inventories, at the lower of cost or market:	
Raw materials and containers	$284,607
Noncurrent Assets:	
Returnable containers, at cost (Note A)	$191,206

Note A: As at December 31, 1955, returnable containers have

TABLE 18: SMALL TOOLS, CONTAINERS, DIES, ETC.

	Balance Sheet Presentation						
		Shown in Noncurrent Asset Section					
Type of Asset	Shown in Current Asset Section Under Inventories:	Separately Set Forth	Under Fixed Assets	Under Deferred Charges	Under Other Assets	Notes to Financial Statements	1955 Total
Small tools, tools (*Nos. 87, 219, 346, 328, 507, 593, 143, 417)	5	3	26	2	3	—	39
Dies, lasts (*Nos. 241, 341, 355, 364, 379, 394, 453, 457)	3	3	15	2	1	—	24
Jigs, fixtures (*Nos. 233, 236, 243, 360, 361)	1	1	20	1	—	—	23
Patterns (*Nos. 12, 75, 141)	—	8	10	1	1	—	20
Templates, masterplates, forms, guides (*No. 200)	1	—	2	—	—	—	3
Drawings	—	5	3	—	—	—	8
Molds, chills, flasks, stools (*No. 357)	4	—	4	—	—	—	8
Rolls (*No. 172)	5	—	2	—	1	—	8
Equipment — annealing, repair, short-lived, "can-making," and "charging box"	1	—	1	—	—	—	2
Returnable containers, cases (*Nos. 157, 174, 282, 443, 466)	9	1	9	—	—	—	19
Parts, spares, stores (*Nos. 38, 212, 309, 310, 426, 567)	15	1	2	3	4	—	25
Utensils, silverware, signs	—	—	1	—	—	—	1
Other	—	1	1	—	—	—	2
Total	44	23	96	9	10	—	182

	Balance Sheet Valuation					
Type of Asset	Amortized Value	Unamortized Value	Nominal Value	Inventory Value	Fixed or Arbitrary Value	1955 Total
Small tools, tools	24	6	1	5	3	39
Dies, lasts	9	6	3	3	3	24
Jigs, fixtures	17	2	1	1	2	23
Patterns	8	2	9	—	1	20
Templates, masterplates, forms, guides	2	—	—	1	—	3
Drawings	3	—	5	—	—	8
Molds, chills, flasks, stools	2	1	—	4	1	8
Rolls	—	1	—	5	2	8
Equipment — annealing, repair, short-lived, "can-making," and "charging box"	—	—	—	1	1	2
Returnable containers	9	—	—	10	—	19
Parts, spares, stores	—	8	—	17	—	25
Utensils, silverware, signs	1	—	—	—	—	1
Others	1	—	1	—	—	2
Total	76	26	20	47	13	182
Number of Companies Presenting Above Assets:						
Amortized, Unamortized, Nominal, Inventory, Fixed or Arbitrary	37	9	7	29	4	86
Amortized and Unamortized	1	1	—	—	—	1
Amortized and Nominal	2	—	2	—	—	2
Amortized and Inventory	5	—	—	5	—	5
Amortized and Fixed or Arbitrary	1	—	—	—	1	1
Unamortized and Nominal	—	2	2	—	—	2
Unamortized and Nominal and Inventory	—	1	1	1	—	1
Inventory and Fixed or Arbitrary	—	—	—	1	1	1
No Determinable Value	—	—	—	—	—	2
Total	46	13	12	36	6	101

* Refer to Company Appendix Section.

been classified as noncurrent assets. For purposes of comparison, similar items which were previously included in inventories, have been reclassified in the balance sheet at December 31, 1954. This change has no effect upon income for 1955 or 1954.

NUNN-BUSH SHOE COMPANY
Consolidated Balance Sheet
Noncurrent Assets (last item):

Lasts, dies and patterns	$1

Noncurrent Asset Section Under "Fixed Assets'

ADMIRAL CORPORATION
Consolidated Balance Sheet
Property, Plant and Equipment, at cost:

Land	$ 611,434
Buildings and equipment, less reserves for depreciation ($6,923,323), including unamortized cost of tools and dies, leasehold and land improvements	$23,971,518

COLUMBIA BAKING COMPANY
Balance Sheet
Property, Plant and Equipment—at cost (or income tax basis if lower):

Bread and cake pans—less amortization	$58,149

DETROIT HARVESTER COMPANY
Balance Sheet
Property, Plant and Equipment:

Dies, tools and fixtures—amount unamortized	$186,972

GENERAL ALLOYS COMPANY
Balance Sheet
Property, Plant and Equipment:

Real estate, machinery and equipment, at cost	$470,573
Less reserve for depreciation	240,767
	$229,806
Patterns, at fixed amount based on appraisal in 1927	25,000
	$254,806

PEPSI-COLA GENERAL BOTTLERS, INC.
Consolidated Balance Sheet
Property, Plant and Equipment—at cost less accumulated depreciation:

Bottles and cases, less accumulated depreciation of cases—$347,837	$1,606,172
Noncurrent Liabilities:	
Customers' deposits on bottles and cases	$ 341,692

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
Consolidated Balance Sheet
Property, Plants and Equipment, at cost:

Land	$ 175,006
Buildings	1,334,320
Machinery and tools	2,821,437
Factory equipment	295,681
Transport equipment	595,477
Furniture and fixtures	185,009
Drawings and patterns	137,297
Patents	19,534
	$5,563,761
Less accumulated depreciation	2,938,943
	$2,624,818
Leasehold improvements, less amortization	207,489
Net Property, Plants and Equipment	$2,832,307

UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

INVESTMENTS AND ADVANCES

Investments and advances pertaining to unconsolidated subsidiaries and affiliated companies were shown by a large number of the survey companies in their 1955 reports. The various balance sheet presentations by the survey companies of such investments and advances are summarized in Table 19. For the purpose of this tabulation a company has been classified as a *subsidiary* if it is so described in the annual report or if it is stated therein to be over 50 per cent owned. An *affiliated* company is one so described or one in which there is an ownership of 50 per cent or less.

Basis of Valuation

"Cost" continues to be the most commonly used basis for carrying investments in, and advances to, unconsolidated subsidiaries and affiliated companies. All of the various bases of valuation of such investments and advances, as shown in the survey reports for the years 1953 through 1955 are set forth in Table 19. As a general rule, the basis of valuation was stated in the balance sheet description of the asset. In a substantial number of cases, however, such information was disclosed only in a footnote to the balance sheet.

Examples—Unconsolidated Subsidiaries and Affiliated Companies

The following examples, selected from the 1955 reports, illustrate the basis of valuation, the method of disclosure thereof, the balance sheet presentation, and various other types of information concerning unconsolidated subsidiaries and affiliated companies:

AMERICAN MOTORS CORPORATION
Consolidated Balance Sheet
Investments in and Advances to Subsidiaries (Note A):

Domestic subsidiaries—at cost:	
Refrigeration Discount Corporation (100% owned)	$ 8,300,000
Ranco Incorporated (61.70% owned)	282,378
Foreign subsidiaries—at cost:	
Nash-Kelvinator Limited, England (100% owned)	2,400,452
Kelvinator of Canada Limited (55.81% owned)	48,546
Nash Motors of Canada Limited (100% owned)	1,846,796
Hudson Motors of Canada, Limited (100% owned)	10,379
	$12,888,551

Note A: The Corporation's share of undistributed earnings of

TABLE 19: UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

	I: Unconsolidated Subsidiary			II: Affiliated Company		
Balance Sheet Presentation:	1955	1954	1953	1955	1954	1953
Investment in	123	129	126	118	110	105
Investment in, Advances to	80	83	84	38	40	40
Investment in, Advances to, Receivables due from	—	1	4	1	—	1
Investment in, Receivables due from	15	15	17	13	9	11
Advances to, Receivables due from	—	—	—	—	1	1
Advances to	—	—	—	1	—	—
Due from	1	—	—	1	—	—
Total	219	228	231	172	160	158
Basis of Valuation:*						
A—Cost	94	107	108	94	81	86
B—Cost less reserve	24	21	17	19	13	17
C—Substantially at cost	1	2	2	—	—	—
D—Cost adjusted for undistributed profits	3	1	1	—	—	—
E—Cost adjusted for equity in profits	1	1	1	—	—	—
F—Cost plus accumulated earnings	1	1	2	—	—	—
G—Cost less dividends	1	1	1	2	2	2
H—Cost or below cost	20	21	17	18	15	16
I—Below cost	1	—	1	—	—	—
J—"Not in excess of cost"	2	3	2	1	2	1
K—Lower of cost or estimated value	1	1	1	—	—	—
L—Lower of cost or equity	—	1	1	—	1	1
M—Equity in net assets	7	11	12	3	1	1
N—Equity in net worth less reserves	2	3	3	—	—	—
O—Equity less unremitted profits	1	2	2	—	—	—
P—Dated equity value	2	1	—	—	—	—
Q—Asset values at acquisition	1	1	1	1	—	—
R—Acquisition value	—	—	1	—	—	—
S—Assigned value with additions at cost	4	3	3	2	2	2
T—Assigned value	—	—	—	—	—	1
U—Assigned, appraisal, or reorganization value	—	—	1	—	—	—
V—Estimated realizable or recoverable value	2	2	3	—	—	—
W—Nominal value	5	6	9	3	1	1
X—Less reserve to nominal value	—	—	1	—	—	—
Y—Reinstated value	—	—	1	—	—	—
Z—At "No Value"	1	1	2	—	—	—
	174	190	193	143	118	128
Basis of valuation not set forth	61	47	50	35	41	30
Less reserve—(basis of valuation not set forth)	2	4	9	3	5	6
Total	237	241	252	181	164	164
Number of Companies with Investment Account for:						
Unconsolidated subsidiary companies	219	228	231	—	—	—
Affiliated companies	—	—	—	172	160	158
Total	219	228	231	172	160	158
Account not presented	381	372	369	428	440	442
	600	600	600	600	600	600

*Refer to Company Appendix Section—I: *Unconsolidated Subsidiary*—A: Nos. 188, 197, 235, 388, 451, 595; B: 62, 69, 484; C: 181; D: 254, 462; E: 446; F: 228; G: 90; H: 46, 445, 522; I: 515; J: 49, 411; K: 216; M: 139, 262, 402, 565; N: 63, 252; O: 402; P: 70, 393; Q: 405; S: 211, 294, 429; V: 218, 520; W: 119, 161, 240, 542; Z: 139.
II: *Affiliated Company*—A: 130, 298, 453, 502; B: 62, 127, 376, 512; G: 90, 485; H: 175, 208, 445, 549; J: 411; M: 211, 404; Q: 405; S: 353, 429; W: 161, 560.

unconsolidated subsidiaries from date of acquisition amounts to $6,907,330 for domestic subsidiaries and to $2,967,084 for foreign subsidiaries.

On November 10, 1955, the Corporation sold approximately 65% of its investment in Ranco Incorporated for $7,400,000. The cost of the shares sold was $183,080, and the Corporation's share of the undistributed earnings, applicable to these shares, which had accumulated since dates of acquisition amounted to $4,024,315.

Consolidated Statement of Net Loss
Other income:
Dividends received from subsidiaries $2,900,689

Note A: Dividends received from subsidiaries and included herein were in excess of the Corporation's share of the earnings of these subsidiaries by $490,709 for domestic companies and $173,705 for foreign companies.

Financial Review of 1955: Subsidiary Companies—American Motors' share of the net earnings of its unconsolidated subsidiary companies previously discussed on Page 4 was $2,236,275 in the 1955 fiscal year. It received dividends totaling $2,900,689 from them during the 1955 fiscal year, including dividends of $1,999,000 paid by Refrigeration Discount Corporation in part out of earnings of prior years. These are reflected in the corporation's "Statement of Net Loss" on Page 13 of this report.

The parent corporation's total equity in these companies at September 30, 1955, was $22,762,965, but only the $12,888,551 cost of its equity is reflected in American Motors' balance sheet. The $9,874,414 excess of the underlying book value of its investment in these subsidiaries over cost represents the corporation's share of their undistributed earnings from date of acquisition.

On August 1, 1955, Refrigeration Discount Corporation retired 12,000 shares of its preferred stock owned by the parent corporation at $100 per share, thereby reducing American Motors' investment by $1,200,000.

On November 10, 1955, American Motors sold 65 per cent of its holdings of Ranco stock for $7,400,000. The cost of the Ranco shares sold was $183,080. The corporation's share of Ranco's undistributed earnings since acquisition that was applicable to the shares sold was $4,024,315 and the excess of the underlying book value of American Motors' equity in these subsidiaries over cost was reduced by this amount, to $5,850,099. American Motors retains a 21.7 per cent stock interest in Ranco.

BACHMAN UXBRIDGE CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:
Investment in the Barre Wool Combing Company, Ltd. $1,730,000

Note 1: As of September 13, 1955 the Company transferred part of its South Barre, Massachusetts, mill to The Barre Wool Combing Company, Ltd., a newly organized company, and received in exchange therefor 12,300 shares of $100.00 par value non-voting Class A stock, 500 shares of $100.00 par value Common Stock Class B and $450,000.00 of 4¼% subordinated debentures due September 1, 1970. The issued and outstanding capital stock of The Barre Wool Combing Company, Ltd. consists of 12,300 shares of Class A, 500 shares of Common Stock Class B and 500 shares of Common Stock Class C. Except as set forth in the Certificate of Incorporation the Class A stock shall have no voting rights and the Common Stock (Class B and Class C) shall have exclusive and equal voting rights.

The aggregate of the par value of the shares and the face amount of the debentures received by the Company amounted to $1,730,000.00, which was equal to the carrying amount of the fixed assets transferred by the Company. The remaining fixed assets at the South Barre mill are being used by the Company in connection with its South Barre Mixture Plant Division which operates solely as a commission dyehouse. Based on an unaudited financial statement of The Barre Wool Combing Company, Ltd. submitted by the management of that company, the Company's equity in the net assets amounted to approximately $1,750,000.00 as at December 31, 1955.

LEHN & FINK PRODUCTS CORPORATION
Consolidated Balance Sheet
Investments and Other Assets (Note 1):
Investments in and advances to foreign subsidiary companies $301,573
Argentine and other South American branches 694,215

Note 1: In view of foreign exchange restrictions in England, France and Germany, the investments in subsidiary companies in those countries have been carried at no value since 1940, except for $15,000 advanced during December, 1952 to a subsidiary in France.

Since July 1, 1949 only the amounts actually remitted from foreign subsidiaries and South American branches have been included in income. The net assets of the Canadian and South American subsidiary companies and South American branches are translated at current rates of exchange, from which there have been deducted unremitted earnings and exchange adjustments (less applicable U. S. income taxes) since July 1, 1949.

ROHM & HAAS COMPANY
Balance Sheet
Noncurrent Assets:
Investments, at cost:
Capital stock and advances to subsidiaries ... $2,414,820

Note 1: The Company has eight wholly-owned subsidiaries, two of which have been inactive since organization and have neither income nor loss. At December 31, 1955 the related net assets of the subsidiaries (five of which are foreign subsidiaries) based on unaudited financial statements were approximately $890,000 in excess of the Company's investment therein (the excess representing undistributed earnings since acquisition, including exchange fluctuations in the case of foreign subsidiaries). The Company's equity in the net earnings of the subsidiaries for the year ended December 31, 1955 is $474,000. Income is recorded only as dividends are received.

THE WARNER & SWASEY COMPANY
Statement of Financial Condition
Investments and Other Assets:
Common stocks of unconsolidated subsidiaries—at cost—Note A $586,936
Notes receivable from unconsolidated subsidiary, and accrued interest 193,159

Current Liabilities:
Accounts payable and accrued expenses:
To unconsolidated subsidiary companies $125,122

Note A: The Company has two unconsolidated subsidiaries, The Warner & Swasey Research Corporation (70% owned) and The Sterling Foundry Company (73% owned). The equity of the Company in the net assets of the subsidiaries at December 31, 1955, exceeded the cost of the related investments by approximately $258,000, representing principally undistributed earnings since dates of acquisition of the subsidiaries. Proportionate earnings for the year 1955. were less than dividends received by approximately $40,000. The Company has an option to November 7, 1958, to purchase the remaining outstanding stock of The Sterling Foundry Company.

THE S. S. WHITE DENTAL MANUFACTURING COMPANY
Consolidated Balance Sheet
Other Assets:
Investment in foreign subsidiaries not consolidated, at cost (Note 1) $564,239

Note 1: The accounts of the company's British, Brazilian and Australian subsidiaries are excluded from the consolidated financial statements and the company takes into earnings only dividend remittances as received from such subsidiaries. Combined net earnings of these subsidiaries for their fiscal years ended in 1955 amounted to $253,682, after giving effect to an unrealized Brazilian exchange loss of $43,919; aggregate net assets at the end of their 1955 fiscal years were $2,055,127, or $1,490,889 in excess of the cost value of the company's investment in such subsidiaries. This excess represents accumulated net earnings of the subsidiaries less distributions.

Except for the French subsidiary which is carried at the nominal value of $1, foreign currency amounts of all foreign subsidiaries were expressed in U. S. dollars as follows: plant and equipment at approximate U. S. dollar equivalent of cost at dates of acquisition; all other asset and liability accounts at or below current exchange rates; operating accounts at average exchange rates for the year, except for depreciation charges which were based on U. S. dollar cost of the related assets.

EX-CELL-O CORPORATION AND SUBSIDIARIES

Statement of Changes in Shareholders' Equity

Year ended November 30, 1955

	Common stock of $3.00 par value	Capital in excess of par value of shares	Earnings retained for use in business
Amount at November 30, 1954	$2,550,165	$16,876,352	$19,714,954
Valuation assigned to 45,000 shares issued in exchange for outstanding stock of Michigan Tool Company—Note A	135,000	4,365,000	—
Par value of 895,055 shares issued April 1, 1955 pursuant to stock distribution of one share for each share then outstanding	2,685,165	—	(2,685,165)
	5,370,330	21,241,352	17,029,789
Net earnings for the year and special items	—	—	9,541,577
	5,370,330	21,241,352	26,571,366
Cash dividends declared ($ .50 and $1.50 a share in terms of shares outstanding before and after stock distribution)	—	—	3,116,000
Amount at November 30, 1955	$5,370,330	$21,241,352	$23,455,366*

*Restricted to extent of $1,250,000 by reason of acquisition of 25,250 shares of treasury stock in 1955.

Notes:

(A) Effective March 1, 1955, Ex-Cell-O Corporation acquired, in exchange for 45,000 shares of its capital stock, the entire outstanding capital stock of Michigan Tool Company, which had net worth based on book value at March 1, 1955, of approximately $5,900,000. For accounting purposes a valuation of $4,500,000 was assigned to the shares issued by Ex-Cell-O Corporation, and the excess of the net worth of the subsidiary over that amount is shown under the shareholders' equity caption on the accompanying balance sheet. Sales and operating results of Michigan Tool Company are included in the statement of consolidated earnings for the period from acquisition through November 30, 1955.

(B) Ex-Cell-O Corporation has agreed, subject to certain conditions, to acquire all outstanding shares of Cadillac Gage Company on June 1, 1956, or such later date as may be designated by the parties, in exchange for a minimum (reducible in the event of unforeseen claims) of 28,000 or a maximum of 38,000 shares of Ex-Cell-O stock dependent upon earnings of Cadillac Gage Company to May 31, 1960.

PREPAID EXPENSES AND DEFERRED CHARGES

Either prepaid expenses or deferred charges were presented by 588 of the 600 survey companies in their 1955 balance sheets. Of the 588 companies displaying such items, 199 companies presented them under "current assets," 137 companies presented them under both "current" and "noncurrent assets," and the remaining 252 companies included them among "noncurrent assets." The Committee on Accounting Procedure of the American Institute of Accountants has recommended in the *Restatement and Revision of Accounting Research Bulletins* (Chapter 3, Section A) the inclusion among current assets of "prepaid expenses, such as insurance, interest, rents, taxes, unused royalties, current paid advertising services not yet received, and operating supplies."

Of the 1,159 items of prepaid expenses or deferred charges shown in the 1955 balance sheets of the survey companies, 498 of such items were described merely as "prepaid expenses," "deferred charges" or in some similar manner which did not identify the nature of the expense or charge involved. When these items were identified, they were usually mentioned as insurance expense, prepaid taxes, and debt discount and expense.

Table 20 summarizes and classifies the terminology used by the survey companies in presenting prepaid expenses and deferred charges in their balance sheets for the years 1950 through 1955. This tabulation shows that the descriptive word "prepaid" was usually used in the current asset section of the balance sheet, whereas the term "deferred" was generally employed in the noncurrent asset section.

Table 20 also indicates and summarizes the various types of prepaid expenses and deferred charges and their balance sheet presentation by the survey companies for the years 1955 and 1954.

Examples of various types of prepaid expenses and deferred charges and their presentation in the balance sheets of the respective companies are given below:

Current Asset Section

THE AETNA-STANDARD ENGINEERING COMPANY
Consolidated Balance Sheet

Current Assets:
Prepaid insurance and taxes $88,229

BAUSCH & LOMB OPTICAL COMPANY
Balance Sheet

Current Assets:
Insurance Premiums Unexpired $210,786

THE SQUARE D COMPANY
Consolidated Statement of Financial Condition

Current Assets:
Insurance, taxes and other expenses paid in advance $796,502

Current and Noncurrent Asset Sections

ASHLAND OIL & REFINING COMPANY
Consolidated Balance Sheet

Current Assets:
Prepaid insurance, taxes and miscellaneous expenses $804,350

Below Property, Plant and Equipment:
Deferred Charge:
Debenture issue expenses, less amortization ... $234,532

CONSOLIDATED FOODS CORPORATION
Consolidated Balance Sheet

Current Assets:
Prepaid insurance, taxes, and expenses $926,139

Noncurrent Assets:
Deferred Charges:
Unamortized long term debt expense and other deferred items $239,499

THE LONG-BELL LUMBER COMPANY
Consolidated Balance Sheet

Current Assets:
Prepaid insurance and other expenses $1,081,131

Noncurrent Assets:
Unamortized Logging Development Costs .. $1,081,426

NEPTUNE METER COMPANY
Consolidated Statement of Financial Position

Current Assets:
Prepayments (Note 7) $211,570

Noncurrent Assets:
Costs applicable to future periods:

Patents and experimental and development expenses, at amortized cost	$ 89,356
Employees' past service annuities (Note 7)	389,621
	$478,977

Note 7: Under a group retirement annuity insurance company contract the company undertakes to make, in addition to payments for current service benefits, payments for past service benefits in annual amounts of 10% of the estimated aggregate cost of such past service benefits. The unpaid balance of the past service benefits, amounting to $505,782, is reflected on the consolidated statement of financial position at December 31, 1955, the amount due within one year of $116,161 being carried as a current prepayment and as a current accrued expense.

STOKELY-VAN CAMP, INC.
Balance Sheet

Current Assets:
Prepaid freight, insurance, taxes, etc. $794,466

Noncurrent Assets:
Prepaid insurance (current portion above) $276,354

Noncurrent Asset Section

THE CONDÉ NAST PUBLICATIONS, INC.
Balance Sheet

Noncurrent Assets:
Deferred Charges:

Prepayment on long-term supply contract	$ 433,333
Prepaid pension premiums	409,292
Other prepaid expenses and deferred charges	405,732
	$1,248,357

COOSA RIVER NEWSPRINT COMPANY
Balance Sheet

Deferred Charges:

Unexpired insurance premiums, etc.	$147,998
Expense of issuing bonds—unamortized portion	74,698
Organization expense	175,428
	$398,124

TABLE 20: PREPAID EXPENSES AND DEFERRED CHARGES

Terminology Used In	1955	1954	1953	1950
Current Asset Section:				
Prepaid	247	230	213	175
Prepaid and deferred	8	5	5	4
Deferred	5	7	4	3
Unexpired	8	9	8	6
Costs applicable to future periods	13	11	8	7
Various other terms	3	5	5	3
Total	284	267	243	198
Noncurrent Asset Section:				
Deferred	169	164	171	143
Deferred and prepaid	91	88	86	94
Deferred with certain items listed thereunder described *prepaid*	59	70	77	104
Prepaid	71	78	88	65
Costs applicable to future periods	13	15	6	17
Unamortized	30	27	35	13
Unexpired	6	5	19	4
Various other terms	2	5	4	10
Total	441	452	486	450

Number of Companies Presenting	1955	1954	1953	1950
Prepaid Expenses or Deferred Charges in:				
Current asset section	199	162	142	128
Current and noncurrent asset sections	137	94	98	76
Noncurrent asset section	252	330	351	386
No Prepaid Expense or Deferred Charge items	12	14	9	10
	600	600	600	600

	Balance Sheet Presentation			
	1955		1954	
Classification as to Type	Current Assets	Noncurrent Assets	Current Assets	Noncurrent Assets
Administration	—	—	—	1
Advertising (*Nos. 108, 302, 318, 327)	7	12	14	12
Debt discount (*Nos. 145, 183, 258, 465)	1	24	—	29
Debt expense (*Nos. 181, 587)	1	54	—	63
Employee welfare (*Nos. 418, 478)	2	16	2	13
Expense advances	—	2	1	1
Financing expense (*Nos. 397, 403, 533)	—	4	—	—
Insurance (*Nos. 11, 80, 253, 255, 371, 529)	124	122	122	133
Interest	1	2	1	2
Mine stripping and expense (*Nos. 330, 569)	—	4	—	—
Oil exploration	—	1	—	—
Organization expense (*No. 407)	—	2	—	1
Preoccupation and plant costs	1	3	1	1
Rent (*Nos. 100, 313, 419, 579)	9	22	11	23
Research and development	1	8	—	7
Selling, delivery, freight, commissions	2	5	4	5
Supplies (*Nos. 104, 346, 360, 432)	18	31	19	32
Taxes (*Nos. 106, 344, 345, 385)	59	64	58	68
Tooling and factory expense	1	4	2	4
Unused royalties	—	2	1	4
Various other captions (*Nos. 168, 177, 192, 214, 253, 265, 301, 353, 391, 498, 578, 581)	4	8	—	—
"Prepaid or Deferred" (*Nos. 198, 334, 445, 573)	179	279	143	309
"Prepaid or Deferred"** (*Nos. 83, 230, 239, 305)	40	40	45	45
Total	450	709	424	753

* Refer to Company Appendix Section.
**In both the current and the noncurrent asset sections.

INTANGIBLE ASSETS

Intangible assets were disclosed in the 1955 balance sheets of 376 of the 600 survey companies. Table 21 which classifies and summarizes the various types of intangible assets and their 1955 balance sheet presentation and valuation provides the following information:

1. *Type.* The most common types of intangible assets were patents, "goodwill," trademarks and brand names, leasehold improvements, and leases and leaseholds.
2. *Presentation.* Intangible assets shown separately in the noncurrent asset section of the balance sheet was the most frequent method of presentation of such assets. However, certain types of intangible assets, such as leasehold improvements, leases and leaseholds, water rights, and mining and oil leases were generally shown under "fixed assets" in the noncurrent asset section of the balance sheet.
3. *Valuation.* Intangible assets were most frequently shown in the balance sheet at a nominal value (usually $1). The next most common method of valuation was an amortized value. In a substantial number of instances, however, an unamortized value was used. Intangible assets such as patents, "goodwill," and trademarks and brand names were usually set forth at a nominal value; whereas leasehold improvements, leases, and leaseholds were generally shown at an amortized value.

In Table 21 those companies classified as valuing intangible assets at, "Amortized value, charge not shown," include only those which specifically indicate that the assets are being amortized, such as: "Goodwill, net of amortization," "Goodwill, unamortized balance," etc. Companies classified as valuing intangibles at "Unamortized Value," include those which show only the title of the intangible in the balance sheet caption with no specific indication that the asset is being amortized, such as "Goodwill," "Copyrights and Other Intangibles," etc. with values other than nominal values.

The following examples, selected from the 1955 annual reports, illustrate the various balance sheet presentations of intangible assets:

Shown Separately in Noncurrent Asset Section

COLLINS RADIO COMPANY
Balance Sheet
Noncurrent Assets:
Intangible Assets:

Patents—at cost	$193,968
Less—Amortization to date	65,206
	$128,762
Blueprints, drawings, research and other	$ 1

CENTENNIAL FLOURING MILLS CO.
Consolidated Balance Sheet
Noncurrent Assets:

Trade marks, trade names and goodwill	$1

THE CONDÉ NAST PUBLICATIONS, INC.
Balance Sheet

Magazine titles, subscription lists, trademarks, copyrights and goodwill	$1

CONSOLIDATED FOODS CORPORATION
Consolidated Balance Sheet
Noncurrent Assets (last item):

Patents, trade-marks, goodwill, and other intangibles—at nominal value	$3

Shown Under Fixed Assets in Noncurrent Asset Section

THE BASTIAN-BLESSING COMPANY
Consolidated Balance Sheet
Below Property, Plant and Equipment:

Patents—at cost, 71,555.21 less accumulated amortization of $37,231.16	$34,324

AMORTIZATION OF INTANGIBLE ASSETS

The information contained in the 1955 survey reports with regard to the amortization of intangible assets is summarized in Table 21. There were 330 instances of intangible assets shown in the balance sheets at an amortized value. In 162 of these cases the amortization was charged to the income account; in 11 instances the charge was to the retained earnings account; and in the remaining 157 cases there was no indication in the report as to the treatment of the amortization charge.

The method used in the amortization of intangible assets is seldom disclosed in the reports of the companies showing such assets.

For examples of charges to retained earnings for the write-off of intangible assets, refer to Section 4, *Goodwill.*

Additional information was provided by *The Bon Ami Company,* in its 1955 report, as follows:

THE BON AMI COMPANY
Consolidated Balance Sheet
Noncurrent Assets (last item):

Goodwill and Trade Marks—Note A	$ 1
Capital—Note A:	
Capital Stock:	
Common A—No Par; Authorized 200,000 Shares, Issued 100,000 Shares (including 10,417 Shares in Treasury); at Stated Value of $10.00 per Share	$1,000,000
Common B—No Par; Authorized 400,000 Shares, Issued and Outstanding 200,000 Shares; at Stated Value of $5.00 per Share	1,000,000
Earned Surplus	3,113,000
	$5,113,000
Less: Treasury Stock, at Cost (10,417 Shares)	467,873
Net Capital	$4,645,127

TABLE 21: INTANGIBLE ASSETS

A: Balance Sheet Presentation

Type of Intangible Asset*	Current Asset Section Under Inventories	Noncurrent Asset Section: Separately Set Forth	Under Fixed Assets	Under Other Assets	Under Deferred Charges	Notes to Financial Statements	1955* Total
1. Patents, patent rights and applications	—	160	7	18	3	1	189
2. Trademarks, brand names	—	96	1	15	1	1	114
3. Copyrights	—	8	—	1	—	—	9
4. Goodwill	—	127	1	17	—	1	146
5. Goodwill re: subsidiary	—	10	1	4	—	—	15
6. Leasehold improvements	—	2	58	3	6	6	75
7. Leaseholds, leases, leased equipment	—	4	36	3	2	12	57
8. Developed leases—mining, oil	—	—	4	1	—	1	6
9. Formulae, processes, designs	—	17	2	3	2	1	25
10. Research and development	—	9	5	5	3	2	24
11. Licenses, franchises, memberships	—	20	5	4	1	—	30
12. Rights—Water, water-power, land	—	1	15	—	—	1	17
13. Rights—Mining, timber, cutting, fishing, and "other rights"	—	8	8	1	1	2	20
14. Contracts	—	5	—	—	1	—	6
15. Name lists, catalogs, trade routes	—	4	—	1	—	—	5
16. Scripts, scenarios, story and film rights	6	—	—	1	—	—	7
17. Reference library	—	1	—	—	—	—	1
18. Finance and organization costs	—	1	—	1	—	—	2
19. Described as: "Intangible Assets"	—	16	3	—	—	—	19
20. Various other	—	5	—	2	—	3	10
Total	6	494	146	80	20	31	777

*Refer to Company Appendix Section:—1: Nos. 7, 40, 88, 131, 190, 259, 511, 575, 598, 383; 2: Nos. 430, 527; 3: Nos. 176, 274, 358; 4: Nos. 60, 166, 168, 195, 225, 239, 247, 285, 304, 506; 5: Nos. 71, 291, 335, 542, 546; 6: Nos. 24, 51, 68, 101, 118, 230, 271, 326, 405, 416, 500; 7: Nos. 61, 144; 146, 198, 212, 236, 240, 492, 522, 8: No. 150; 9: Nos. 152, 174, 374, 440, 529; 10: Nos. 46, 171, 265, 301, 352, 531; 11: Nos. 273, 515, 157; 12: Nos. 34, 333, 355; 13: Nos. 170, 381, 420; 14: Nos. 90, 463, 574; 15: Nos. 165, 373, 376; 16: Nos. 158, 201, 429, 583; 17: No. 287; 18: Nos. 164, 504; 19: Nos. 72, 134, 149, 186, 409, 449, 498; 20: Nos. 525, 526.

B: Balance Sheet Valuation and Amortization

Type of Intangible Asset	Amortized Value After Charges To: Income	Retained Earnings	Charge Not Shown	Total	Unamortized* Value	Nominal Value	1955 Total
Patents, patent rights and applications	11	1	55	67	11	111	189
Trademarks, brand names	2	2	17	21	17	76	114
Copyrights	—	—	1	1	2	6	9
Goodwill	1	4	12	17	19	110	146
Goodwill re: subsidiary	3	—	4	7	7	1	15
Leasehold improvements	60	—	10	70	4	1	75
Leaseholds, leases, equipment leases	40	—	14	54	1	2	57
Developed leases—mining, oil	5	—	1	6	—	—	6
Formulae, processes, designs	2	—	2	4	2	19	25
Research and development	8	1	6	15	6	3	24
Licenses, franchises, memberships	6	1	11	18	7	5	30
Rights—Water, water-power, land	11	—	3	14	3	—	17
Rights—Mining, timber, cutting, fishing, and "other rights"	8	—	4	12	5	3	20
Contracts	—	—	1	1	1	4	6
Name lists, catalogs, trade routes	—	—	2	2	2	1	5
Scripts, scenarios, story and film rights	1	—	4	5	2	—	7
Reference library	—	1	—	1	—	—	1
Finance and organization costs	—	—	1	1	1	—	2
Described as: "Intangible Assets"	1	—	9	10	2	7	19
Various other	3	1	—	4	3	3	10
Total	162	11	157	330	95	352	777

Number of Companies Presenting	1955
Intangible Assets	376
No Intangible Assets	224
	600

Note A: Principal Changes in Capital Stock and Surplus Accounts During 1955 and Write Down of $2,850,001 Goodwill Account to $1.00—With the approval of the stockholders, goodwill and trade-marks were written down to $1.00. Of the write-off of $2,850,000.00, the capital stock account was charged with $2,123,880.00 and the remainder of $726,120.00 was charged against earned surplus. The Good Will and Trade Marks account of $2,850,000.00 was created in 1915 at the time of the incorporation of the Company, when Capital Stock was issued in payment therefor and had been carried at this figure plus $1.00 since then.

The capital stock account was $4,123,880.00 at the beginning of the year 1955. This represented 100,000 shares of Common A stock and 200,000 shares of Common B stock, each having no par value. The stockholders further authorized that the $2,000,000.00 remaining in the capital stock account was to represent: 100,000 shares Common A stock, at a stated value of $10.00 per share, or $1,000,000.00; and 200,000 shares Common B stock, at a stated value of $5.00 per share, or $1,000,000.00.

American Snuff Company, in its 1955 report revealed a charge to Earned Surplus—"Write-off of trade-marks, patents, goodwill, etc.—$5,000,000."

Sterling Drug, Inc., in a note to the related balance sheet caption, stated that:

"Trade-marks and goodwill accumulated since formation of the Company in 1933 have been reduced to a net carrying value of $11,479,430 at December 31, 1955 by applying the balance in a reserve therefor. This reserve has been provided by charges of $13,322,557 to capital surplus and contingency reserve and $12,468,343 to earned surplus, and has been adjusted for disposals and for expired patents."

TABLE 22: ACCOUNTS PAYABLE

	Presentation		
Current Liability Description	Separately	With Other Items	1955 Total
Re: *Trade Creditors*—			
Accounts payable (*Nos. 57, 144, 148, 258, 335, 404, 414, 435, 501)	405	195	600
Notes payable (*Nos. 94, 497, 525)	1	2	3
Royalties payable (*Nos. 140, 193, 449, 552, 576)	2	8	10
Trade acceptances or drafts payable (*Nos. 39, 157, 492, 563)	1	7	8
"Accrued expenses" — not identified (*Nos. 42, 74, 161, 249, 362, 442)	188	220	408
Total	597	432	1029
Re: *Trade Customers*—			
Advances on non-government contracts (*Nos. 7, 75, 113, 221, 424)	19	4	23
Progress billings on non-government contracts (*Nos. 64, 307, 561)	4	1	5
Additional costs on completed contracts (*Nos. 84, 561, 598)	1	2	3
Deposits for various trade purposes (*Nos. 100, 251, 309, 360, 562)	17	10	27
Deposits for merchandise containers (*Nos. 265, 282, 443, 452)	7	—	7
Unredeemed gift certificates (*No. 4)	1	—	1
Credit balances (*Nos. 13, 86, 197, 344, 561)	11	4	15
Total	60	21	81
Number of Companies Showing			
Accounts payable re trade creditors			600
Accounts payable re trade customers			70

*Refer to Company Appendix Section.
Refer also to Table 26.

ACCOUNTS PAYABLE—Current Liabilities

Accounts payable to trade creditors were found in the 1955 balance sheets of all of the 600 companies included in the survey. These items, listed among the current liabilities, were generally described as "accounts payable" and were usually set forth separately, but in a substantial number of instances they were combined with other items of current liability. In addition to the above items payable to trade creditors, 70 of the survey companies showed current liabilities to trade customers for such items as advances on contracts, deposits on containers, for other trade purposes and credit balances in accounts receivable.

The various kinds of accounts payable items included among current liabilities in the 1955 balance sheets of the survey companies are classified and summarized in Table 22.

Eleven of the survey companies, in addition to the accounts payable shown in the current liability section of their 1955 balance sheets, also included among non-current liabilities various items of a similar nature such as customers' deposits on returnable containers, royalties payable, self-liquidating advance payments, and unidentified deferred liabilities (*Co. Nos. 36, 61, 69, 123, 125, 144, 230, 408, 429, 440, 505).

The following examples, selected from the 1955 balance sheets of the annual reports, illustrate various types of accounts payable and their statement presentation. They also contain examples of liabilities with regard to employees, short-term borrowings, and current maturities of long-term indebtedness, which are discussed in sections following this, as well as examples of miscellaneous other current liability items.

ARVIN INDUSTRIES, INC.
Statement of Financial Condition
Current Liabilities:

Notes payable to banks	$1,500,000.00
Trade accounts payable	2,468,517.89
Customers' credit balances	49,413.00
Miscellaneous accounts payable	34,090.82
Employee funds withheld	282,496.57
Accrued contributions to Pension and Retirement Trusts	562,234.00
Accrued expenses and taxes other than federal taxes stated separately	661,097.39
Manufacturers' excise tax and federal taxes payable as withholding agent	123,866.32
Provision for federal income taxes	4,173,162.62
Total current liabilities	$9,854,878.61

BLUE BELL, INC.
Balance Sheet
Current Liabilities:

Current instalments of long-term 4% notes payable to insurance companies	$ 150,000
Accounts payable—Trade	406,883
Employees' funds withheld for taxes, etc.	147,532
Accrued Federal and State income taxes	2,200,000

*Refer to Company Appendix Section.

Other accrued liabilities:	
Salaries and wages	657,198
Bonus to officers	139,448
Taxes—Other than on income	154,643
Contribution to employees' pension trust fund	70,020
Interest, royalties, etc.	15,816
Total current liabilities	$3,941,544

FIRTH STERLING, INC.
Consolidated Balance Sheet
Current Liabilities:

Notes payable to banks under Revolving Bank Credit Agreement, 3½%, 90-day (Note 2)	$ 800,000
Current maturities on term bank loan (Note 3)	132,259
Trade accounts payable	530,742
Salaries, wages, and commissions, including payroll and other taxes withheld from employees	879,016
Accrued taxes and other expenses	129,672
Federal and state taxes on income	319,893
Total current liabilities	$2,791,582

Note 2: Notes Payable to Banks—At December 31, 1955, the Company had notes outstanding in the maximum amount of $800,000 under a Revolving Bank Credit Agreement established in January, 1955. This agreement provides that the Company will maintain net current assets of at least $4,250,000.

In January, 1956, the above indebtedness was extended under a Bank Credit Agreement which establishes until December 31, 1956, an aggregate amount of credit not to exceed $1,500,000 at any one time outstanding at interest of 4% per year. This agreement provides that the Company and its subsidiaries (other than The Method X Company) will maintain consolidated net current assets of at least $4,750,000.

Note 3: Term Bank Loan—This indebtedness, which is unsecured and bears 3½% interest, is payable in monthly principal amounts of $22,043 through July, 1956. During the term of the Agreement, the Company and any of its subsidiaries may not purchase, redeem, or retire any of their capital stock. The Agreement also provides certain restrictions with respect to merging or consolidating with other corporations, and mortgaging of properties.

UNITED STATES HOFFMAN MACHINERY CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Notes payable:	
By subsidiary to banks (Note 4)	$ 650,000
Trade	868,416
Sellers of stocks of subsidiaries acquired (Note 2)	5,500,000
Miscellaneous	946,488
Total notes payable	$ 7,964,904
Accounts payable and accrued accounts:	
Accounts payable:	
Trade	4,761,133
Other	1,090,824
Accrued accounts:	
Salaries and wages	363,571
Commissions	183,148
Taxes:	
Income and state franchise	3,564,664
Sundry	87,693
Other	608,135
Total accounts payable and accrued accounts	$10,659,168

Note 2: As to seventeen new subsidiaries acquired in 1955, certain of them were acquired for shares of the Corporation's common stock and the others for cash and/or notes payable in 1956; in certain instances the purchase agreements provide for additional payments (cash or common stock) in future years up to an aggregate of $6,200,000 contingent upon the earnings of such subsidiaries. Under the terms of certain of the purchase agreements

(a) the stocks of certain subsidiaries acquired (eliminated in consolidation) have been pledged as collateral for the related notes payable;

(b) the holders of notes payable of $5,350,000 have the right to convert such notes, prior to their maturity, into shares of the Corporation's common stock presently on the basis of $33.635 of notes for each share of stock (with appropriate adjustment for any further stock dividends, splits, etc.);

(c) The Corporation is obligated, upon the happening of certain events, (1) to make a capital contribution to a majority owned subsidiary, the effect of which will be to increase goodwill by $300,000 because of the minority interest in such contribution and (2) to purchase the stocks held by minority interests on stipulated terms.

The goodwill resulting from the acquisition of the new subsidiaries is being amortized over periods not in excess of twenty years by charges to income. It is the present intention of the Corporation to follow a similar procedure with respect to the contingent payments mentioned above from the dates such payments may accrue, and also with respect to the other items of goodwill indicated in the rest of this note.

During February and March 1956 the Corporation entered into agreements to acquire 80% of the outstanding capital stocks of three additional companies and their subsidiaries for an aggregate of (1) 93,040 shares of the Corporation's common stock to be issued prior to June 1, 1956 and 2,560 shares of its Class A preference stock to be issued on or before July 1, 1956 at an aggregate fair market value ($50 par value for preference stock) of $3,201,280, and (2) additional shares of common stock to be issued between June 1 and December 1, 1956 with a then aggregate fair market value of $384,000. Recent unaudited financial information of these companies as of and for the year ended December 31, 1955 indicates that their net book value aggregated $1,951,160 and their net earnings annualized for fiscal year companies aggregated $398,179. The purchase agreements also provide for additional payments in future years of not more than 76,000 shares of the Corporation's common stock and 20,000 shares of its Class A preference stock ($50 par value) contingent upon the earnings of the respective companies. The common shares covered by the above purchase agreements are subject to appropriate adjustments for stock splits, etc.

Note 4: Refer to example under Section 2, *Trade Receivables*, Note 4 reproduced thereunder.

VITRO CORPORATION OF AMERICA
Statement of Consolidated Financial Position
Current Liabilities:

Notes payable to banks	$ 400,000
Trade and miscellaneous accounts payable	1,510,993
Salaries and wages	479,710
Taxes and other accrued expenses	164,879
Advances on contracts	135,000
Federal taxes on income—estimated	748,744
Portion of long-term debt due within one year	4,000
Total current liabilities	$3,443,326

LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

It is indicated in Table 23 that there were 412 survey companies which disclosed various types of liabilities regarding employees and stockholders in the current liability section of their 1955 balance sheets. "Salaries and wages payable" was the caption that appeared most often. The other liabilities appearing frequently were for dividends payable, Federal income and social security taxes withheld, commissions payable, and contributions to employee benefit plans. Liabilities regarding employees and stockholders were usually presented in the balance sheet in combination with other current liabilities. All of the various types of liabilities regarding employees as shown in the current liability section of the 1955 balance sheets of the survey companies are summarized in Table 23, which also shows the related balance sheet treatment.

Several of the survey companies included among noncurrent liabilities items of a similar nature such as: commissions payable, employees' deposits, employee benefit plan contributions, employee payroll deductions and various other liabilities regarding employees (*Co. Nos. 57, 271, 374, 390, 467, 499, 511, 554, 581).

Examples—
Liabilities re Employees and Stockholders

Examples from the 1955 annual reports which illustrate various liabilities with regard to employees and stockholders, together with their balance sheet presentation, are given below. They also contain further illustrations of accounts payable, which are discussed in the preceding section; of short-term borrowings and current maturities of long-term indebtedness, discussed in a section following this one; and examples of other current liability items.

*Refer to Company Appendix Section.

TABLE 23: LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

	Presentation		
Current Liability Description	Separately	With Other Items	1955 Total
Salaries or wages payable (*Nos. 89, 150, 392, 470, 535)	83	221	304
Commissions payable (*Nos. 34, 132, 294, 490, 592)	1	61	62
Unclaimed wages, retroactive salary (*No. 177)	—	1	1
Payroll taxes withheld (*Nos. 33, 85, 350, 466, 594)	41	52	93
Deposits received for U. S. bond purchases (*Nos. 20, 214, 576)	1	7	8
Deposits—various employee purposes (*Nos. 4, 177, 253, 414, 511)	6	2	8
Deposits—salesmen's guarantee (*Nos. 165, 168, 285)	3	1	4
Accounts payable or employee balances (*Nos. 6, 52, 314, 561)	5	2	7
Accident compensation or disability benefits (*Nos. 156, 166, 417, 456)	3	1	4
Additional or other compensation (*Nos. 96, 217, 255, 444, 575)	2	6	8
Incentive compensation (*Nos. 98, 417, 467)	1	2	3
Bonus plan payments (*Nos. 13, 211, 222, 342, 372)	1	11	12
Employee benefit plan contributions (*Nos. 98, 204, 369, 400, 543)	23	12	35
Employee profit sharing plan (*Nos. 26, 299, 321, 505, 546)	5	8	13
Vacation pay (*Nos. 20, 168, 190, 286, 537, 585)	10	15	25
Dividends or declaration payable (*Nos. 1, 141, 289, 303, 385, 441, 514)	162	—	162
Total	347	402	749

Number of Companies Showing	
Current liabilities re employees and stockholders	412
No current liabilities re employees and stockholders	188
	600

*Refer to Company Appendix Section.

CONSOLIDATED FOODS CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Taxes withheld	$253,337
Accrued items:	
Salaries, wages, bonus and commissions	648,190
Pension plan contribution (Note 3)	208,300

Note 3: Pension Plan—During the year the Corporation and its subsidiaries adopted a pension plan providing certain retirement benefits for eligible employees. Past service costs of the plan in the total amount of $1,024,000 are being funded over a ten year period and consequently $102,400 was charged to operations during the year, as well as current service costs of $131,600. Unfunded past service costs at June 30, 1955, amounted to $921,600.

DIAMOND ALKALI COMPANY
Statement of Consolidated Financial Position
Above Long Term Debt:

Incentive Compensation (Note 5):	
Awards payable beyond one year	$323,666
Unawarded reserve balance	104,747

Note 5: In accordance with the terms of the incentive compensation plan adopted by the stockholders at the 1953 annual meeting, the maximum amount available for credit to the incentive compensation reserve in 1955 was $533,000 and, of this amount, the committee chose to set aside $490,000. In January, 1956 the committee made awards totaling $431,555 ($148,803 in cash and $282,752 in stock) 25% of which was paid. The balances are payable in equal installments in each of the three succeeding years, providing the recipients remain in the Company's employ.

THE GARRETT CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Salaries, wages and other compensation—Note C	$1,790,207
Payroll deductions for bond purchases and taxes	734,539
Payroll and local taxes	823,768
Vacation and sick-leave pay accrued	2,078,398

Note C: The liability shown for salaries, wages, and other compensation at June 30, 1955, included $737,513 for payments (net of estimated related tax benefits) under the Company's deferred compensation plan. Of this amount $167,805 was charged against income of the year ended June 30, 1955. The future annual cost of the plan is not determinable; but for the five years following June 30, 1955, if contracts now in force are continued on their present basis, the amount (which is net of estimated tax benefits) to be provided by charges against income would vary from $98,000 for the fiscal year 1956 to $85,000 for the fiscal year 1960.

THE NATIONAL ACME COMPANY
Balance Sheet
Current Liabilities:

Accounts payable:	
Trade accounts	$976,310
Wages and additional compensation	947,959
Payroll taxes and taxes withheld from employees	199,213
Commissions	50,260

SUNDSTRAND MACHINE TOOL CO.
Consolidated Statement of Financial Condition
Current Liabilities:

Accrued liabilities:	
Salaries, wages and commissions	$871,238
Contributions to employee benefit plans (Note D)	500,608

Note D: Employee Benefits—On September 6, 1955 the Company entered into an agreement to make periodic contributions to a trust fund to provide supplemental unemployment benefits to certain employees covered by the collective bargaining agreement. Under the provisions of the plan the Company is to contribute five cents an hour for each hour of pay received by covered employees as long as there is less than the maximum amount, calculated by formula, in the fund. At December 31, 1955 the Company's accrued liability under this plan amounted to $82,747.

During 1955 the Sundstrand Employees' Retirement Plan was amended to provide for two separate trust funds—one for employees covered by the collective bargaining agreement and one for all other employees; and a new plan was initiated by one of the subsidiary companies. At December 31, 1955 the accrued contributions totaled $417,861. The only unfunded past service liability is in relation to the Company's plan covering union employees and amounts to approximately $1,500,000, which, it is contemplated, will be funded over a thirty-year period.

WARD BAKING COMPANY
Balance Sheet
Current Liabilities:

Accounts payable	$2,137,862
Dividends payable on preferred stock	80,704
Current prepayment due on long-term debt	250,000
Salesmen's guarantee deposits	159,408
Provisions for Federal taxes on income—$1,292,954 at Dec. 31, 1955 and $1,437,005 at Dec. 25, 1954, less U. S. Treasury Savings Notes of $1,272,000 and $1,100,000, respectively	20,954
Accrued general taxes, interest, etc.	411,568
Total current liabilities	$3,060,496

INCOME TAX LIABILITY

There were thirteen survey companies which did not disclose a liability for federal income taxes in their 1955 balance sheets (*Co. Nos. 4, 10, 34, 94, 139, 210, 265, 283, 284, 285, 326, 428, 499). The balance of the 600 survey companies indicated such liability in varying degrees of detail in the current liability section of the balance sheet.

Table 24 shows in detail the various classifications of income tax liability shown in the current liability section of the 1955 balance sheets of the 600 survey companies.

The following examples selected from the 1955 reports are representative of the balance sheet presentation of the liability for income taxes. (For further examples, see those in the following text, "U. S. Government Securities Used to Offset Federal Income Tax Liability" and the examples in Section 1, "Terminology for 'Income Tax Liability.' ")

BACHMANN UXBRIDGE WORSTED CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Reserve for Federal income taxes—prior years—Note 3	$ 7,879

Consolidated Statement of Income and Earned Surplus

Net income before Federal income taxes	$194,454.93
Refundable portion of prior years' Federal income taxes of a subsidiary company	1,612.59

Note 3: No provision for Federal income taxes is required for the year ended December 31, 1955 by reason of the availability of loss carry-overs from prior years. As at December 31, 1955, the unused loss carry-overs of the companies available for Federal tax purposes amounted to approximately $3,200,000.00.

In addition, it has been the consistent policy of the companies to charge operations with development costs as incurred, but such costs aggregating approximately $500,000.00 have not been deducted for tax purposes. Any tax benefits from this amount will commence when related patents applied for are granted, or denied, by the Government.

The Federal income tax returns of the Company have been examined by the Internal Revenue Service through the year ended December 31, 1951.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

TABLE 24: INCOME TAX LIABILITY

Current Liability—Balance Sheet Presentation and Classification	1955	1954	1953
"Federal Income Tax"	273	271	264
Above combined with:			
"Other taxes"	8	8	8
"Other income taxes"	6	7	6
"Territorial taxes"	—	1	1
"Territorial and other taxes"	1	1	1
Renegotiation	9	14	8
Redetermination	1	1	1
Non-tax items	2	2	2
Total	300	305	291
"Federal Income and Excess Profits Taxes"	—	9	33
Above combined with other items	1	3	13
Total	1	12	46
"Federal and State Income Tax"	55	61	57
Above combined with:			
"Foreign taxes"	17	16	16
"Foreign and municipal taxes"	1	1	—
"Municipal taxes"	2	2	4
"Other taxes"	5	3	2
Renegotiation	3	2	2
Total	83	85	81
"Federal and Foreign Income Taxes"	83	76	68
Above combined with:			
"Other taxes"	1	1	—
"Other taxes" and renegotiation	3	—	1
Renegotiation	6	5	5
Total	93	82	74
Classifications Set Forth as:			
"Income Taxes"	53	41	36
"Income and Excess Profits Taxes"	—	4	6
"Excess Profits, and other taxes"	—	—	1
Foreign income taxes	1	—	—
"Income and other taxes"	4	6	6
Income tax, domestic and foreign	1	1	1
"Income tax" and renegotiation	3	1	1
Total	62	53	51
"Taxes"	33	31	32
Federal, state and other taxes	3	4	4
"Federal and state taxes"	1	3	3
"Federal, state, municipal taxes"	5	5	5
"Federal and general taxes"	2	1	1
"Domestic and foreign taxes"	1	1	1
"Taxes" and non-tax items	2	2	3
"Taxes" and renegotiation	1	1	1
Total	48	48	50
Number of Companies Presenting			
Current liability for income tax or taxes	587	585	593
Not presenting such liability	13	15	7
	600	600	600

CONSOLIDATED FOODS CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Reserve for federal taxes on income, prior years (Note 2)	$ 347,281
Accrued items:	
Federal taxes on income, current year (Note 2)	$2,041,262

TABLE 25: U. S. GOVERNMENT SECURITIES USED TO OFFSET FEDERAL INCOME TAX LIABILITY

Number of Companies with U. S. Government Securities Presenting:	1955	1954
All Government securities as an offset to the Federal income tax liability with such securities identified as:		
U. S. Government securities or similar caption (*Nos. 31, 111, 390, 524)	28	20
Treasury notes (*Nos. 220, 334, 398, 435)	12	22
Treasury notes; and bills or certificates (*Nos. 97, 108, 191)	3	5
Treasury tax notes or certificates (*Nos. 44, 64, 257)	4	5
Treasury tax anticipation notes, certificates or bills (*Nos. 62, 88, 458, 503)	8	6
Treasury bills (*Nos. 100, 331, 335, 369)	4	2
Total	59	60
Certain Government securities as an offset to the Federal income tax liability with such securities identified as:		
U. S. Government securities or similar caption (*Nos. 138, 153, 271, 379, 586)	77	66
Treasury notes (*Nos. 287, 397, 582)	7	24
Treasury notes; and bills or certificates (*Nos. 130, 291, 478)	3	4
Treasury tax notes or certificates (*Nos. 102, 107, 324)	10	16
Treasury tax anticipation notes, certificates or bills (*Nos. 189, 444, 452)	8	3
Treasury bills or certificates (*Nos. 20, 470)	5	8
Total	110	121
All Government securities as Current Assets with such securities identified as:		
U. S. Government securities or similar caption (*Nos. 37, 150, 306, 314, 372, 384, 445, 534, 549)	166	169
U. S. Government securities and tax notes	—	1
U. S. Government securities and tax anticipation notes	—	1
Treasury notes (*Nos. 71, 123)	4	6
Treasury notes; and bills or certificates	—	1
Treasury bills or certificates (*Nos. 7, 27, 204, 299)	13	12
U. S. Government or treasury bonds (*Nos. 67, 114, 117, 383)	4	5
Total	187	195
Number of Companies with No U. S. Government Securities Presenting:		
Federal income tax liability	231	207
No Federal income tax liability (*Nos. 4, 10, 34, 94, 210, 265, 283, 284, 285, 304, 326, 428, 499)	13	17
Total	244	224
	600	600

*Refer to Company Appendix Section.

Note 2: Federal Taxes On Income—The accrual for federal income taxes of the current year as shown by the balance sheet, $2,041,262, exceeds by $125,377, the provision for federal taxes on income shown in the statement of income. This difference results from a charge of $207,001 of such taxes against profits realized on disposals of fixed assets, plus adjustments of prior years totaling $8,698 and less $90,322 of tax benefits from earned surplus charges representing losses incurred in the operation and liquidation of certain properties disposed of during the year.

A subsidiary of the Corporation is using a stepped-up property basis for computing depreciation and profit or loss on the sale of property. This stepped-up property basis which has not as yet been passed on by the Internal Revenue Service results from the subsidiary's purchase of stock of its predecessor company and the subsequent liquidation of the predecessor. The reduction of tax to June 30, 1955, by reason of using this stepped-up basis, amounted to $333,500.

Federal income tax returns of the parent corporation for the fiscal years ended through 1952 have been examined. Agreement has been reached with respect to differences resulting from such examinations except those concerned with a proposed reduction of allowances for long term lease rentals for the fiscal years ended in 1948 through 1952, which have been protested.

The liability for additional federal income taxes for 1955 and prior years which may result from the final interpretation of tax laws and regulations is not presently determinable. The reserve provided for prior years' federal income taxes at June 30, 1955, amounted to $347,281.

DIAMOND ALKALI COMPANY
Statement of Consolidated Financial Position
Current Liabilities:
Federal income taxes (Note 1) $10,854,288

Note 1: The excess profits credit used for the years 1950 through 1953 was computed on the basis of applying a relief provision section of the Internal Revenue Code; this has not yet been passed upon by the Treasury Department and should it be denied, additional excess profits taxes of approximately $1,800,000 for those years will result. Although it is not possible to determine the final outcome at this time the Company believes it qualifies for this relief and consequently has made no provision in these accounts for possible disallowance. There are other tax matters in doubt for which ample accrual has been made, and it is possible that upon final settlement such accrual may be somewhat in excess of requirements.

THE EMPORIUM CAPWELL COMPANY
Balance Sheet
Current Liabilities:
Federal taxes on income—estimated $3,221,477
Other Liabilities:
Federal taxes deferred on income from installment sales and on depreciation taken for tax purposes only $2,765,000

Statement of Earnings
Federal income taxes—estimated:
On income reportable currently $3,587,232
On income deferred for tax purposes 460,000

Note C: The Company's tax returns, based on income, have been examined and settled to and including the year ended January 31, 1949. For subsequent years questions have been raised by the Internal Revenue Service as to depreciation, amortization and alteration expenses, as well as to certain new store pre-opening expenses, all of which are being contested. A sizeable additional assessment has been proposed which counsel for the Company believes will be substantially reduced, and there is no basis, at this time, for estimating and providing for the ultimate liability. In addition, question has been raised as to the Company's basis for deferring, for tax purposes, income from installment sales and this question is also being contested. However, in this case, the liability for federal income taxes ($2,705,000 at January 31, 1956) has been provided on a deferred basis, but no provision has been made for interest that would be payable if the Agent's position were to prevail.

FERRO CORPORATION AND DOMESTIC AND FOREIGN SUBSIDIARY COMPANIES
Consolidated Balance Sheet
Current Liabilities:
United States and foreign taxes on income, estimated $2,310,136
Noncurrent Liabilities:
Foreign taxes on income, due after one year $ 143,657

Statement of Consolidated Income
Estimated taxes on income:
United States $1,633,060
Foreign 649,990
$2,283,050

ILLINOIS BRICK COMPANY
Balance Sheet
Current Liabilities:
Federal income taxes (Note A) $529,142

Note A: Due to a difference in interpretation of the law between the brick industry and the Treasury Department concerning percentage depletion for the years 1951 through 1955, accruals have been made for the possible maximum tax under the Treasury Department's present ruling. Should the industry ultimately receive a favorable decision, the additional tax of $90,466.38 paid for the years 1951 through 1953 will be refunded, and the possible additional tax of $94,762.22 for years 1954 and 1955 will be cancelled.

INTERNATIONAL PAPER COMPANY
Consolidated Balance Sheet
Current Liabilities:

U. S. Federal and State income tax accruals	$65,690,053
Less: U. S. Government securities	65,690,053
Balance	$ —
Canadian and other foreign income tax accruals	7,791,125
Other accrued taxes	1,955,105

Reserves:
Prior years income taxes .... $ 8,000,000

SUBURBAN PROPANE GAS CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Federal income taxes (Note 4) $2,265,810
Other Liabilities and Reserves:
Deferred Federal income taxes on installment sales .... $ 168,200

Note 4: Federal Income Taxes—The Federal income tax returns of the Corporation and its subsidiaries for at least the years through 1949 have been examined by the Internal Revenue Service and all tax assessments resulting therefrom have been paid. The returns of the parent company and certain of its subsidiaries have been examined for the years through 1953. Assessments of additional excess profits taxes have been proposed by the Internal Revenue Service for the years 1950 through 1953 in the amount of approximately $250,000 plus interest. These proposed assessments are being protested and no provision has been made therefor in the financial statements since the Corporation is of the opinion that its protest should be successful.

VANADIUM CORPORATION OF AMERICA
Consolidated Financial Condition
Current Liabilities:
Federal and foreign income taxes (less U. S. Tax Anticipation Notes of $1,745,337) .. $2,515,738
Noncurrent Liabilities:
Deferred federal income taxes $2,383,329

Consolidated Net Earnings and Earned Surplus
Federal and Foreign Income Taxes:

Current (less prior years' adjustment of $150,000)	$3,420,000
Deferred—re: accelerated amortization	755,000
	$4,175,000

U. S. GOVERNMENT SECURITIES USED TO OFFSET INCOME TAX LIABILITY

United States Government securities were disclosed in the balance sheets of 356 survey companies either as current assets or as deductions from the federal income tax liability in the current liability section.

The Restatement and Revision of Accounting Research Bulletins, (*Chapter 3, Section B*) issued by the Committee on Accounting Procedure of the American Institute of Accountants, provided an extensive discussion of the treatment given to the offset of securities against income tax liability in the balance sheet.

Table 25 discloses the different types of U. S. Government securities held by the 600 survey companies, as described in their reports, and indicates their balance sheet presentation.

Additional U. S. Government Securities Included in Current Assets

AMERICAN HARD RUBBER COMPANY
Consolidated Statement of Financial Position
Current Assets:
U. S. Government and marketable securities, at cost (market $396,750) $400,772
Current Liabilities:
Federal income tax, less U. S. tax anticipation notes—$427,997 .... $449,229

DREXEL FURNITURE COMPANY
Statement of Consolidated Financial Position
Current Assets:
U. S. Government securities—at cost and accrued interest $570,796
Current Liabilities:
Federal and state taxes on income—estimated (less U. S. Treasury obligations held for payment of taxes: 1955—$1,006,226) $738,297

HAMILTON MANUFACTURING COMPANY
Comparative Balance Sheet
Current Assets:
U. S. Treasury obligations at cost and accrued interest $301,646
Current Liabilities:
Federal and State taxes on income, less United States Treasury Bills at cost and accrued interest (1955—$2,287,784) $112,432

HAZELTINE CORPORATION
Consolidated Balance Sheet
Current Assets:
U. S. Treasury Notes at cost plus accrued interest $2,098,497
Current Liabilities:

Provision for Federal taxes on income	$1,875,398
Less U. S. Treasury Certificates of Indebtedness, Tax Anticipation Series, at cost, plus accrued interest	(1,603,184)

HOMESTAKE MINING COMPANY
Consolidated Balance Sheet
Current Assets:
U. S. Government securities—at cost (market value, $10,750,113) $10,892,000
Current Liabilities:
Accrued Federal income taxes (less U. S. Treasury tax anticipation securities, $816,-480) .... $ 632,242

KEYES FIBRE COMPANY
Balance Sheet
Current Assets:
U. S. Treasury Tax Notes and Certificates in Excess of Federal Income Taxes $278,790
Noncurrent Assets:
U. S. Treasury Notes (at cost)—Due August and December, 1956 .... $749,531
Current Liabilities:
Owed for Federal Income Taxes (Less: U. S. Treasury Tax Notes and Certificates $1,375,-565) .... $ —

No Additional U. S. Government Securities Included in Current Assets

AMERICAN SEATING COMPANY
Consolidated Balance Sheet
Current Liabilities:

Federal income taxes, less $2,190,110 United States tax notes	$317,638

ARMSTRONG CORK COMPANY
Consolidated Balance Sheet
Current Liabilities:

Provision for federal income taxes	$14,533,930
Less U. S. Treasury tax certificates	(11,019,890)

CHICAGO TOWEL COMPANY
Balance Sheet
Current Liabilities:

Provision for Federal Income Taxes		$1,889,390
Less—U. S. Tax Anticipation Certificates	1,300,000	
—Prepayments in 1955	171,280	
		$1,471,280
		$ 418,110

KEYSEY-HAYES WHEEL COMPANY
Balance Sheet
Current Liabilities:

Federal taxes on income	$9,025,886
Less United States Treasury securities to be applied in payment thereof	$6,985,398

McQUAY-NORRIS MANUFACTURING CO.
Consolidated Balance Sheet
Current Liabilities:

Estimated Federal and State income taxes, less $472,252 United States Treasury tax anticipation bills	$463,598

LESLIE SALT CO.
Statement of Consolidated Financial Position
Current Liabilities:

Estimated Federal income taxes (less U. S. Tax Notes of $399,988)	$443,000

SAVANNAH SUGAR REFINING CORPORATION
Comparative Balance Sheet
Current Liabilities:

Reserve for Income Taxes	$2,667,692
Less: U. S. Treasury Notes and Tax Anticipation Certificates	1,993,331
	$ 674,361

No Offset of U. S. Government Securities Against Federal Income Tax Liability

DOUGLAS AIRCRAFT COMPANY, INC.
Statement of Financial Position

Current Assets:	
U. S. Treasury Bills (principal amount $40,000,000)	$39,893,217
Current Liabilities:	
Federal taxes on income—estimated	$30,950,304

GEO. A. HORMEL & COMPANY
Balance Sheet

Current Assets:	
United States Treasury bills—at cost which approximates market	$5,967,000
Current Liabilities:	
Federal taxes on income—estimated	$4,172,056

MERRITT-CHAPMAN & SCOTT CORPORATION
Consolidated Balance Sheet

Current Assets:	
U. S. Treasury Certificates—$2,508,000 principal amount, at cost which approximates market	$ 2,512,023
Current Liabilities:	
Estimated federal and foreign income taxes payable	$13,721,530
Noncurrent Liabilities:	
Reserve for future income taxes	$ 1,647,500

ROHM & HAAS COMPANY
Balance Sheet

Current Assets:	
U. S. Government, and other short-term securities, at cost	$12,396,639
Current Liabilities:	
Accrued liabilities:	
Federal and State income taxes and renegotiation, estimated	$20,001,681

TOWLE MANUFACTURING COMPANY
Comparative Balance Sheet

Current Assets:	
U. S. Treasury Bills—at cost plus accrued interest	$997,874
Current Liabilities:	
Accrued State and Federal taxes (after applying $25,850 paid during year 1955)	$265,000

SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

The 1955 reports of the 600 survey companies disclose that 124 of these companies had neither short-term borrowing nor long-term indebtedness at the close of the accounting period. Of the remaining 476 companies, 48 showed only short-term borrowing; 249 disclosed only long-term indebtedness; and 179 set forth both short-term borrowing and long-term indebtedness in their balance sheets.

Table 26 shows the various types of short-term borrowing and of long-term indebtedness presented in the 1955 balance sheets of the 600 companies included in the survey.

A total of 92 survey companies disclosed in their annual reports that they had established credit agreements either during the year or in some prior year. The types of agreements disclosed were: V-loan, revolving credit, or were simply mentioned as credit agreements. Sixty-nine of these companies disclosed either short-term borrowings or long-term indebtedness, under the terms of these agreements, on the balance sheets of their annual reports. The remaining 23 companies had no outstanding indebtedness, under terms of credit agreements, disclosed in the balance sheets of their annual reports. However, 4 companies (*Co. Nos. 87, 249, 339, 355) stated they made use of such agreements subsequent to year end; 4 companies (*Co. Nos. 115, 215, 322, 393) mentioned a "commitment fee" due on unused balance of credit agreements during the years covered by such agreements; 1 company (*Co.

No. 135) stated that "The V-loan agreement providing for a maximum credit of $10,000,000 originally entered into in April 1951 was terminated" at the close of their fiscal year. "A straight line of credit for a one year period with maximum borrowings of $6,800,000 was established at that time. . . . Borrowings at present amount to $6,200,000." The remaining companies made no further mention of their respective credit agreements.

The following examples from the 1955 reports are illustrative of the presentation of short-term borrowing in the current liability section and of long-term indebtedness in the noncurrent liability section of the balance sheet:

ALLIED LABORATORIES, INC.
Consolidated Balance Sheet
Current Liabilities:

Current maturity of long-term debt	$ 150,000
Noncurrent Liabilities:	
Long-term note, 3½%, payable in annual installments of $150,000 from 1956 to 1968, and $585,000 in 1969	$2,535,000
Less—1956 maturity included in current liabilities	150,000
	$2,385,000

APEX SMELTING CO.
Consolidated Balance Sheet
Current Liabilities:

Current maturities of funded debt	$ 185,833
Funded Debt (Note 4):	
4⅜% notes payable	$2,520,000
3% purchase money mortgage notes payable	11,667
	$2,531,667
Less current maturities	185,833
	$2,345,834

Note 4: Funded Debt—The 4⅜% notes are payable in semiannual installments of $90,000 with the final payment due October 1, 1969. The loan agreement contains certain covenants among which are provisions that restrict the payment of dividends other than in shares of stock of the company. At December 31, 1955 the amount of $1,522,622 of consolidated accumulated earnings was free of these restrictions. Under the terms of the loan agreement, the company must also maintain consolidated working capital of $2,500,000 and a current ratio of 1.75 to 1. If consolidated working capital falls below $2,750,000, a mortgage must be issued as security for the 4⅜% notes.

The 3% purchase money mortgage notes are payable in annual installments of $5,833 on November 15, 1956 and 1957.

CERRO DE PASCO CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Notes payable, due within one year	$ 3,000,000
Long-Term Debt:	
Notes payable, due 1957-1958	$ 2,650,000
Promissory notes, 4½%, due 1957-1966 (Note 4)	13,300,000
Secured notes, 3%, due March 22, 1960 (Note 5)	8,000,000
Secured promissory notes, 4½%, maturing October 1, 1970 (Note 6)	10,000,000
Total long-term debt	$33,950,000

Note 4: Loan Agreements—The Corporation has an agreement, dated January 29, 1951, as amended, with the Export-Import Bank of Washington, which provides a line of credit of $20,800,000. At December 31, 1955, $14,000,000 had been borrowed and is payable in twenty equal semiannual instalments beginning July 15, 1956. The agreement also contains certain provisions restricting the payments of dividends, which as at December 31, 1955 are less restrictive than those included in the note agreement described in Note 5 below.

Note 5: Loan Agreements—The Corporation on February 9, 1955 entered into an agreement with certain banks which provides for the borrowing of $8,000,000 due March 22, 1960 and for the pledge as security therefor, of $8,000,000 principal amount of direct obligations of the United States Government, or other marketable bonds, notes or evidences of indebtedness satisfactory to the banks.

*Refer to Company Appendix Section.

TABLE 26: SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

Balance Sheet Description	Current Liability A: Short-Term	Noncurrent Liability B: Long-Term
Bonds payable (*Nos. 268, 270, 411, 532, 540)	—	12 (6)
Debentures (*Nos. A: 129, 492; B: 14, 241, 310, 413)	2	49 (9)
Sinking fund debentures (*Nos. 1, 38, 228, 448, 553)	—	115 (2)
Credit agreement (*Nos. A: 192, 368; B: 83, 158, 362, 471)	9	35
Revolving credit agreement (*Nos. A: 191, 338, 573; B: 9, 17, 139)	10	5
V-loan agreement (*Nos. 170, 209, 259, 446)	10	—
Equipment contracts (*Nos. A: 287; B: 63, 244, 322)	1	3
Interest payable (*Nos. 6, 144, 244, 300, 345, 517)	47	—
Purchase money obligations (*Nos. A: 145; B: 92, 187, 302, 463)	1	25 (2)
Real estate obligations (*Nos. 479, 494)	—	2
U. S. and Foreign Government loans (*Nos. 242, 251, 409, 480)	—	4 (1)
Loans payable (*Nos. A: 101, 203, 348; B: 185, 327, 466)	27 (2)	31 (1)
Mortgages payable (*Nos. A: 456, 492; B: 260, 323, 409, 432)	3 (1)	74 (7)
Notes payable (*Nos. A: 69, 272, 423, 530; B: 3, 29, 113, 129, 210, 316, 409, 488, 510)	129 (6)	304 (19)
Contracts payable (*Nos. A: 60, 287, 540; B: 220, 420, 583)	3	10
Other long-term liabilities (*Nos. 260, 295, 301)	—	3
Owed by—Subsidiaries or affiliates (*Nos. 390, 461, 549)	—	3
Owed to—Subsidiaries or affiliates (*Nos. A: 175, 235, 311, 502; B: 429)	17	3
Total	259**	678

Number of Companies With	1955
Short-term borrowing only	48
Short-term borrowing and long-term indebtedness	179
Long-term indebtedness only	249
Neither short-term borrowing nor long-term indebtedness	124
	600

* Refer to Company Appendix Section.
**Excluding items set forth in the current liability section which represent the portion of long-term indebtedness payable in one year or less.
( ) Number of companies disclosing either short-term borrowing or long-term indebtedness, by a consolidated subsidiary or affiliate company, classified in this category.

Funds which will be provided upon sale of such collateral will be used to assist in meeting the Corporation's share of funds expected to be required for the Southern Peru Copper Corporation project (see page 15 of report to stockholders); new notes bearing interest at a rate not to exceed 4 per cent in amounts equivalent to the principal amount of collateral sold will then be exchanged for the 3 per cent notes. The terms of such agreement restrict the purchase, redemption or retirement of shares of the Corporation's capital stock of any class, and dividends or other distributions other than in stock of the Corporation. At December 31, 1955, approximately $17,155,000 of the consolidated earned surplus was free of such restrictions and of the restrictions referred to in Note 6. The agreement also requires the Corporation and its subsidiaries to maintain an excess of consolidated current assets over consolidated current liabilities of $22,000,000, and to maintain with banks in the United States at least $5,000,000 in cash and/or direct obligations of the United States. At December 31, 1955, exclusive of the accounts of Circle Wire & Cable Corp., such excess was $39,626,000, and the aggregate cash and United States Government obligations was $18,100,000.

Note 6: Loan Agreements—The terms of the 4½% Secured Promissory Notes of Circle Wire & Cable Corp. (hereinafter referred to as Circle) maturing October 1, 1970, provide that on October 1 of each year commencing with October 1, 1959 and continuing to and including October 1, 1969, Circle will prepay $850,000; on any October 1, commencing October 1, 1956, Circle may prepay without premium $850,000 or any lesser multiple of $50,000, in an aggregate principal amount not to exceed $2,350,000. Circle may also prepay the notes at any time in whole or in part at premiums ranging from 4.50 per cent to no premium, depending on the period in which prepaid.

The terms restrict (1) the purchase, redemption or retirement of shares of capital stock, and dividends or other distributions other than in stock of Circle, and (2) payment of royalties to Cerro de Pasco Corporation or any of its subsidiaries, to an aggregate which shall not exceed 50 per cent of the net income of Circle since October 1, 1955, less payments of interest or principal on indebtedness resulting from borrowing from Cerro de Pasco Corporation or any of its subsidiaries. The amount of surplus free of this restriction is included in the total given in Note 5.

The terms also require Circle to maintain at all times net current assets at least equal to the greater of (i) $4,000,000 or (ii) an amount equal to 15 per cent of the aggregate net sales of Circle for the four most recent consecutive quarter-annual fiscal periods of Circle. Net current assets at December 31, 1955 were $6,778,000.

CONSOLIDATED FOODS CORPORATION
Consolidated Balance Sheet

Current Liabilities:	
Notes payable—banks	$9,900,000
Current payments on long term indebtedness	1,118,000
Long Term Indebtedness (Note 4):	
Promissory notes, 3¾%, due June 1, 1957/1966	$8,980,500
Long term indebtedness of subsidiary, 4% due January 1, 1964	2,616,000

Note 4: Long-term Indebtedness—The final installment of the Corporation's 3¼% Term Bank Loan, $600,000, is payable on June 1, 1956. Of the Corporation's 3¼% Promissory Notes, those issued in October 1951, outstanding in the amount of $7,700,000 at June 30, 1955, are payable $100,000 on June 1, 1956, $700,000 on June 1, 1957, and on each June 1 thereafter to and including June 1, 1965, and $1,300,000 on June 1, 1966; the remainder of these notes, outstanding in the amount of $1,398,500 at June 30, 1955, are payable $18,000 on June 1, 1956, $127,000 on June 1, 1957, and on each June 1 thereafter to and including June 1, 1964, and $364,500 on October 1, 1964.

Under the provisions of the debenture trust indenture of Rosenberg Bros. & Co. Inc., that subsidiary is required to pay into a sinking fund for the retirement of its debentures $200,000 semi-annually on June 30 and December 31 each year to and including December 31, 1963. In addition, the subsidiary is required to pay to the Trustee for the sinking fund on December 31 in each year to and including December 31, 1962, an amount equal to 10% of its consolidated net income for the fiscal year ended next preceding the date of such payment after deduction of the sinking fund payments made on June 30 and December 31. No amount is payable to the Trustee on December 31, 1955, under the foregoing percentage provision.

(Refer also to example, *Consolidated Foods Corporation,* this section, *Capital Stock.*)

COOSA RIVER NEWSPRINT COMPANY
Balance Sheet

Noncurrent Liabilities:	
4% Sinking Fund First Mortgage Bonds due January 1, 1968	$10,500,000

Note: Subsequent to December 31, 1955 agreements were executed for the sale in 1956 of $28,000,000 4% sinking fund first mortgage bonds, Series A, which amount includes $10,500,000 to be issued in exchange for a like amount of bonds presently outstanding. As a result of this financing none of the bonds presently outstanding will be retired in January 1956 through operation of the sinking fund, nor will sinking fund payments be required with respect to the new bonds during that year. Cash and securities aggregating $1,656,706 held in the bond service fund at December 31, 1955, which were made available for general use in January 1956, have been included in the plant expansion and replacement fund to which they were transferred.

DETROIT HARVESTER COMPANY
Balance Sheet

Current Liabilities:	
Installments due within one year on term loans	$ 660,000
Noncurrent Liabilities:	
Term bank loans, less installments maturing within one year shown above—Note 3	$2,340,000

Note 3: The agreement underlying the bank loans provides for repayment of these obligations in quarter-annual installments of $165,000, with interest at 3½% per annum to September 30, 1958 and 3¾% per annum thereafter. The loan agreement further provides that the company will pay with respect to each year, commencing with the year ending September 30, 1956, an amount equal to 20% of the excess of net earnings over the fixed quarterly installments paid during the year, such additional amount not to exceed $100,000. The loan agreement contains certain restrictive provisions relating to the maintenance of working capital, and to the payment of dividends; in this connection substantially all of the retained earnings at September 30, 1955 were restricted as to the payment of dividends.

MINUTE MAID CORPORATION
Consolidated Balance Sheet

Current Liabilities:	
Notes payable to banks:	
Seasonal loans	$14,500,000
Under term loan agreement (Note 3)	1,224,500
	$15,724,500
Subordinated debentures (Note 4)	224,500
Mortgage instalments payable	528,766
Term Obligations:	
Notes payable (Note 3)	$ 9,425,500
Mortgages on grove properties, principally at 4%, payable in instalments through 1963 (Note 7)	2,242,205
4% subordinated debentures (Note 4)	16,560,500
Total term obligations	$28,228,205

Note 3: Of these amounts $10,400,000 is payable to banks under a term loan agreement; this is a 4½% loan maturing January 3, 1958, with required payments of $1,000,000 each on January 5, 1956 and 1957, plus 20 per cent of consolidated net earnings in excess of $2,000,000 for the preceding fiscal year.

Under the agreement, dividends on the Corporation's common stock may be paid to the extent of consolidated net earnings subsequent to October 31, 1954, plus $200,000 which at October 31, 1955, amounted to $2,712,602. The Corporation must also maintain consolidated working capital in the amount of $16,100,000.

The common stocks of Minute Maid Groves Corporation, Freya Corporation and Carney Groves, Incorporated, wholly-owned subsidiaries, have been pledged as security for the term loan, and such shares are held subject to a second lien under the seasonal loan agreement.

See Note 7.

Note 4: The debentures (due December 1, 1974) are subordinated to prior debt. generally defined as funded debt not in excess of $15,000,000, and seasonal debt.

Beginning January 10, 1956, annual payments are required to be made to a sinking fund of an amount equal to 20 per cent of consolidated net income in excess of $2,000,000 for the preceding fiscal year. Beginning January 10, 1966, or prior if there shall be no other funded debt outstanding, additional annual payments of $1,000,000 are required on each January 10.

Note 7: On November 15, 1955, the Corporation filed a registration statement under the Securities Act of 1933 for the sale of 400,000 shares of common stock for cash.

The Corporation is currently negotiationg for the refunding of the existing mortgages on its grove properties and of the notes payable under the term loan agreement.

STANDARD OIL COMPANY (NEW JERSEY)

CONSOLIDATED STATEMENT OF LONG-TERM DEBT

DECEMBER 31, 1955

STANDARD OIL COMPANY (NEW JERSEY)		
25-year 2¾ % Debentures—due July 15, 1974	$150,000,000	
25-year 2⅜ % Debentures—due May 15, 1971	85,000,000	
3% Promissory notes payable to insurance companies and others—due February 1, 1979	75,000,000	
Loans payable—due in 1958	5,796,631	$315,796,631
ESSO A.G. [Germany]		
8% Bonds—due from 1959 to 1968		6,102,750
Loans from banks and insurance companies at interest rates from 5% to 9% — due from 1957 to 1962		6,072,251
ESSO PETROLEUM COMPANY, LIMITED [United Kingdom]		
5% First debenture stock—due from 1963 to 1972		28,175,000
ESSO STANDARD ITALIANA-S.p.A.		
20-year 6% Debentures—due from 1957 to 1969		7,646,616
ESSO STANDARD REFINERY [Belgium]		
Loans from national corporation for industrial credit		
6% Loan—due from 1960 to 1964		8,500,000
5.5% Loan—due from 1957 to 1965		6,800,000
ESSO STANDARD S.A.F. [France]		
Promissory notes payable to banks—due in 1957 and 1958		6,428,250
5.6% Loan payable to insurance company—due January 7, 1961		2,145,000
HUMBLE OIL & REFINING COMPANY		
Purchase obligations—payable 1957 to 1975		12,842,757
HUMBLE PIPE LINE COMPANY		
2¼ % Note payable to bank—due from 1957 to 1960		6,000,000
IMPERIAL OIL LIMITED		
3⅝ % Sinking fund debentures—due February 1, 1975		41,264,000
3⅝ % Serial debentures—due from 1958 to 1965		10,316,000
3% Sinking fund debentures—due December 15, 1969		36,200,000
2½ % Serial debentures—due from 1957 to 1959		4,072,500
INTERSTATE OIL PIPE LINE COMPANY		
25-year 3⅛ % Sinking fund debentures—due from 1958 to 1977		25,000,000
2% Notes payable to bank—due in 1957		2,400,000
TUSCARORA PIPE LINE COMPANY, LIMITED		
2.85% Promissory notes payable to insurance company—due from 1957 to 1970		6,140,000
MISCELLANEOUS		26,022,061
TOTAL		$557,923,816

NOTE—This statement does not include indebtedness of $16,602,871, maturing within one year from December 31, 1955, which is included in current liabilities.

President's Message: Financial Position—As a step toward strengthening its capital structure the Company, on December 7, 1955, sold 400,000 shares of common stock to the public. The entire issue was sold on the day of the offering and the net proceeds to the Company totaled $6,400,000. The new funds will be used to meet working capital requirements which were increased greatly by the acquisition of the Snow Crop and Hi-C business.

To further improve its financial position, the Company is concluding a new term loan with several insurance companies. This consists of $6,500,000 of unsecured five per cent notes, due in 1966. These notes will have required sinking fund payment of $650,000 annually, starting January 15, 1959, with the final maturity of $1,950,000 payable January 15, 1966.

In addition, the Company is refunding the mortgages on grove properties. As of the close of the fiscal year 1955, mortgages totaling $2,771,000 were secured by properties of Minute Maid Groves Corporation, a subsidiary. The Company has entered into commitments for new mortgages of $3,250,000 on the properties of Minute Maid Groves Corporation and $5,000,000 on the properties of Carney Groves, Inc., another subsidiary. The new mortgages will carry a rate of five per cent and will provide for annual sinking fund payments of $330,000 for the first five years and of $240,000 for the next 14 years, with the balance of $3,240,000 payable in the twentieth year, 1976.

The transactions mentioned above will provide term borrowings totaling $14,750,000, permitting the repayment of a $10,400,000 three-year term loan and mortgages of $2,771,000 maturing in 1963. In this manner, term borrowings will be increased by $1,579,000 and working capital will be increased by approximately $3,000,000 as a result of improved maturities providing for repayment over a substantially longer period of time.

During the year 1955, the Company had arranged with a group of banks for a substantial line of seasonal credit. Similar credit arrangements are being concluded for 1956.

OUTBOARD, MARINE & MANUFACTURING COMPANY

Statement of Consolidated Financial Position

Current Liabilities:

Current maturities and sinking fund requirements of long-term debt	$711,100

Noncurrent Liabilities:

3¾% note payable, due in 1967, with fixed semiannual sinking fund payments of $150,000 through 1962, and $200,000 thereafter—less current sinking fund requirements included in current liabilities (see Note 1)	3,200,000
4½% note payable, due in 1967, with fixed semiannual sinking fund payments of $125,000 beginning in 1958 (see Note 1)	2,500,000
3½% and 4⅞% serial debentures of Canadian subsidiary, with annual maturities, payable in Canadian funds—at current U. S. dollar equivalent, less current maturities included in current liabilities	595,900

Note 1: In addition to the fixed sinking fund requirements for the 3¾% note payable, the loan agreement provides for contingent annual sinking fund payments equal to 25% of consolidated net earnings of the Company in excess of $2,500,000 for the preceding fiscal year not to exceed the annual fixed sinking fund payments for such year. Under this provision the Company is required to make a contingent sinking fund payment of $300,000 on January 1, 1956.

The loan agreements for the 3¾% and 4½% notes payable provide, among other things, that the Company will not declare or pay any cash dividends which would reduce net working capital, as defined, of the Company (which amounted to $15,454,369 as of September 30, 1955) to less than $10,000,000. These agreements also restrict $9,713,448 of the accumulated earnings of the Company (which amounted to $19,645,042 at September 30, 1955) as to cash dividends.

The indentures covering the issue of the 3½% and 4⅞% serial debentures of the Canadian Subsidiary provide, among other things, that no dividends (except those payable in stock of the Subsidiary) or capital distributions shall be paid which would reduce the net current assets of the Canadian Company below the greater of $300,000 (Canadian dollars) or 150% of long-term debt, as defined.

This requirement had the effect as of September 30, 1955, of restricting such payments by the Canadian Subsidiary which would reduce its net current assets below $1,060,500 (U. S. dollars); as of September 30, 1955, net current assets of the Canadian Subsidiary aggregated $3,962,624 (U. S. dollars).

SERVEL, INC.

Consolidated Balance Sheet

Current Assets:

Deposit in bank restricted to payment of bank loan	$ 50,147

Current Liabilities:

Notes payable:	
Banks (Note 1)	$ 6,500,000
3¼ per cent, current portion (Note 4)	540,000
	$ 7,040,000
Accounts payable	4,546,916
Accrued wages, taxes, and other expenses	3,406,018
Total current liabilities	$14,992,934
Note payable, 3¼%, maturing October 15, 1962 (Notes 2b and 4)	3,760,000

Note 1: At October 31, 1955, the Company had a V-Loan Agreement with certain banks, providing a revolving credit for the Company extended to November 30, 1955 (subsequently extended to January 31, 1956), permitting borrowings by it not to exceed the lesser of $10,000,000 (subsequently reduced to $6,500,000) or 90 per cent of accounts receivable, inventories and other reimbursable costs and expenditures (less any partial and progress payments) relating to defense contracts. At October 31, 1955 the borrowings under the V-Loan Agreement amounted to $6,500,000 and were due November 30, 1955, the due date of all borrowings being subsequently extended to January 31, 1956.

Under the provisions of the Agreement, the Company has assigned to the banks moneys (amounting to approximately $3,960,000 at October 31, 1955) due and to become due under certain defense production contracts.

The Agreement also provided that, without the prior consent of the banks whose commitments aggregate 75 per cent or more of the amount of the credit and of the Department of the Air Force which is guarantor, the Company will not permit its consolidated net current assets at any time to be less than $8,000,000. At October 31, 1955, such consolidated net current assets amounted to $9,089,437. Subsequently, the banks and the guarantor consented to reduce the required amount of consolidated net current assets to $6,500,000.

Note 2: The Company is restricted as to payment of dividends on common stock by certain provisions of the V-Loan Agreement, the Note Agreement and the Charter, of which the following are the more important at the present time.

a. The V-Loan Agreement provides that, without the prior consent of the banks whose commitments aggregate 75 per cent or more of the credit and of the Department of the Air Force which is guarantor, the Company will pay no dividends (excepting stock dividends) on its stock.
b. The agreement under which the 3¼ per cent Note Payable maturing October 15, 1962 was issued contains provisions which restrict the availability of consolidated earned surplus for the payment of dividends (excepting stock dividends) on common stock; at October 31, 1955, there was a deficit in consolidated earned surplus, computed as provided in such agreement, amounting to $8,402,000.

Note 4: The Company is obligated to make annual principal prepayments on its 3¼ per cent Note in the amount of $540,000 on October 15 of each year. The Company may prepay such Note in whole or in part at premiums which range from 2½ per cent of so much of the principal thereof as is prepaid, to no premiums, depending on the circumstances of prepayment. The remaining unpaid balance matures October 15, 1962.

Annual Report to Stockholders: $7 Million Revolving Credit—Early in 1955, the Company obtained a revolving credit from a group of commercial banks to provide cash while excess inventories and delinquent accounts receivable were being liquidated in an orderly manner.

While this arrangement provided for a maximum credit of $7,000,000, only $6,000,000 was actually used.

These bank borrowings were repaid ahead of schedule.

Annual Report to Stockholders: Financing for 1956—In January, 1956, arrangements were completed for a revolving bank credit of $3,000,000. It is believed that this amount will be sufficient to meet the Company's seasonal cash requirements for the 1956 fiscal year, and that this financing will be repaid as promptly as that secured in 1955.

In addition to the bank credit, certain utilities have made advance payments of $2,000,000 on the purchase of the Company's products.

The Company has a V-Loan Agreement in the amount of $6,500,000 to finance the manufacture of defense products.

DEFERRED INCOME

Deferred income or credit items were disclosed by 84 of the survey companies in their balance sheets for 1955. Table 27 indicates that a total of 95 items were included and placed usually above the stockholders' equity section of the balance sheet, although certain items such as interest or carrying charges were deducted from the related current asset accounts.

Varying descriptions were given by the companies referring to deferred income (See Table 27), some of which are given in the examples which follow:

AUTOMATIC VOTING MACHINE CORPORATION
Balance Sheet
Above Stockholders' Equity:
Deferred Credits:
Voting machine rentals applicable against selling prices at option of lessees .... $ 163,409
Unrealized profit on installment sales and unearned interest 1,278,121

General Note: The Company sells voting machines under ordinary sales terms and under installment terms. It also rents machines under terms which generally grant to lessees options to purchase and apply rentals on the purchase prices. Gross profit on ordinary sales is taken into income at time of sale, and gross profit on title-retaining installment sales is taken into income proportionately as collections are received. Rentals under short-term agreements containing purchase options are carried as deferred credits until expiration of the agreements. If purchase options are exercised, gross profit on the sales is taken into income on the usual basis. If the machines are returned, the deferred credits are taken into rental income and related costs are charged thereto. Rentals under agreements which permit successive renewals by lessees are similarly treated during the initial short-term rental periods, but thereafter, if rental terms are continued, rentals are taken into income and proportionate amortization of cost of the machines is deducted therefrom.

CLUB ALUMINUM PRODUCTS COMPANY
Balance Sheet
Above Stockholders' Equity:
Deferred Patent Income $3,273

FRIDEN CALCULATING MACHINE CO., INC.
Balance Sheet
Above Stockholders' Equity:
Deferred service income, net of related income taxes $338,449

THE LONG-BELL LUMBER COMPANY
Consolidated Balance Sheet
Below Long-Term Debt:
Deferred Income:
Unrealized profit on land and real estate sales .. $566,603

MATSON NAVIGATION COMPANY
Consolidated Balance Sheet
Noncurrent Liabilities:
Excess of revenue over disbursements on uncompleted voyages and advance ticket sales and deposits $2,682,215

MEREDITH PUBLISHING COMPANY
Financial Position
Noncurrent Liabilities:
Unearned Subscription Liability, based on portion of subscription price received by company $5,270,921

TABLE 27: DEFERRED INCOME

Balance Sheet Presentation	1955	1954
With Related Current Asset:		
Unearned finance charge (*Nos. 109, 462, 587)	8	5
Unearned interest (*No. 194)	1	1
In Current Liability Section:		
Billings on uncompleted contracts (*No. 64)	1	—
Metal treatment charge (*No. 39)	2	2
Rent on lease equipment, films, rent, or meters (*No. 549)	1	1
Customer service prepayment (*Nos. 6, 199, 363)	7	7
Various other (*No. 387)	1	1
"Deferred credit"	—	1
"Deferred income" (*No. 138)	1	1
Above Stockholders' Equity Section:		
Billings on uncompleted contracts (*Nos. 417, 486)	3	1
Discount on reacquired securities (*No. 287)	1	1
Government contract income (*No. 352)	1	1
Magazine subscription income (*Nos. 188, 358, 373)	5	6
Premium on debentures issued	1	2
Profit on foreign sales	—	1
Profit on sales or installment contracts (*Nos. 410, 467, 485)	6	4
Profit on fixed assets sold (*Nos. 69, 141, 552)	4	4
Rent on leased equipment, films, rent, or meters (*Nos. 278, 353, 451)	7	6
Deferred or unearned deposits or royalties (*Nos. 201, 209, 505)	3	2
Unearned finance charges (*Nos. 77, 317, 592)	3	5
Unearned interest (*Nos. 197, 527)	3	2
Unfinished voyage revenue (*No. 562)	1	1
Various other (*Nos. 173, 175)	3	3
"Deferred credits" (*Nos. 46, 55, 453)	20	18
"Deferred income" (*Nos. 198, 404, 448)	12	11
Total	95	87

Number of Companies Presenting Deferred Income Items in:		
Current asset section	8	9
Current asset section and *above* stockholders' equity section	1	1
Current liability section	12	9
Above stockholders' equity section	63	57
Total	84	76
Not presenting deferred income item	516	524
	600	600

*Refer to Company Appendix Section.

MINORITY INTERESTS

The existence of minority interests in consolidated subsidiary companies was disclosed by only 85 of the 458 survey companies which presented consolidated financial statements in 1955. The balance sheet and income statement presentation of the minority stockholders' interest in subsidiaries not wholly owned, as disclosed in the reports of the survey companies for the years 1953 through 1955, is shown in Table 28.

TABLE 28: MINORITY INTERESTS

Balance Sheet Presentation	1955	1954	1953
Above—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Nos. 56, 116, 193, 206, 573)	61	62	61
Minority stockholders' interest in capital stock and surplus (*Nos. 57, 85, 160, 459, 463)	11	15	16
Minority stockholders' interest in capital stock (*Nos. 24, 25, 239, 259)	5	5	7
Within—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Nos. 69, 508, 523)	3	3	3
Total	80	85	87
Income Statement Presentation:			
In separate last section:			
After current tax estimate (*Nos. 24, 57, 370, 407, 558)	31	35	34
Before current tax estimate (*No. 178)	1	1	1
With current tax estimate (*No. 429)	1	1	1
Current tax estimate not required (*No. 326)	1	1	1
Listed among operating items (*Nos. 160, 205, 238, 269, 593, 599)	22	26	23
Within Earned Surplus Section of Combined Income and Earned Surplus Statements (*Nos. 94, 175)	2	1	—
Total	58	65	60
Consolidated Financial Statements with Minority Interests set forth in:			
Balance sheet only	26	23	29
Balance sheet and income statement	54	62	58
Income statement only	4	3	2
Accompanying footnotes only	1	1	—
Total	85	89	89
Not referred to in report	373	360	353
	458	449	442
Unconsolidated Financial Statements with:			
Subsidiary companies	41	46	49
No subsidiary companies	101	105	109
	600	600	600

*Refer to Company Appendix Section.

Examples—Minority Interests

The balance sheet and income statement presentations of the minority interests in consolidated subsidiary companies are illustrated in the following examples selected from the 1955 annual reports of various companies. For additional examples relating to minority interests refer to those shown under "Consolidation of Subsidiaries" elsewhere in this section.

Above Stockholders' Equity Section

DRAVO CORPORATION
Consolidated Balance Sheet
Other Liabilities and Reserves:

Minority stockholders' interest	$ 39,878

Consolidated Statement of Income and Retained Earnings

(Undesignated total)	$1,512,879
Less minority stockholders' interest in earnings of subsidiaries	114,917
Net income for the year	$1,397,962

Financial: Acquisition of Minority Interests—During 1955 substantially all of the minority interest stock in two of our subsidiary companies was acquired. Charleroi Supply Company is now owned 100 per cent and Union Barge Line Corporation, 99.6 per cent. The acquisition of Charleroi Supply stock was effected in December by the exchange of 4,212 shares of Dravo common for 10,530 shares of Charleroi Supply common. The acquisition of 23,385 additional shares of Union Barge Line common stock was made in September in exchange for 15,590 shares of Dravo common. These exchanges increased to 517,958 the outstanding shares of Dravo common stock at year end.

The financial statements this year include Charleroi Supply Company along with all other subsidiaries except Fullerton-Portsmouth Bridge Company. Prior to 1955, Dravo Corporation's equity in Charleroi Supply was included in investments and income reflected only the dividends received.

ROBERT GAIR COMPANY, INC.
Consolidated Balance Sheet
Above Capital Stock:

Minority Interest in Subsidiaries	$ 8,295,000

Consolidated Statement of Income

Income for the year before provision for minority interest	$10,633,000
Less—Minority interest in income of subsidiaries	1,313,000

THE HOBART MANUFACTURING COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Minority Interest in Subsidiary Companies:

Capital Stock	$308,999
Surplus	24,857
Total minority interest	$333,856

Note 1: The consolidated financial statements include the accounts of all subsidiary companies except those in Continental Europe and Brazil. Net income of foreign subsidiaries included in the consolidation amounted to $566,007 for the year, based upon applicable rates of exchange, and dividends of $288,299 were remitted to the Parent Company. The recorded value of the Parent Company's investments in subsidiaries in Continental Europe represents the aggregate estimated value recovered in the years 1944 and 1945 adjusted by subsequent transactions at cost. The investment in the subsidiary company in Brazil is stated at cost.

THE HOOVER COMPANY
Consolidated Balance Sheet
Above Capital and Income Employed in the Business:

Minority Interest in Consolidated Subsidiary—Note B	$10,637

Note B: A ninety percent interest in Phebco, Inc., located at Baltimore, Md., was acquired during the year ended December 31, 1955, and is included in the consolidated financial statements since date of acquisition.

HUNT FOODS, INC.
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Minority stockholders' interest in subsidiary companies (Note 3) $3,310,302

Statement of Consolidated Income and Earned Surplus
Minority interest in subsidiary companies .... $ 305,817

Note 3: Minority Stockholders' Interest in Subsidiary Companies—The minority interest includes $2,000,000 representing 40,000 shares at $50 par value of Series A 4½% cumulative Preferred Stock of United Can & Glass Company, which may be redeemed at the option of the Company at $50.75 per share, plus accrued dividends.

GEO. E. KEITH COMPANY
Consolidated Statement of Income
Portion of net loss applicable to minority interest $8,359

Note 1: The Company has agreed to purchase under certain circumstances, at a future date, the 49% minority interest of a subsidiary for a minimum purchase price of $25,000. At October 31, 1955, the subsidiary book value was a net deficit of $720 and its operating results for the fiscal year then ended showed a net loss of $17,780.

MARSHALL-WELLS COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Minority Interest:
6% cumulative preferred stock of a subsidiary . $601,500

Within Stockholders' Equity Section

SINCLAIR OIL CORPORATION
Consolidated Balance Sheet
Stockholders' Ownership:
Minority stockholders of Venezuelan Petroleum Company $2,075,169

Statement of Consolidated Income
Other Deductions:
Net income applicable to minority interests in Venezuelan subsidiaries .... $ 293,068

STANDARD OIL COMPANY (INDIANA)
Consolidated Balance Sheet
Stockholders' Ownership:
Minority stockholders of subsidiaries $12,507,076

Consolidated Statement of Income
Deduct:
Minority stockholders' interest in net earnings of subsidiaries .... $ 1,228,709

APPROPRIATIONS AND RESERVES

The various types of appropriations and reserves discussed in this section are those which are generally shown below the current liability section of the balance sheet (exclusive of inventory reserves which are discussed in Section 2 under "Inventories"). Such appropriations and reserves were used most frequently by the survey companies for insurance purposes, for contingencies, in connection with employee benefits, and for property purposes.

In *Accounting Terminology Bulletin Number 1, Review and Résumé,* prepared by the Committee on Terminology of the American Institute of Accountants, it is recommended that the use of the term *reserve* be limited "to indicate that an undivided portion of the assets is being held or retained for general or specific purposes, and that the use of the term in the income statement or to describe in the balance sheet deductions from assets or provisions for particular liabilities should be avoided." In connection with its discussion of the general discontinuance of the use of the term surplus, the Committee on Terminology states that,

> . . . Retained income appropriated to some specific purpose nevertheless remains part of retained income, and any so-called "reserves" which are clearly appropriations or segregations of retained income, such as those for general contingencies, possible future inventory losses, sinking fund, etc., should be included as part of the stockholders' equity.

There has been a substantial decline in the use of the term "reserve" by the survey companies during the past four years.

The tables presented below in this section show each of the types of the various appropriations and reserves discussed, together with their balance sheet presentation. Accompanying these tables are representative examples of such appropriations and reserves, selected from 1955 annual reports.

TABLE 29: CONTINGENCY RESERVES

Balance Sheet Presentation:*	*1955	1954	1953	1952
1. Among: *Current Liabilities*	1	2	2	2
2. Above: *Stockholders' Equity*	41	43	53	60
3. Within: *Stockholders' Equity*	29	35	41	47
	71	80	96	109
Number of Companies With:				
Contingency reserves	71	80	96	109
No contingency reserves	529	520	504	491
	600	600	600	600
Number of Reserves:				
Beginning of year	80	96	109	126
4. Established during year	2	—	1	1
5. *Eliminated during year*	(11)	(16)	(14)	(18)
End of year	71	80	96	109
Terminology Used				
"Reserve"	52	58	72	83
"Provision"	1	1	1	1
Various other terms	18	21	23	25
	71	80	96	109

*Refer to Company Appendix—1: No. 564; 2: Nos. 11, 14, 16, 35, 65, 76, 90, 126, 165, 188, 190, 211; 3: Nos. 63, 78, 109, 128, 164, 177, 192, 199, 218, 219; 4: Nos. 188, 459; 5: Nos. 2, 113, 130, 315, 326, 358, 368, 414, 483, 484, 573.

Contingency Purposes

The 1955 annual reports of the survey companies contained 71 reserves for contingencies. As disclosed in Table 29, such reserves were usually shown either above the stockholders' equity section (41 reserves in 1955; *Co. Nos. 90, 126, 319, 376, 448) or within the stockholders' equity section of the balance sheet (29 reserves in 1955; *Co. Nos. 109, 169, 219, 238, 334).

In the majority of the reports presenting contingency reserves, there was no change in the reserve balance or the account was presented in a combined caption with other reserves and accordingly changes in the contingency reserve could not be determined. In those instances where there were *increases* in these reserves during 1955, the annual reports, in most cases, did not disclose the accounts to which the related charges were made. *Curtis Publishing Company* in creating a reserve for contingencies showed charges both to the income account and to the retained earnings account. In those instances of *decreases* in the reserves for contingencies, the offsetting credit was disclosed only by *United Shoe Machinery Corporation* which transferred the balance of the account to another reserve. The majority of the companies which eliminated the reserve for contingencies during 1955 disclosed the elimination by a credit to the retained earnings account.

Extensive references are given in Table 29 to companies disclosing or eliminating contingency reserves in the current year.

Examples of contingency reserves as presented in the 1955 annual reports are provided below:

Reserve Created

THE CURTIS PUBLISHING COMPANY
Consolidated Statement of Assets and Liabilities
Above "Capital Structure":
Reserve for Contingencies $1,415,000

Consolidated Statement of Income and Expense
Within "Other Charges":
Reserve for Contingencies .... $ 415,000

Consolidated Statement of Undivided Profits
Deduct—Amount transferred to Reserve for Contingencies in accordance with resolution of Board of Directors $1,000,000

Reserves Maintained

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.
Consolidated Balance Sheet
Below Noncurrent Liabilities:
Reserve for Contingencies (See Note D) $515,830

Note D: Reserve for Contingencies—Reserve for contingencies was reduced during the year by $929,183 in respect of payments in settlement of certain litigation and costs in connection therewith, and by an additional amount of $283,453 transferred to appropriate liability accounts to provide for certain payments determined to be required over a period of years. The reserve is intended to provide for settlements of anti-trust litigation and other contingencies applicable to the period prior to December 31, 1949.

THE OVERLAND CORPORATION
Balance Sheet
Noncurrent Liabilities:
Reserves (Note 4):
For estimated expenses of winding up affairs of automotive business .... $ 451,658
For contingencies, possible disallowances, etc. 2,036,974
$2,488,632

Note 4: The company has made provision for estimated expenses that may be incurred in winding up the affairs of its automotive business, including administrative, legal and accounting and other expenses in connection with the settlement of renegotiation of Government contracts, subcontractors' price redetermination, settlement and collection of claims, Federal income and other tax matters, and preservation of records, etc.

As indicated in the preceding notes, there are unsettled matters pending with respect to price redetermination for certain of the company's subcontractors, renegotiation of Government contracts and taxes. In addition, claims have been asserted against the company, and the company has received indications that other similar claims may be asserted. In view of these factors the company has provided a reserve for contingencies, possible disallowances, etc.

It is recognized that until all of the foregoing matters are settled, it is not possible to make a determination of the equities of the stockholders and receipt holders.

THE PERMUTIT COMPANY
Consolidated Balance Sheet
Below Current Assets:
Contingent Reserve Fund Investment—United States Government securities, at cost which is approximate market value $300,000
Above "Capital Stock":
Reserve for Contingencies and Contractual Obligation $300,000

Reserve Eliminated

BUCYRUS ERIE COMPANY
Statement of Unappropriated Earnings Retained in the Business
Restoration of retained earnings previously appropriated for general contingencies ... $1,250,000

Employee Benefit Purposes

There were 97 employee benefit reserves shown by 84 of the 600 survey companies in their 1955 annual reports. Table 30 discloses the various types of employee benefit reserves found in the survey reports for the years 1952 through 1955. In most instances, these reserves were presented above the stockholders' equity section of the balance sheet (89 reserves in 1955).

Reserves for employee benefit purposes were eliminated by six survey companies in 1955 (*Co. Nos. 74, 110, 178, 269, 500, 553). *Brown & Sharpe Manufacturing Company* provided comment in the president's letter to the stockholders as follows:

> "January 1, 1956 marks the tenth anniversary of the date of the establishment of the Brown & Sharpe Retirement Plan. With the payment of $942,340 to the Trustee during 1955, the reserve for past service under that plan is now fully funded as scheduled, at the end of the ten year period."

*Refer to Company Appendix Section.

New reserves were established by several companies (*Co. Nos. 70, 183, 319, 356, 378, 380, 443).

A complete list of references is provided within Table 30 to those survey companies which indicated reserves for employee benefits in their 1955 reports.

Hearst Consolidated Publications, Inc., in the "Notes to Consolidated Balance Sheet," Note 6, stated that reserves had been provided for severance and retirement benefits but failed to disclose such reserves under an identifiable caption in the balance sheet:

"Under the terms of certain employment contracts, the companies are required under certain conditions to pay severance and retirement benefits, the amounts of which cannot be determined in advance. In order to equalize the monthly charges of this expense the companies beginning in 1954 provided reserves the balances of which at December 31, 1955 aggregated $273,576. Otherwise the companies record such expense when and as required."

The examples which follow illustrate the different types of reserves and their disclosure in the financial statements:

ATLAS POWDER COMPANY
Statement of Financial Condition
Above Stockholders' Investment:
Provision for:

Insurance	$216,941
Unfunded pension plan	176,262
Unawarded bonus	55,000
	$448,203

Notes to Financial Statements: Unawarded Bonus—

Amount accrued in 1955 under provisions of "B" Bonus Plan	$420,620
Bonus awarded	305,000
Balance unawarded	115,620
Less estimated future income tax benefit	60,620
Unawarded bonus, net of taxes	$ 55,000

THE BULLARD COMPANY
Statement of Financial Position
Above Stockholders' Equity:

Reserve for Past Service Benefits under Employees' Retirement Plan	$104,187

CRUCIBLE STEEL COMPANY OF AMERICA
Consolidated Financial Position
Above Shareholders' Equity:

Appropriations for pensions, casualty losses, furnace rebuilding and incentive compensation	$3,922,249

Consolidated Income and Retained Earnings

Pension and retirement plans	$3,142,163
Provision for incentive compensation	1,000,000

Supplementary Information: Pension and Retirement Plans—The Trustee under the Company's pension and retirement plans has $13,293,242 in trust investments and cash to meet the requirements of the plans. Estimated theoretical requirements of the plans at the end of 1955, after deducting funds in the Trustee's hands, are $25,860,000.

Financial Review: Management Incentive Plans—At the Annual Meeting of Stockholders on April 20, 1955, stockholders approved an Incentive Stock Option Plan and an Incentive Compensation Plan for officers and key management employees. Thereafter, 82,058 shares of common stock, being 5% of the shares outstanding as provided in the Stock Option Plan, were reserved for issuance under the Plan. Options for a total of 31,700 shares were granted to 38 individuals during the year at not less than 95% of market value and not exceeding 10 years in each instance. The remaining shares reserved for option are held for award during the ten-year period of the Plan.

Under the Incentive Compensation Plan, nothing can be reserved for incentive compensation unless annual net income after taxes, exclusive of any provision for incentive compensation, exceeds 5% of shareholders' equity, and not more than 12% of income in excess of this amount may be so reserved. The amount of $1,000,000 credited to the Incentive Compensation Reserve from 1955 earnings was less than the maximum provided in the Plan. Awards to 48 individuals totaling $637,900 have been made. In keeping with the terms of the Plan, approximately one-fifth of the amount of each award has been paid in cash; the remainder will be paid in four annual installments contingent upon the individual remaining with the Company, death or retirement under the Pension Plan excepted.

*Refer to Company Appendix Section.

TABLE 30: EMPLOYEE BENEFIT RESERVES

Balance Sheet Presentation:*	*1955	1954	1953	1952
Among: *Current Liabilities* for—				
Incentive compensation plan	2	1	2	2
Profit sharing plan	1	1	1	1
Welfare or benefit plan	2	1	2	2
Pension plan not funded	1	1	1	1
Pension plan—past and current service costs	1	1	1	1
Above: *Stockholders' Equity* for—				
Bonus plan	7	6	5	6
Deferred or contingent compensation plan	13	16	13	10
Incentive compensation plan	8	4	3	2
Profit sharing plan	2	3	3	2
Retired employee benefits	2	1	2	2
Welfare or benefit plans	8	8	8	9
Employment contract	1	1	1	1
Pension or Retirement Plan:				
Annuity costs	6	8	8	8
Pension plan costs	34	29	29	32
Past service costs	5	6	9	10
Past and current service cost	3	4	4	4
Current service cost	—	1	1	1
Future service cost	—	1	1	1
Former plan liability	—	1	1	1
Within: *Stockholders' Equity* for—				
Employment contract	1	1	1	1
Total	97	95	96	97
Number of Companies With:				
Employee benefit reserves	84	85	85	86
No employee benefit reserves	516	515	515	514
	600	600	600	600
Number of Reserves:				
Beginning of year	95	96	97	96
Established during year	8	5	7	8
Eliminated during year	(6)	(6)	(8)	(7)
End of year	97	95	96	97
Terminology Used				
"Reserve"	59	63	70	72
"Provision"	14	14	13	14
Various other terms	24	18	13	11
	97	95	96	97

*Refer to Company Appendix:—Nos. 8, 11, 12, 14, 22, 25, 38, 39, 46, 47, 48, 65, 68, 70, 85, 92, 93, 96, 97, 152, 154, 156, 166, 175, 183, 194, 211, 233, 235, 238, 252, 254, 262, 270, 271, 276, 278, 282, 289, 290, 307, 310, 312, 319, 320, 322, 328, 338, 348, 355, 356, 376, 378, 380, 388, 390, 397, 400, 408, 411, 424, 436, 437, 439, 443, 444, 453, 454, 460, 467, 474, 503, 514, 525, 530, 534, 540, 565, 568, 571, 581, 591, 594, 596.

EASTERN GAS AND FUEL ASSOCIATES
Consolidated Balance Sheet
Noncurrent Liabilities:
Reserves:

Employees' benefits (Note 6)	$1,686,818
Insurance, deferred taxes (Note 7) and other purposes	1,186,015

Note 6: Employee Retirement and Benefit Plans—The expense for 1955 under the Retirement Plan for Salaried Employees amounted to $1,073,208, consisting of $567,806 for current service costs and $505,402 for funding of past service costs. An estimate on an actuarial basis indicates that the unfunded liability for past service benefit costs at December 31, 1955 amounted to $1,227,000. The above amounts are before giving effect to any resulting reductions in Federal income taxes. The Association intends that the Plan be permanent, but it reserves the right to amend, modify, suspend or terminate it at any time.

Under other formal and informal plans, the Association and its subsidiaries paid pensions aggregating $465,539 during 1955 directly to retired employees. The companies have no legal obligation to continue to make payments under these plans, except that they have agreed not to suspend, alter or discontinue the plans with respect to certain groups of employees during the periods of applicable union contracts or renewals and extensions thereof. These plans are on a "pay as you go" basis and, except for the reserve for employees' benefits of Boston Gas Company ($1,686,818 at December 31, 1955), no provision has been reflected in the accounts for pensions to be paid under these plans in the future. The pension payments made under these plans are deductible for Federal income tax purposes when paid.

With respect to certain other groups of employees, the Association and its subsidiaries are required under the terms of union contracts to pay amounts based on coal production, etc. to retirement and welfare funds which are not controlled or administered by the companies. In 1955 such payments amounted to $3,890,576, of which $3,722,826 was based on coal production.

Note 7: Taxes—The estimated taxable income for 1955 (after reduction for percentage depletion, etc. and for the dividends received deduction) is approximately $3,292,000, including capital gains income of $811,000. The provision for Federal income taxes for 1955 represents the tax on the above amount plus provision for deferred income taxes of $140,893, of which $116,061 applies to the net income of a foreign subsidiary included in consolidated income (which will be subject to Federal income tax at such time as distributed through dividends) and $24,832 applies to the excess of declining balance depreciation adopted in the current year for tax purposes by the public utility subsidiary for certain additions of new depreciable property subsequent to January 1, 1955 over book depreciation thereon. Certain of the other companies also adopted declining balance depreciation in 1955 for income tax purposes, but are not providing for deferred income taxes with respect to the excess of declining balance depreciation over book depreciation. The reduction in 1955 Federal income taxes resulting from the adoption of declining balance depreciation by such companies is not material.

No recognition has been given in the accounts to the abatements of personal property taxes (aggregating approximately $1,425,000) and interest thereon awarded to Boston Gas Company, and now under appeal, commented on elsewhere in this report.

PFEIFFER BREWING COMPANY
Comparative Balance Sheet
Above Capital:

Accrued pensions (Note C)	$48,208

Note C: During 1955 the Company executed a collective bargaining agreement covering hourly rated employees at its St. Paul, Minnesota plant which provides for the payment of specified pensions and other benefits to employees who retire during the term of the agreement which expires July 1, 1957. There is no requirement for funding of amounts due under the plan. The total past service costs under the plan, if continued, amounted to approximately $559,000 at December 31, 1955, as determined by an independent actuary. Costs have been charged with current service cost of $23,000 and past service cost of $26,000, based on amortizing the entire past service cost over a thirty year period.

The amounts charged to income for pension costs are deductible for federal income tax purposes in the years in which benefits are paid under the plan, resulting in the prepayment of income tax in the early years of the plan during which amounts charged to income exceed amounts of pensions paid. The amounts of such prepayments have been recorded as a deferred charge in the annexed balance sheet and will be charged to income in the years in which the related pension costs are deductible for tax purposes.

KELSEY-HAYES WHEEL COMPANY
Balance Sheet
Noncurrent Liabilities:

Deferred Incentive Compensation (less estimated reduction in future income taxes)	$741,503

Statement of Net Earnings
Costs and Expenses:

Incentive compensation plan	$956,794

President's Letter: In accordance with determination made by our Independent Public Accountants, the sum of $956,794.20 has been credited to the Incentive Compensation Reserve for the past year. Compared to $692,942.27 for the previous year. The Incentive Compensation Committee has allocated to 137 key employees the sum of $863,410 to be distributed in five annual installments, compared with $655,832 awarded to 125 key employees in the previous year. There remains an accumulated balance of $309,278.33 in the Incentive Compensation Reserve for future allocation.

THE LONG-BELL LUMBER COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Reserve for Contingent Deferred Compensation—Note E	$345,445

Note E: Contingent Deferred Compensation Plan—The Company has in effect a contingent deferred compensation plan under which certain amounts are set aside to the credit of designated officers and other employees for distribution, subject to certain contingencies, after retirement or death of the participants. The compensation so deferred is included as an operating expense of the year in which the services were rendered ($135,770.60 in 1955 and $34,138.40 in 1954) but it is not then deductible in computing taxes on income. It is expected that the payments will be so deductible when actually made after retirement or death.

MELVILLE SHOE CORPORATION
Statement of Consolidated Financial Condition
Above Stockholders' Equity:

Provision for self-insurance, retirement payments, etc.	$270,790

Statement of Consolidated Earnings

Employees' retirement plans (Note 5)	$345,706

Note 5: No contribution was required to be made to the trusteed plan which was instituted in 1944 as this plan became fully funded in 1954. Pension costs charged to earnings in 1955 represent provision in respect of the unfunded factory employees' plan. This plan is part of a union agreement which is subject to automatic renewal annually, unless notice is given by either party, though the plan itself is not subject to negotiation during an initial five year period ending in 1958. It is intended to make annual provision sufficient during the five year period to cover pensions for life to factory employees expected to retire during the period.

STERLING DRUG, INC.
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Reserves for:

Exchange fluctuations and other foreign losses	$3,677,654
Introduction of new products	955,363
Retired employees' pensions—not funded (Note G)	344,948
	$4,977,965

Note G: The reserve for retired employees' pensions—not funded provides for those retired employees not covered by the group annuity contributory pension plan established in 1941. Past service costs under the contributory plan have been provided for with the exception of a portion of the past service costs applicable to certain increased benefits provided in 1953 under a supplement to the plan for which provision is being made over a thirty-year period.

VICK CHEMICAL COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Reserve for Past Service Pensions	$1,615,905
Reserve for Management Incentive Compensation Plan	34,200

Foreign Activity Purposes

The various types of foreign activity reserves shown in the survey reports, for the years 1952 through 1955, and their balance sheet presentation, are set forth and summarized in Table 31. There were 32 such reserves shown by 28 of the survey companies in their 1955 reports. In most instances they were placed above the stockholders' equity section of the balance sheet (25 reserves in 1955). The only other presentation was within the stockholders' equity section (7 reserves in 1955).

Detailed information regarding increases or decreases in these reserves was given in only a few instances, generally in the notes to financial statements or in the president's letter. In certain reports, related charges were found in the income statement (*Co. Nos. 152, 261, 309, 382, 355).

TABLE 31: FOREIGN ACTIVITY RESERVES

Balance Sheet Presentation:*	*1955	1954	1953	1952
Above: *Stockholders' Equity* for—				
Foreign exchange	9	9	10	13
Foreign investments	4	4	4	5
Foreign losses	2	2	3	3
Foreign operations	3	3	3	3
Unremitted foreign profits	4	2	3	3
Workmen's compensation—statutory requirement	3	3	4	4
Within: *Stockholders' Equity* for—				
Foreign investment	1	1	1	1
Foreign losses	1	1	1	—
Unremitted foreign profits	—	2	2	2
Foreign statutory requirement	5	6	7	8
Total	32	33	38	42
Number of Companies With:				
Foreign activity reserves	28	23	33	36
No foreign activity reserves	572	577	567	564
	600	600	600	600
Number of Reserves:				
Beginning of year	33	38	42	40
Established during year	2	—	1	4
Eliminated during year	(3)	(5)	(5)	(2)
End of year	32	33	38	42
Terminology Used:				
"Reserve"	26	27	29	34
Various other terms	6	6	9	8
	32	33	38	42

*Refer to Company Appendix:—Nos. 35, 57, 120, 254, 269, 312, 362, 382, 432, 461, 568, 563.

Examples—Foreign Activity Reserves

A group of examples selected from the annual reports of the survey companies which are illustrative of foreign activity reserves and their presentation in the 1955 balance sheets is given below:

THE ELECTRIC STORAGE BATTERY COMPANY
Consolidated Balance Sheet
Above Stockholders' Equity:
Reserves:
For foreign exchange fluctuations $304,971

THE FIRESTONE TIRE & RUBBER COMPANY
Consolidated Balance Sheet
Above Minority Interest in Subsidiary Companies:
Reserves:
For foreign investments $27,301,195

Consolidated Income Statement
Listed with other costs:
Unremitted income of certain foreign subsidiaries $393,962

To the Stockholders: . . . Profits of foreign subsidiaries were $13,715,290 from which we provided a reserve of $393,962 for profits which could not be remitted during the year because of exchange shortages. Devaluation of foreign assets resulted in a charge of $3,542,736 to a reserve provided from income in prior years.

LONE STAR CEMENT CORPORATION
Comparative Consolidated Balance Sheet
Above Fixed Assets:
Miscellaneous Investments and Funds for Special Purposes:
Plant expansion funds in South America (See Note 2) $1,601,551
Above Capital and Surplus:
Reserves and Special Funds:
Plant expansion funds in South America (See Note 2) $1,601,551

Note 2: Separately stated in the Consolidated Balance Sheet and not included in the amounts stated above for net assets of the Cuban and South American subsidiaries, are certain assets in South America (and an equivalent amount of contra credits) dedicated in accordance with local law to Government-approved plant expansion and forfeitable if not so expended.

*Refer to Company Appendix Section.

MERCK & CO., INC.
Consolidated Balance Sheet
Below Fixed Assets:
Net assets of foreign subsidiaries and branches (Note 1) $14,499,844
Above Capital Stock and Surplus:
Unremitted earnings of foreign subsidiaries and branches, reserved for foreign operations (Note 1) .... $ 3,950,653

Statement of Consolidated Income
Deduct net income of foreign subsidiaries and branches not remitted to the United States (Note 1) .... $ 1,432,790

Note 1: All active and wholly owned subsidiaries have been included in the accompanying consolidated financial statements; however, unremitted earnings of foreign subsidiaries and branches have been eliminated in determining consolidated net income. In 1955, operations of these foreign units resulted in net income of $2,442,203 of which $1,009,413 has been remitted and $1,432,790 has been added to "unremitted earnings of foreign subsidiaries and branches, reserved for foreign operations." The foregoing amounts do not include profits of the parent company and domestic subsidiaries resulting from sales to foreign customers, subsidiaries and branches.

A summary of amounts included in the consolidated balance sheet with respect to foreign subsidiaries and branches follows: . . . (Details omitted here—Ed. Note)

The net assets exceed the investment in and advances to foreign subsidiaries and branches by $7,818,148, of which $3,867,495, representing unremitted earnings prior to 1953, has been included in earned surplus and $3,950,653 has been segregated as a reserve for foreign operations.

Assets and liabilities of foreign subsidiaries and branches have been translated into United States dollars at the appropriate current exchange rates except fixed assets which were translated at exchange rates in effect at the dates of acquisition. Operations have been translated at the average rates of exchange prevailing during the year, except for depreciation which has been translated on the same basis as fixed assets.

THE SINGER MANUFACTURING COMPANY
Consolidated Balance Sheet
Above Capital:
Reserves:
Insurance $15,393,919
Realization of foreign assets and other contingencies 57,300,000

Guarantee or Warranty Purposes

There were 30 guarantee or warranty reserves shown by 29 of the survey companies in their annual reports for 1955. Table 32 discloses the various types of such reserves shown in the 600 survey reports, for the years 1952 through 1955, with the applicable balance sheet presentation. In most instances, the guarantee and warranty reserves were shown by the survey companies above the stockholders' equity section of the balance sheet (20 reserves in 1955); in ten instances they were presented in the current liability section.

Little or no information was provided by these companies concerning the nature or amount of increases or decreases in such accounts. Examples of guarantee or warranty reserves are given below:

TABLE 32: GUARANTEE OR WARRANTY RESERVES

Balance Sheet Presentation*	*1955	1954	1953	1952
Among: *Current Liabilities* for—				
Product warranty	3	3	3	3
Product guarantee	2	4	4	3
Service guarantee	2	3	3	3
"Guarantee'	1	1	1	1
Contract completion	2	2	2	3
Above: *Stockholders' Equity* for—				
Product warranty	1	1	1	2
Product guarantee	10	8	8	8
Service warranty	1	—	—	—
"Guarantee"	2	2	2	3
"Warranty"	2	3	1	1
Coupon redemption	3	3	3	3
Commercial paper guarantee	1	2	1	2
Within: *Stockholders' Equity* for—				
Commercial paper guarantee	—	—	—	1
Total	30	32	29	33
Number of Companies With:				
Guarantee or warranty reserves	29	32	27	31
No guarantee or warranty reserves	571	568	573	569
	600	600	600	600
Number of Reserves:				
Beginning of year	32	29	33	37
Established during year	—	3	1	1
Eliminated during year	(2)	—	(5)	(5)
End of year	30	32	29	33
Terminology Used				
"Reserve"	21	18	20	23
"Provision"	4	5	4	5
Various other terms	5	9	5	5
	30	32	29	33

*Refer to Company Appendix:—Nos. 72, 74, 75, 103, 117, 134, 186, 226, 237, 319, 394, 441, 446, 449, 487, 510, 531, 589.

AMERICAN MOTORS CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Five-year warranty on refrigerators $4,096,476

Consolidated Statement of Net Loss
Costs and expenses:
Five-year warranty on refrigerators ($1,057,-829), less amount not required for expired warranties ($870,416) .... $ 187,413

GENERAL ALLOYS COMPANY
Balance Sheet
Noncurrent Liabilities:
Reserve for possible allowances to customers under performance guarantees $50,000

MISSION APPLIANCE CORPORATION
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Reserves:
For product warranty (June 30, 1955—$296,-063) (August 31, 1955—) $295,087
For contingencies 155,000

Report to Shareholders: . . . In the preceding fiscal year a reserve was set up for product warranty in the sum of $225,720, but prior to the end of the last fiscal year Congress abolished the tax credit effect of this type of reserve. The company nevertheless continued to carry it as a matter of sound accounting. Of such reserve set up in the preceding year, $49,670 was still unused and $246,393 was set up additionally out of the current year's operations; consequently, the statement reflects a total product warranty reserve of $296,063. It is expected that the demands on such a reserve will decrease and that, therefore, as soon as an amount has been set aside for this purpose which in the opinion of management would seem adequate, the reserve can then be held at such a figure and only augmented to the extent of charges against such reserve from time to time.

THOR CORPORATION
Consolidated Balance Sheet
Above Shareholders' Equity:
Reserves:
For warranty costs—Note G $300,000

Note G: Product Warranties—Certain of the household appliances manufactured by the Corporation have been sold under warranties covering replacement of defective parts, etc. Prior to June 13, 1955, certain of the costs relating to such warranties were covered by insurance. Subsequently all warranty costs have been absorbed by charges against income as replacements were made. At December 31, 1955, a reserve of $300,000 was provided to cover future warranty costs relating to appliances formerly manufactured by the Corporation.

Insurance Purposes

Table 33 discloses the various types of reserves for insurance purposes found in the reports for the years 1952 through 1955, together with their balance sheet presentation. There were 115 such reserves shown by 105 survey companies in their 1955 annual reports. They were ordinarily shown above the stockholders' equity section of the balance sheet (101 reserves in 1955). In relatively few cases where there were either *increases* or *decreases* in these reserves during 1955 did the reports disclose the accounts to which the related charges or credits were made. Table 33 provides an extensive list of references to companies disclosing insurance reserves in their 1955 reports.

Examples—Insurance Reserves

A group of examples selected from various 1955 reports, is provided below to illustrate the methods of presenting insurance reserves in the statements.

BUCYRUS-ERIE COMPANY
Statement of Net Earnings
Income:
Cancellation of insurance reserves no longer required $365,165

To the Shareholders: Earnings and Dividends— . . . The earnings for 1955 include the return to income of a reserve for self insurance amounting to $365,165 or 23 cents per share. The contingency for which the reserve was established is now provided for by insurance carried with a large insurance company.

CONTINENTAL MOTORS CORPORATION
Consolidated Balance Sheet
Below Long-Term Debt:
Reserve:
For employer's liability not covered by insurance $250,000

DEERE & COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Reserves for pensions, insurance, and foreign exchange $14,200,000

THOMAS A. EDISON, INCORPORATED
Statement of Financial Position
Noncurrent Liabilities:
Reserve for workmen's compensation self-insurance $200,000

HALLIBURTON OIL WELL CEMENTING COMPANY
Consolidated Balance Sheet
Above Capital Stock and Retained Earnings:
Reserve for Equipment Losses $300,000

Financial Review: . . . The Company experienced casualty losses of $600,000 during 1955, due mainly to fires. A reserve for equipment losses of $300,000 has been established to offset any large future losses not covered by insurance.

LONE STAR CEMENT CORPORATION
Comparative Consolidated Balance Sheet
Noncurrent Assets:

Self-insurance funds—cash and investments	$2,187,595
Plant expansion funds in South America (See Note 2)	
Above Capital and Surplus:	
Reserves and Special Funds:	
Contingent management compensation	$ 355,017
Self-insurance	2,187,595
Severance compensation in South America	452,604
General contingencies	547,765
Plant expansion funds in South America (see Note 2)	1,601,551
	$5,144,532

Note 2: (Not reproduced here.)

MADISON SQUARE GARDEN CORPORATION
Balance Sheet
Noncurrent Liabilities:
Public Liability self-insurance reserve (Note) . $128,000

TABLE 33: INSURANCE RESERVES

Balance Sheet Presentation*	*1955	1954	1953	1952
Among: *Current Liabilities* for—				
Self-insurance**	1	1	2	2
Self-insurance	1	2	—	—
Workmen's compensation self-insurance	2	2	2	2
General insurance	—	—	1	1
Public liability	1	—	—	—
Above: *Stockholders' Equity* for—				
Self-insurance**	5	6	6	6
Self-insurance	19	20	22	22
Workmen's compensation self-insurance	20	23	28	27
Workmen's compensation**	7	8	8	8
Workmen's compensation	14	15	14	14
General insurance**	2	2	1	1
General insurance	21	24	29	31
Fire loss	4	5	6	7
Accident insurance	2	3	4	5
Public liability	2	3	3	3
Employer's liability	2	2	2	2
Marine insurance	1	2	2	2
Tornado insurance	1	2	2	2
Casualty risks	1	—	1	1
Within: *Stockholders' Equity* for—				
Self-insurance**	2	1	1	1
Workmen's compensation self-insurance	—	1	1	2
General insurance	4	3	3	3
Employer's liability	1	—	—	—
Fire loss	2	2	2	2
Total	115	127	140	144
Number of Companies With:				
Insurance reserves	105	110	118	121
No insurance reserves	495	490	482	479
	600	600	600	600
Number of Reserves:				
Beginning of year	127	140	144	148
Established during year	3	1	1	1
Eliminated during year	(15)	(14)	(5)	(5)
End of year	115	127	140	144
Terminology Used				
"Reserve"	101	109	125	131
"Provisions"	5	6	7	6
Various other terms	9	12	8	7
	115	127	140	144

*Refer to Company Appendix:—Nos. 8, 11, 14, 16, 30, 62, 69, 126, 170, 194, 212, 218, 322, 355, 384, 438, 442, 448, 453, 461, 477, 489, 508, 515.
**With cash or securities segregated therefor.

Note: The corporation carries outside public liability insurance against losses in excess of $20,000 per accident.

THE PROCTER & GAMBLE COMPANY
Consolidated Balance Sheet
Above Capital and Retained Earnings:
Reserves:

Self-insured risks	$4,536,678
Foreign exchange fluctuations	2,200,000
Total reserves	$6,736,678

KAISER ALUMINUM & CHEMICAL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

MAY 31, 1955 AND 1954

ASSETS	1955	1954
CURRENT ASSETS:		
Cash	$ 49,012,280	$ 27,354,465
Receivables:		
Trade, less allowance for doubtful accounts—1955, $655,840; 1954, $620,624	34,549,751	25,600,779
Other	2,162,597	3,165,325
Inventories (Note 1)	42,657,212	39,447,507
Prepaid expenses	5,337,860	2,453,985
Total current assets	$133,719,700	$ 98,022,061
PROPERTY, PLANT, AND EQUIPMENT—At cost (Notes 2 and 3)	$302,991,685	$290,295,890
Less accumulated depreciation, depletion, and amortization (Note 2)	65,920,570	48,989,574
Property, plant, and equipment—net	$237,071,115	$241,306,316
DEFERRED CHARGES:		
Unamortized long-term debt expense	$ 753,258	$ 843,602
Other	571,422	575,595
Total deferred charges	$ 1,324,680	$ 1,419,197
TOTAL	$372,115,495	$340,747,574

LIABILITIES	1955	1954
CURRENT LIABILITIES:		
Notes payable—current portion	$ 18,700,000	$ 24,310,000
Accounts payable	12,348,947	13,624,137
Taxes payable and accrued:		
Federal income taxes	17,100,694	2,259,425
Other taxes	2,857,667	2,802,900
Dividend payable on preferred stock	106,535	457,812
Accrued interest payable	2,274,578	2,445,252
Other accrued liabilities	7,012,377	3,755,561
Total current liabilities	$ 60,400,798	$ 49,655,087
LONG-TERM INDEBTEDNESS (Note 3):		
Notes payable to banks—3⅜%; less current portion	$ 46,750,000	$ 59,840,000
First mortgage bonds due 1976:		
3⅞% series	75,000,000	75,000,000
4⅛% series	29,000,000	29,000,000
Total long-term indebtedness	$150,750,000	$163,840,000
DEFERRED FEDERAL INCOME TAXES (Note 2)	$ 31,455,000	$ 18,550,000
CAPITAL STOCK AND SURPLUS:		
Capital stock:		
Preferred, cumulative—authorized, 700,000 shares of $50.00 each, issuable in series (Note 4):		
Initial Series 5% convertible; outstanding—1955, 158,809 shares	$ 7,940,450	$ 18,750,000
Second Series 5½% convertible; outstanding—1955, none		16,250,000
Common—authorized, 20,000,000 shares of $.33⅓ each; outstanding—1955, 13,891,341 shares (Notes 4 and 5)	4,630,447	3,783,780
Total capital stock	$ 12,570,897	$ 38,783,780
Surplus:		
Capital surplus	55,446,568	29,233,685
Earned surplus (Note 3)	61,492,232	40,685,022
Total capital stock and surplus	$129,509,697	$108,702,487
TOTAL	$372,115,495	$340,747,574

The accompanying Notes to Financial Statements are an integral part of this statement.

KAISER ALUMINUM & CHEMICAL CORPORATION

AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME

FOR THE YEARS ENDED MAY 31, 1955 AND 1954

	1955	1954
NET SALES	$268,133,162	$226,640,797
COST OF GOODS SOLD	184,347,101	172,602,429
GROSS PROFIT ON SALES	$ 83,786,061	$ 54,038,368
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	20,394,052	15,676,481
PROFIT FROM OPERATIONS	$ 63,392,009	$ 38,361,887
OTHER INCOME:		
Interest	$ 93,372	$ 178,887
Other	1,414,529	994,658
Total	$ 1,507,901	$ 1,173,545
Total	$ 64,899,910	$ 39,535,432
INCOME CHARGES:		
Interest on long-term indebtedness	$ 6,566,556	$ 7,375,298
Pre-operating expenses of new plant facilities	284,963	3,569,206
Other	1,926,014	975,213
Total	$ 8,777,533	$ 11,919,717
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAXES	$ 56,122,377	$ 27,615,715
PROVISION FOR FEDERAL INCOME TAXES (Note 2):		
Federal income taxes	$ 14,652,000	$ 2,070,000
Deferred Federal income taxes	12,905,000	11,530,000
Total	$ 27,557,000	$ 13,600,000
NET INCOME	$ 28,565,377	$ 14,015,715

STATEMENT OF CONSOLIDATED SURPLUS

FOR THE YEARS ENDED MAY 31, 1955 AND 1954

	1955	1954
CAPITAL SURPLUS:		
Balance at beginning of year	$29,233,685	$25,089,545
Transferred from capital stock—excess of par value of 541,191 shares of preferred stock over par value of shares of common stock issued upon conversion	26,212,883	
Accumulated earnings capitalized in connection with common stock dividend		4,144,140
Balance at end of year	$55,446,568	$29,233,685
EARNED SURPLUS:		
Balance at beginning of year	$40,685,022	$37,496,472
Net income for the year	28,565,377	14,015,715
Total	$69,250,399	$51,512,187
Deduct:		
Cash dividends:		
On preferred stock	$ 1,456,398	$ 1,312,387
On common stock	6,301,769	4,918,914
Dividend paid in common stock:		
Transferred to common stock account		180,180
Transferred to capital surplus account		4,144,140
Total	$ 7,758,167	$10,555,621
Expenses relating to issuance of second series preferred stock		271,544
Total	$ 7,758,167	$10,827,165
Balance at end of year (Note 3)	$61,492,232	$40,685,022

The accompanying Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 1955

1. INVENTORIES:

Inventories amounting to approximately $21,000,000, consisting principally of bauxite, alumina, aluminum, and raw dolomite, are stated at cost computed under the last-in, first-out method or replacement cost, whichever is lower. Other items included in the inventories are stated principally at average cost, which is lower than market.

2. PROPERTY, PLANT, AND EQUIPMENT:

The property, plant, and equipment accounts include facilities acquired under certificates of necessity issued since January 1, 1951 in the aggregate of $220,000,000, of which approximately 81% is being amortized for Federal income tax purposes over a five-year period.

In the financial statements the provision for depreciation, depletion, and amortization for the year ended May 31, 1955 is computed on the estimated useful lives of the various classes of assets and amounted to $17,476,734, which amount is approximately $25,110,000 less than the provision computed for Federal income tax purposes. A charge has been made in the statement of consolidated income for Federal income taxes to be paid in the future on the amount by which amortization claimed for tax purposes exceeds normal depreciation.

3. LONG-TERM INDEBTEDNESS:

The bank loans are payable in semi-annual instalments in the principal amount of $9,350,000 on June 1, 1955 and December 1, 1955, $14,960,000 on June 1, 1956 and December 1, 1956, $4,791,875 on June 1 and December 1, 1957 and on June 1, 1958, and $2,454,375 is payable on December 1, 1958. The First Mortgage Bonds are subject to redemption through the operation of a sinking fund commencing in 1957.

The loan agreement requires that the Corporation maintain consolidated net current assets of $30,000,000 from June 1, 1955 to May 31, 1956 and $40,000,000 thereafter as long as any indebtedness under the bank loan agreement is outstanding.

The bond indenture places certain restrictions on further borrowings, on the acquisition of the Corporation's own stock, and on the payment of cash dividends. Under the terms of the bond indenture approximately $42,366,000 of the consolidated earned surplus at May 31, 1955 is restricted as to the payment of cash dividends or the redemption or other acquisition of the Corporation's capital stock, except that an additional $5,000,000 is available for dividends on preferred stock.

Substantially all of the plant properties of the Corporation now owned or to be acquired (except those located outside the continental United States) are subject to the lien of the First Mortgage Bonds, and the capital stock of Kaiser Bauxite Company and certain advances to that company are pledged as collateral to the bonds.

4. PREFERRED STOCK:

The Corporation, at its option, may redeem the Initial Series preferred stock at $52 a share, plus accrued dividends, on or before December 31, 1955, and at lesser amounts each year until January 1, 1963 when the final redemption price of $50 is reached. Each share of this preferred stock is convertible into shares of common stock on or before December 31, 1961 at a conversion price in effect at the time of conversion. The conversion price at May 31, 1955 was $11.81 per share of common stock. At May 31, 1955 there were 672,195 shares of common stock reserved for the conversion of the Initial Series preferred stock.

5. RESTRICTED STOCK OPTION PLAN:

Under a restricted option plan, 450,000 shares of authorized but unissued $.33⅓ par value common stock are reserved for certain key employees. On August 17, 1953 options were granted for the purchase of 147,900 shares at $8.75 and on March 28, 1955 options were granted for the purchase of 59,730 shares at $26.17. These options, which have been adjusted for the three for one common stock split-up that became effective May 31, 1955, were granted to a total of 59 employees at prices which represented approximately 95% of the quoted market value on the dates the options were granted. These options are exercisable at any time after two years and before ten years from date of grants.

6. PENSION PLANS:

The Corporation and its subsidiaries have voluntary and negotiated retirement plans for qualified salaried and hourly employees. The plans differ as to the bases of contributions and are both non-contributory and contributory on the part of the various employees. For 1955 the annual cost of the plans to the companies was approximately $2,950,000 including $300,000 for past-service benefits. As of May 31, 1955 the unfunded portion of the past-service benefits relating to all the plans was approximately $7,000,000 which benefits the companies anticipate funding with interest over a period of twenty years.

7. RENEGOTIATION:

The Corporation has made sales under contracts that may be subject to renegotiation under the Renegotiation Acts. Based on prior experience, it is the opinion of management that adequate provision has been made for such refunds as may be required.

8. COMMITMENTS:

The Corporation has entered into a contract for the purchase and import of 186,000 tons of primary aluminum, during a six-year period ending 1958, at the current United States market price at time of shipment. At May 31, 1955 the remaining outstanding purchase commitment for undelivered metal amounted to approximately 135,000 tons.

9. LITIGATION:

The companies are contingently liable under miscellaneous claims and suits in the normal course of business, but management is of the opinion that settlements will not involve material amounts.

10. CHANGE IN DEPRECIATION PRACTICE:

The Corporation and its subsidiaries have adopted the sum of the years-digits method of computing depreciation on new additions acquired since January 1, 1954; this change in practice had no material effect on income for the year.

Kaiser Aluminum & Chemical Corporation

THE QUAKER OATS COMPANY
Consolidated Balance Sheet
Earnings Retained in the Business:
Reserved for:

Future Inventory Losses and Necessary Price Adjustments	$ 7,800,000
Insurance and Other Contingencies	1,200,000
Unreserved	35,152,196
	$91,769,801

SPENCER KELLOGG AND SONS, INC.
Balance Sheet
Above Stockholders' Equity:
Reserve for Self-Insurance $1,000,000

(The Company is self-insurer of a large portion of its inventories and certain of its fire-proof structures and of workmen's compensation risks within conservative limits.)

Property Purposes

The various types of property reserves shown in the annual reports of the 600 survey companies for the years 1952 through 1955, together with their balance sheet presentation, are given in Table 34. There were 63 such reserves shown by 54 survey companies in 1955. They were shown most frequently above the stockholders' equity section of the balance sheet (36 reserves in 1955), but a substantial number were also presented with the related asset (14 reserves in 1955) or within the stockholders' equity section (12 reserves in 1955).

In the majority of cases in which there were *increases* in these reserves during 1955, there was a disclosure in the reports of the accounts to which the related charges were made. In most instances such charges were to the income account (*Co. Nos. 51, 211, 474, 542). The charges made to the retained earnings account represented increases of prior years' provisions (*Co. Nos. 108 and 123).

In the case of *decreases* in property reserves during 1955, the offsetting credits were disclosed in few of the reports.

Extensive references are given within Table 34 to companies revealing various property reserves. For a discussion of extraordinary depreciation and higher plant replacement costs reserves, refer to Section 3.

Examples—Property Reserves
Furnace Repairs

AMERICAN WINDOW GLASS COMPANY
Consolidated Balance Sheet
Above "Shareholders' Equity":
Reserve for furnace repairs $695,176

Statement of Consolidated Earnings
Under "Costs and Expenses":
Provision for furnace repairs $738,908

To the Shareholders': Furnace Repairs—Additions to the reserve for furnace repairs charged to cost amounted to $738,908. Actual expenditures for the year totalled $422,036 and were charged to the reserve. The furnace repair schedule for 1956 anticipates estimated expenditures of $385,000 for one major repair and one minor repair, both during the fourth quarter of 1956. Although the one furnace will be out of production approximately sixty days, and the other furnace will be down from two to three weeks, our productive capacity will be greater in 1956 than in 1955.

*Refer to Company Appendix Section.

TABLE 34: PROPERTY RESERVES

Balance Sheet Presentation*	*1955	1954	1953	1952
With: *Related Fixed Assets* for—				
Revaluation of Property	2	2	4	6
Loss on property	5	4	2	3
Extraordinary depreciation	5	7	10	12
Higher plant replacement costs	—	—	—	1
Plant facilities	1	—	—	—
Purpose not stated	1	1	1	1
Among: *Current Liabilities* for—				
Furnace rebuilding, relining	1	1	1	1
Intangible assets	—	—	1	1
Repairs, painting, maintenance	—	1	—	—
Above: *Stockholders' Equity* for—				
Construction contract	1	1	1	—
Furnace rebuilding, relining	9	9	9	10
Glass tank renewal	2	1	1	1
Plant rehabilitation	3	3	3	2
Repairs, painting, maintenance	10	10	11	12
Loss on property	1	2	3	4
Mine development costs	1	1	1	1
Moving expenses	—	—	1	1
Intangible assets	1	1	—	—
Normal depletion	—	—	—	1
Normal depreciation	2	2	3	4
Obsolescence of property	2	2	2	3
Accelerated amortization	1	1	1	2
Extraordinary depreciation	—	—	1	3
Higher plant replacements costs	3	3	4	6
Within: *Stockholders' Equity* for—				
Revaluation of property	2	3	3	3
Loss on property	1	1	—	—
Plant contingencies	1	1	1	1
Higher plant replacement costs	7	7	11	12
Steamship replacements — European Fleet	1	1	—	—
Extraordinary depreciation	—	1	—	—
	63	66	75	91
Number of Companies With:				
Property reserves	54	57	63	74
No property reserves	546	543	537	526
	600	600	600	600
Number of Reserves:				
Beginning of year	66	75	91	92
Established during year	6	6	1	9
Eliminated during year	(9)	(15)	(17)	(10)
End of year	63	66	75	91
Terminology Used				
"Reserve"	45	44	49	63
"Provision"	4	4	4	5
Various other terms	14	18	22	23
	63	66	75	91

*Refer to Company Appendix:—Nos. 9, 51, 56, 62, 65, 66, 78, 108, 123, 130, 144, 146, 156, 169, 172, 183, 185, 210, 211, 254, 257, 268, 270, 271, 277, 303, 308, 334, 347, 400, 401, 426, 439, 444, 453, 474, 488, 490, 528, 542, 543, 548, 555, 562, 569, 589, 590, 599.

OWENS-ILLINOIS GLASS COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Reserve for Rebuilding Furnaces	$6,767,391

Loss on Disposal of Properties

THE CUDAHY PACKING COMPANY
Consolidated Balance Sheet
Plant and Equipment at Operating Locations:

Land, at appraised value at October 30, 1915, plus subsequent additions at cost	$ 877,844
Buildings, machinery and equipment, at cost—partially as determined by a cost appraisal as of October 30, 1939, by independent engineers	35,730,375
Less—Reserves for depreciation	16,374,673
	19,355,702
	$20,233,546

Plant and Equipment at Closed Locations:

Cost, less reserves for depreciation of $5,198,996	$ 4,689,061
Less—Reserve for estimated costs and losses on disposition	4,263,039
	$ 426,022

THE MURRAY CORPORATION OF AMERICA
Consolidated Balance Sheet
Earnings retained for use in the business:

Reserved for possible losses in connection with disposal of certain Detroit properties and inventories	$2,000,000

TEXTRON AMERICAN, INC.
Consolidated Balance Sheet

Property, plant and equipment (Note C)	$109,232,919
Less—Reserves for depreciation and amortization	31,513,160
Less—Provision for loss on disposal of properties	8,682,044
Less—Provision for contingent payments for companies acquired	5,145,185
	$ 45,340,389
	$63,892,530

Consolidated Statement of Income

Net Profit before special item	$9,497,746
Special Item:	
Provision for loss on disposal of textile mill properties	4,000,355
Net Profit after Special Item	$5,497,411

Note C: Property, Plant and Equipment—The gross property, plant and equipment is stated at cost, except that the fixed assets of certain non-textile divisions are stated at appraised values which are $5,145,185 in excess of costs incurred to date. This amount has been credited to "Provision for contingent payments for companies acquired." Future contingent payments which are based upon earnings, if any, of the acquired business will be charged to this provision.

During the year provisions amounting to $4,000,335 were made to cover losses to be sustained on disposal of certain textile mill properties. Prior to their merger into the Company, American Woolen Company and Robbins Mills, Inc. had made similar provisions aggregating $15,911,490, which provisions were transferred to the Company, upon the merger, on February 24, 1955. A substantial amount of surplus properties have been sold and losses, idle plant expenses and other carrying charges aggregating $11,290,782 were charged against the provisions in 1955.

The $4,000,335 special charge for losses on disposal of textile mill properties shown in the consolidated income statement, includes $3,387,000 for losses on the sale of six textile plants in January, 1956.

Mortgage notes payable and amounts payable under conditional sales contracts, aggregating $15,055,907 are secured by fixed assets having a gross cost of $51,184,591.

THOR CORPORATION
Consolidated Balance Sheet
Above Shareholders' Equity:
Reserves:

For loss on disposal of Canadian plant—Note D	$175,000

Note D: Sale of Canadian Assets—The net assets of the Canadian subsidiary were distributed in complete liquidation to Thor Corporation, and as of August 31, 1955, the net current assets so acquired were sold. The land, buildings, and equipment of the Canadian plant have been leased to the purchaser of the net current assets until December 31, 1962, with an option by the lessee to purchase the properties after November 1, 1957. A reserve of $175,000 has been provided by a charge to income to cover the estimated loss, less applicable income taxes, which will result if the option is exercised. The note of $141,423 which was received as a part of the consideration for the net current assets matures on December 31, 1962, or upon the exercise of the purchase option, whichever is sooner.

Tax Purposes

There were 82 tax reserves shown by 75 of the survey companies in their 1955 annual reports. They were displayed most frequently above the stockholders' equity section of the balance sheet (67 reserves in 1955); a substantial number were shown among the current liabilities (10 reserves in 1955). Table 35 discloses the various types of tax reserves and their balance sheet presentation in the annual reports of the survey companies for the years 1952 through 1955. In the instances where there were *increases* in these reserves during 1955, and there was a disclosure of the account to which the related debit was made, the offsetting charge was usually to the income account. In the cases where there were *decreases* in the reserves, the related credits were usually not disclosed. (See the examples presented below and in Section 4, under "Appropriation of Retained Earnings—Tax Purposes" and "Prior Year Adjustments—Taxes.")

Examples—Tax Reserves

AMERICAN BRAKE SHOE COMPANY
Consolidated Balance Sheet
Above Stockholders' Investment:

Reserves: Estimated taxes on income in future years attributable to amortization of emergency facilities	$960,000

BASIC REFRACTORIES, INCORPORATED
Consolidated Balance Sheet
Noncurrent Liabilities:
Reserve:

For Contingencies and possible additional federal taxes—Note A	$426,472

Note A: Federal income tax returns of the Company have been examined and settled through the year 1949 except for interest due on specified deficiencies amounting to approximately $70,000.00. The Company considers that the reserve for contingencies includes a sufficient provision for the aforementioned charges and any additional federal taxes on income of the years subsequent to 1949.

COLUMBIA PICTURES CORPORATION
Consolidated Balance Sheet
Current Assets:
Estimated Federal Taxes on Income (Note D) (Less $2,000,000 U. S. Government obligations) $2,500,510
Noncurrent Liabilities:
Reserve for Undetermined Liability for Possible Additional Federal Taxes on Income (Note D) $1,000,000

Note D: The adequacy of estimated liabilities for Federal taxes on income is subject to acceptance of the returns of the companies by the Internal Revenue Service. The returns for the fiscal year ended June 30, 1943 and subsequent years are either unaudited by the Service or not finally settled. The tax provision for the year ended June 25, 1955 has been materially reduced because of allowable tax deductions in respect of items written off on the books in prior years.

FOSTER WHEELER CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Federal and foreign taxes on income $1,180,639
Within Capital Stock, Reserve and Surplus:
Reserve for deferred income tax in connection with accelerated amortization of emergency facilities .... $ 882,000

Note 2: The accompanying statements reflect depreciation of emergency facilities, acquired during the period 1950 through 1954, based upon the estimated useful life of such assets. For purposes of reporting income to the Internal Revenue Service, the Corporation is amortizing the facilities over a shorter period than useful life. Accordingly, a provision for deferred income tax has been included in provision for taxes on income for the year ended December 31, 1955 in the amount of $382,000 for additional taxes in those future years which will not have the benefit of a tax deduction for emergency facilities still in use.

F. L. JACOBS CO.
Consolidated Balance Sheet
Noncurrent Liabilities:
Reserve for Federal Tax Contingencies—Note C $340,000

Note C: Reserve for Federal Tax Contingencies—The Company received substantial amounts in prior years on claims for refund of federal excess profits and income taxes based upon a carry-back of operating losses. The Company's right to retain approximately $2,460,000 of the amounts so received has been subject to final interpretation of certain provisions of the Internal Revenue Code. Accordingly, the Company had credited the amounts received to a reserve which, together with provisions for related deficiencies and interest, amounted to $3,745,000 at July 31, 1954.

In the case of another taxpayer which had filed claims for refund on a similar interpretation of the Internal Revenue Code the Supreme Court of the United States entered an opinion on May 23, 1955, in favor of the taxpayer. On October 31, 1955, the Tax Court of the United States entered judgment in the case, determining a refund due the taxpayer. Counsel for the Company is of the opinion that the cases are identical in every material respect and that the reserve previously provided therefor is no longer warranted by the facts. The applicable portion of the reserve, in the amount of $3,495,000 including interest, has therefore been eliminated by credit to earnings retained. Counsel is also of the opinion that upon final settlement the Company should receive an additional refund of approximately $1,300,000 plus interest. No recognition has been given to such refund in the accompanying financial statements, pending final determination. Part of the latter amount will be used to pay related deficiencies and interest (for which provision of $340,000 has been carried forward in the reserve) and legal fees and expenses.

THE RUSSELL MANUFACTURING COMPANY
Consolidated Balance Sheet
Current Liabilities:
Reserve for federal taxes on income for prior years—Note 2 .... $405,386
DR.—$274,424—*"Earned Surplus*: Provision for additional assessment of federal taxes applicable to fiscal years 1941 through 1948, plus interest accrued to November 30, 1955—(Note 2)."

Note 2: The company's federal tax returns through the fiscal year 1949 have been examined, and the Internal Revenue Service, after consideration of the company's protest, has assessed net deficiencies for these years which, after payments by the company on account,

TABLE 35: TAX RESERVES

Balance Sheet Presentation	1955	1954	1953	1952
With: *Related Assets* for—				
Deferred taxes:				
On installment sales (*No. 266)	1	1	1	1
On mine leaseholds (*No. 240)	1	1	1	1
Deferral of tax benefit re amortization of emergency facilities (*No. 149)	1	2	3	3
Among: *Current Liabilities* for—				
Prior years taxes (*Nos. 82, 100, 479, 495, 522, 538, 546)	7	7	7	5
Tax contingencies	—	2	3	4
Deferred tax on installment sales (*No. 271)	1	1	1	1
Deferral of tax benefits re amortization of emergency facilities (*Nos. 208, 222)	2	3	2	1
Above: *Stockholders' Equity* for—				
Prior years taxes (*Nos. 35, 83, 144, 233, 287, 300, 313, 411, 424)	9	11	11	15
Tax contingencies (*Nos. 244, 249, 304, 369, 546, 550, 556)	7	8	10	12
Future taxes (*Nos. 20, 29, 97, 160, 312, 369, 378, 456, 471, 595, 599)	11	2	2	2
Taxes (*Nos. 76, 89)	2	3	2	2
Deferred tax on installment sales (*No. 516)	1	2	2	2
Deferred tax on mine development costs (*Nos. 9, 567)	2	2	2	1
Deferral of tax benefit re amortization of emergency facilities (*Nos. 20, 46, 83, 170, 190, 200, 238, 244, 257, 270, 291, 357, 359, 384, 390, 438, 448, 453, 455, 471, 477, 480, 508, 553)	24	21	18	9
Amortization of emergency facilities and new depreciation methods (*Nos. 156, 162, 171, 322)	4	1	—	—
New depreciation methods (*Nos. 47, 64, 131, 155, 302, 373, 386)	7	2	—	—
Within: *Stockholders' Equity* for—				
Tax contingencies (*No. 57)	1	1	1	1
Taxes (*No. 516)	1	1	1	1
Total	82	72	67	61
Number of Companies With:				
Tax reserves	75	69	63	54
No tax reserves	525	531	537	546
	600	600	600	600
Number of Reserves:				
Beginning of year	72	67	61	51
Established during year	23	10	17	17
Eliminated during year	(13)	(5)	(11)	(7)
End of year	82	72	67	61
Terminology Used:				
"Reserve"	50	38	34	36
"Provision"	3	4	5	6
Various other terms	29	30	28	19
	82	72	67	61

*Refer to Company Appendix Section.

amount at November 30, 1955 to $260,460.36, plus accrued interest of $144,926.49, a total of $405,386.85. The company estimates an additional tax liability for those years amounting to $112,341.73, but still disclaims any liability in excess of this amount, and is filing claims for refund prior to instituting court action if necessary.

To Our Stockholders: Operations— . . . The Balance Sheet at the 1955 year-end reflects a reserve for federal income taxes for prior years in the amount of $405,386.85, which includes accrued interest to November 30, 1955. The basis for most of the alleged deficiency lies in the disallowance of deductions for payments made during the years 1942 through 1948 to various Trust Funds in favor of certain officers and key employees of the company, and representing deferred compensation to them. These payments have been disallowed based upon certain technical features of the Trust Funds and a Treasury Regulation, which was not issued until some time after the payments were made into the Trust Funds. The company's disclaimer of liability has been denied by the Appellate Staff of the Internal Revenue Service, and on August 22, 1955 formal assessment of the alleged deficiencies was made by the Hartford District Office.

In the opinion of legal and tax counsel for the company, there is a good chance to recover the disputed assessment but a final determination of the issue involved will probably require considerable time. In the meantime, the company has made payment of a substantial part of the amount claimed to be due, plus accumulated interest, and claims for refund are now in preparation in order to take appropriate court action. The amount paid in the year ended November 30, 1955 was $172,690.63, of which $63,588.75 represented accrued interest and was charged to profit and loss, and $109,101.88 was paid on account of the deficiency assessments and was charged against reserves previously set up. In addition, $274,424.24, the amount required to provide a reserve equal to the difference between the total assessment including accrued interest and the amounts previously paid during 1955, has been charged to Earned Surplus.

The company has filed a claim for refund of $152,018.52 based upon a bad debt loss in 1941 on a receivable which was owed by The Russell Manufacturing Company, Ltd., a Canadian subsidiary, to the parent. This matter is also in the hands of counsel but no provision for any possible recovery has been made in the financial statements until the issues here are clarified.

WEBB & KNAPP, INC.
Consolidated Balance Sheet
Reserves:

For Federal Income Taxes on Installment Sales Income Reportable for Tax Purposes in Subsequent Years (Note 12)	$ 1,605,173
For Payment on Account of Dividends in Arrears on Preference Stock (Note 15)	1,192,028
Replacements and Other Reserves	118,833
	$2,916,034

Note 12: During prior years, properties were sold on terms which permitted the profit thereon to be reported for Federal income tax purposes on an installment or deferred basis. The entire profit thereon was taken into income on the financial statements and a provision charged to income for a reserve for possible Federal income taxes on these profits, computed on a basis of long term capital gains.

Note 15: The Certificate of Amendment to the Certificate of Incorporation, dated June 30, 1952, provided that in any calendar year beginning with 1952, to the extent that there are current earnings, such earnings are to be applied (1) to the payment of current dividends, (2) 25% of the balance, if any, to be applied to the payment of dividends in arrears by the end of the following calendar year and (3) the balance, if any, may be applied at the discretion of the Board of Directors for corporate purposes which may include the purchase of Preference Stock.

Under the aforementioned provisions, the sum of $1,192,028. is to be applied by the end of the calendar year 1956 for payment on account of cumulative dividends accrued and in arrears on the outstanding shares of Preference Stock and provision therefor has been reflected on the Balance Sheet as a Reserve for the Payment on Account of Dividends in Arrears on Preference Stock.

TIME INCORPORATED
Consolidated Balance Sheet
Current Liabilities:

Federal and foreign taxes on income—estimated—less U. S. Government securities amounting to $6,900,000—Note B	$5,679,918

Noncurrent Liabilities:
Reserve:

For tax contingencies—Note B	$1,600,000

TABLE 36: MISCELLANEOUS OTHER RESERVES

Balance Sheet Presentation	1955	1954	1953	1952
Among: *Current Liabilities* for—				
Appraisal claims (*No. 305)	1	—	—	—
Sales returns or allowances (*Nos. 193, 560)	2	3	3	4
Sugar-beet crop payment (*No. 574)	1	1	1	1
Additional costs (*No. 441)	1	1	1	1
"Sundry" and "other" purposes (*No. 281)	1	1	2	2
Above: *Stockholders' Equity* for—				
Discontinued store expense (*No. 68, 516)	2	2	2	1
Deposits refundable (*No. 8)	1	1	1	1
Expenses under merchandising program (*No. 186)	1	1	—	—
Litigation pending (*Nos. 139, 227, 583)	3	3	3	2
Loss on receivables (*No. 65)	1	1	1	1
Repairs (*Nos. 62, 172)	2	2	3	2
Research or development (*No. 510)	1	1	1	2
Sales returns or allowances (*Nos. 125, 268)	2	2	2	1
Estimated claims payable (*No. 456)	1	1	1	1
"General" purposes (*Nos. 253, 424, 462, 568)	4	4	4	5
"Miscellaneous" purposes (*Nos. 121, 163, 268)	12	14	13	12
"Operating" purposes (*Nos. 11, 20, 46, 90)	11	11	11	11
Preferred stock retirement (*No. 309)	1	1	1	1
"Sundry" and "other" purposes (*Nos. 14, 30, 62, 269, 330)	13	13	11	10
Within: *Stockholders' Equity* for—				
Preferred stock retirement (*Nos. 63, 83, 167, 209)	4	4	4	5
Charter requirement (*No. 250)	1	1	1	1
Sinking fund (*No. 63)	1	1	1	1
Working capital (*No. 124)	1	1	1	1
Unrealized profit on land contracts receivable (*No. 148)	1	1	1	1
"General" purposes (*No. 538)	1	1	1	1
"Sundry" and "other" purposes (*No. 121)	1	1	1	2
Total	71	73	71	70
Number of Companies With:				
Miscellaneous reserves	66	68	67	67
No miscellaneous reserves	534	532	533	533
	600	600	600	600
Number of Reserves:				
Beginning of year	73	71	70	70
Established during year	1	5	6	2
Eliminated during year	(3)	(3)	(5)	(2)
End of year	71	73	71	70
Terminology Used				
"Reserve"	58	61	58	58
"Provision"	6	5	6	5
Various other terms	7	7	7	7
	71	73	71	70

*Refer to Company Appendix Section.

Note B: Under provisions of Section 722 of the Internal Revenue Code of 1939, the Company filed claims for relief as regards excess profits taxes for the six years 1940-1945 and filed a claim for refund based on carry-back of unused excess profits credit for 1946. As permitted by the Code, the Company withheld payments of excess profits taxes for the years 1943-1945 in amounts equivalent to 33% of the claims for these years, and the amounts so withheld were included in the accrual for income taxes under Current Liabilities.

During 1952 the Excess Profits Tax Council advised that it had determined the Company's constructive average base period net income under Section 722 with respect to such claims for the years 1940-1945 inclusive. The Company's case for relief in excess of that determination is pending in the Tax Court of the United States. Early in 1953 the Company received an excess profits tax refund of approximately $611,000 pursuant to the Council's determination for the year 1940. Payment of the claims under Section 722 for the five years 1941-1945, in accordance with the determination of the Council, is being postponed by the Treasury Department until agreement is reached on disposition of certain other adjustments proposed by the Treasury Department for the years 1941-1948. The Company made a revised offer in August 1955 for settlement with respect to the years 1941-1948 (reserving the rights of the Company to claim a larger refund under Section 722), which offer has been accepted by the Appellate Division of the Internal Revenue Service subject to review by the Chief Counsel's Office and the Joint Committee on Internal Revenue Taxation. Some of these years involve payments to the Government, while others involve refunds. To stop running of interest the Company in December 1953 made payments of taxes and related interest for certain years. Such payments, net of their tax effect (interest payments are deductible), and net of the $611,000 received on account of 1940, were charged to accrued income taxes under Current Liabilities.

On the basis of the determination of the Excess Profits Tax Council, the aggregate accrual for taxes included under Current Liabilities and in the Reserve for Tax Contingencies is believed to be substantially in excess of the ultimate liability for taxes on income for the years 1941-1955 and any related interest charges. However, pending final disposition of the Company's offer to the Treasury Department, no adjustments for expected refunds are reflected in the financial statements.

Miscellaneous Other Purposes

The assorted types of "miscellaneous other reserves" found in the reports of the survey companies for the years 1952 through 1955 and their balance sheet presentation are shown in Table 36. There were 71 such reserves shown by 66 companies in their 1955 annual reports. The most common balance sheet presentation of these items was above the stockholders' equity section (55 reserves in 1955). In a few instances where there were increases in these reserves during 1955, there was a disclosure of the accounts to which the related charges were made. The credits to other accounts, in those instances where there were decreases during 1955, were seldom disclosed. Such charges or credits when shown were to the income account, to a liability account, or the retained earnings account. Those entries affecting retained earnings are presented in Section 4 under "Appropriation of Retained Earnings—Various Other Stated Purposes."

Examples are presented below to indicate the various types of reserves disclosed by the companies.

ALLIED CHEMICAL & DYE CORPORATION
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Reserves:

Pensions and Contingencies	$40,256,777
Insurance	1,127,051
Sundry	331,604
	$41,715,432

AIR REDUCTION COMPANY, INCORPORATED
Consolidated Balance Sheet
Above Capital and Retained Earnings:
Reserves:

Insurance and Pension Funds	$268,201
Deposits to Insure Cylinder Returns, etc.	109,810
Total Reserves	$378,011

ARMOUR AND COMPANY
Consolidated Statement of Financial Position
Earnings Employed in the Business:

(Includes appropriation for: inventory price decline $17,500,000; contingencies $993,100; payment of interest and sinking fund on 3½% subordinated debentures $7,875,000; cost of retirement of preferred stock in 1947, $7,653,883; and under the provisions of the 5% subordinated debenture indenture $460,078)	$134,187,054

CITIES SERVICE COMPANY
Consolidated Balance Sheet
Above Stockholders' Equity:
Reserves:

Maintenance and other operating reserves	$ 2,852,815
Reserve for contingencies (prior years' taxes)	10,852,399
Total Reserves	$13,705,214

EMSCO MANUFACTURING COMPANY
Balance Sheet
Current Liabilities:

Reserve for adjustments on sales contracts	$425,000
Reserve for sales and policy allowances	150,000

TRANS-LUX CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Reserve for estimated legal fees and expenses—See Footnote	$275,000

Note: The "Reserve for estimated legal fees and expenses" shown under Current Liabilities is occasioned by the court decision in favor of the defendant directors and officers in connection with the stockholders' derivative suit, which was finalized in January, 1956. The estimate is based upon the best information available, since the aggregate amount is not determinable at this date.

CAPITAL STOCK

CLASSIFICATION OF CAPITAL STOCK

The balance sheets of the 600 survey companies disclosed varied combinations of classes of capital stock. A combination of common and preferred stock was found in the balance sheets of 295 survey companies. Common stock alone, or capital stock, was found in the balance sheets of 305 companies. Table 37 summarizes the various combinations or classes of stock disclosed in the balance sheets of the 600 survey companies.

The results of the survey disclose a sharp reduction in the number of companies with common and preferred stock in 1955 and a similar increase in the number of companies with only common stock. This change was due to the retirement or redemption of preferred stock (*Co. Nos. 144, 186, 203, 205, 251, 256, 320, 323, 325, 358, 362, 463, 485, 532, 536, 552).

VALUES SHOWN FOR SHARES OF STOCK

Table 38 discloses the methods used by the survey companies to indicate the value shown for shares of stock in the balance sheet.

Table 38 also indicates a definite increase in the number of instances in which common stock is described as "par value" rather than "no par value." This increase is the result of revisions in the capital structure of the corporations concerned (*Co. Nos. 19, 41, 64, 162, 196, 221, 237, 263, 331, 350, 378, 402, 434, 455).

STATUS OF CAPITAL STOCK

The survey companies usually disclose, in their annual reports, the number of shares of capital stock authorized, issued, and outstanding. The extent of such disclosure is indicated in Table 39.

Examples of Balance Sheet Presentation

The examples which follow illustrate the various methods of presentation of capital stock information in the balance sheet:

ALLIED LABORATORIES, INC.
Consolidated Balance Sheet
Capital Stock and Surplus:

Common stock (see note)—	
Authorized 750,000 shares without par value (12,000 shares reserved for employees' stock options)	
Issued and outstanding 311,290 shares at declared value of $5 each	$ 1,556,450
Capital surplus (no change during the year)	2,459,080
Earned surplus (per accompanying statement), of which $5,472,290 is unavailable for cash dividends because of restrictions in note agreement	7,581,182
	$11,596,712

Note: The number of authorized shares of common stock was increased to 750,000 by action of the stockholders on March 8, 1955. The Board of Directors has authorized the issuance to stockholders of record at April 16, 1956, of one presently unissued share of common stock for each share owned at that date, and the concurrent reduction in the declared value of common stock from $5.00 per share to $2.50 per share.

ARGUS CAMERAS, INC.
Statement of Financial Position
Stockholders' Equity:

Capital Stock—	
5½% cumulative convertible preferred stock, par value $10 per share; authorized 200,000 shares; none issued	$ —
Preferred stock (owned by employes' profit-sharing retirement fund), 5% cumulative, par value $100 per share (redeemable at $102.50 per share); authorized 4,000 shares; issued 2,000 shares	200,000
Common stock, par value $1 per share; authorized 700,000 shares (Note 2); issued 1955—416,881 shares	416,881
Capital surplus	241,844
Earned surplus ($3,708,270 restricted at July 31, 1955, as to payment of cash dividends under provisions of V-Loan agreement)	4,672,209
Total stockholders' equity	$5,530,934

Note 2: 16,719 shares of authorized common stock are reserved for issuance under a stock option incentive plan adopted by the stockholders in June, 1951. Options covering the purchase of these shares at prices ranging from $5.69 to $13.62½ per share (representing quoted market value at date of grant) were outstanding at July 31, 1955, and are exercisable in varying installments to 1961. Options covering 4,822 shares were exercised in the year ended July 31, 1955, such shares being recorded in the accounts at the option price.

*Refer to Company Appendix Section.

TABLE 37: CLASSIFICATION OF CAPITAL STOCK

Combination of Stock Classes	1955	1954	1953	1950
Common Stock and one type of Preferred Stock (*Nos. 1, 24, 30, 103, 108, 112, 125, 126, 128, 211, 244, 262, 272, 298, 504)	251	274	274	269
Common Stock (*Nos. 106, 143, 145, 150, 152, 166, 180, 235, 243, 359, 542)	185	162	158	158
"Capital Stock" (*Nos. 6, 132, 136, 161, 212, 247, 283, 366, 466, 534)	115	117	117	122
Common Stock and two types of Preferred Stock (*Nos. 23, 51, 72, 223, 265, 270, 326, 338, 378, 382, 539)	34	31	35	36
Common Stock (two types) (*Nos. 124, 189, 245, 432)	4	4	4	3
Common Stock (two types) and one type of Preferred Stock (*Nos. 195, 218, 264, 374, 481)	5	7	6	6
"Capital Stock" (two types) (*No. 158)	1	1	2	2
Common Stock and three types of Preferred Stock (*Nos. 116, 259)	3	3	3	3
Common Stock (two types) and three types of Preferred Stock (*No. 119)	1	1	1	1
Common Stock (two types) and two types of Preferred Stock (*No. 302)	1	—	—	—
	600	600	600	600
Number of Companies Presenting				
Only Common Stock	189	167	163	162
Both Common and Preferred Stock	295	316	319	315
Only "Capital Stock"	116	117	118	123
	600	600	600	600

*Refer to Company Appendix Section.

ASHLAND OIL & REFINING COMPANY

Consolidated Balance Sheet

Capital Stock and Surplus:

Capital stock (refer to Note C for conversion and redemption provisions):	
$5.00 cumulative preferred without par value:	
Authorized and issued 150,000 shares	
Outstanding 122,271 shares, less in treasury 7,056 shares	$11,521,500
Cumulative second preferred without par value:	
Authorized for issuance in series, 1,250,000 shares	
$1.50 series of 1952:	
Issued 677,930 shares	
Outstanding 652,241 shares, less in treasury 96 shares	19,564,350
Common, par value $1.00 per share:	
Authorized 7,500,000 shares	
Issued 5,433,532.2 shares (including 1,241.2 shares issuable for scrip) ...	5,433,532
Reserved for conversion of second preferred shares—978,361.5 shares	
	$36,519,382
Capital surplus	26,056,572
Earned surplus	35,485,037
	$98,060,991

Note C: Conversion and Redemption Provisions of Preferred Shares—The provisions of the $5.00 cumulative preferred stock require the establishment of a sinking fund to retire annually 3% of the greatest number of shares theretofore issued, subject to credit for retirements other than through operation of a purchase fund. The provisions also require annual payments, on June 15th, equal to $2 per share theretofore issued, proceeds to be applied to purchase of stock at prices not exceeding $100 per share plus accrued dividends, sums unexpended after three months to be returned to the Company.

The stock is callable at $101.75 per share at any time in whole or in part by lot on 30 days' notice otherwise than for sinking fund and at $101.00 per share for the sinking fund prior to December 16, 1955, with periodic reductions in such prices thereafter, in each case with accrued dividends. At September 30, 1955, 27,729 shares have been redeemed pursuant to the provisions of the sinking fund and purchase fund; such shares were canceled and cannot be reissued. An additional 7,056 shares have been purchased and are in the treasury at September 30, 1955.

The cumulative second preferred stock may be redeemed in whole or in part by resolution of the Board of Directors or by operation of a sinking fund at the respective optional or sinking fund redemption prices, plus in each case accumulated dividends, provided dividend and redemption provisions of the $5.00 cumulative preferred stock have been fulfilled. The redemption price of the cumulative second preferred stock, $1.50 series of 1952, is $31.25 per share to and including June 15, 1956, with periodic reductions in such price to June 15, 1962; thereafter the redemption price shall be $30 per share. Each share of the cumulative second preferred stock, $1.50 series of 1952, shall be convertible prior to June 15, 1962, at the option of the holder thereof, unless previously redeemed, into 1.5 shares of common stock, which rate is subject to adjustment for dilution or other combination of common shares.

On or before June 15th of each year, until June 15, 1962, the Company shall set aside as a Purchase Fund for the shares of the $1.50 series of 1952 stock, an amount equivalent to $.90 for each such share theretofore issued; the Company shall endeavor to apply the amount so set aside to the purchase of shares at a price not in excess of $30 per share. Any balance in such fund not so applied during the three months' period following such June 15th shall be returned to the Company's general funds. On or before June 15, 1963, and each June 15th thereafter, the Company shall set aside as a sinking fund for the redemption of shares of the $1.50 series of 1952 stock, a sum equal to the redemption price of 3% of the number of shares outstanding on September 16, 1962, plus 3% of the number of shares thereafter issued.

At September 30, 1955, 470 shares of the $1.50 series of 1952 stock have been converted into common stock and 25,219 shares have been reacquired; such shares were canceled and cannot be reissued. An additional 96 shares have been purchased and are in the treasury at September 30, 1955.

TABLE 38: VALUE SHOWN FOR SHARES OF STOCK

Class of Stock	1955	1954	1953	1950
Common Stock with Shares described as:				
Par value stock	394	367	356	319
Par value stock at—				
"Stated value" per share	2	2	2	3
"Assigned value" per share	—	—	1	1
No par value stock at—				
"Stated value" per share	24	29	24	28
"Assigned value" per share	—	1	1	1
"Declared value" per share	1	1	1	1
Not further described	72	94	109	134
Share value not mentioned	—	—	—	1
Total	493	494	494	488
"Capital Stock" with Shares described as:				
Par value stock	83	87	84	80
Par value stock at—				
"Stated value" per share	—	1	1	1
No par value stock at—				
"Stated value" per total	3	—	—	—
"Stated value" per share	7	4	5	8
"Liquidating value" per share	—	—	—	1
Not further described	23	26	30	35
Share value not mentioned	—	—	—	—
Total	116	118	120	125
Preferred Stock with Shares described as:				
Par value stock	230	278	280	272
Par value stock at—				
"Redemption value" per share	—	1	1	—
No par value stock at—				
"Stated value" per share	21	23	25	25
"Liquidating value" per share	8	8	8	8
"Assigned value" per share	1	1	1	1
Not further described	41	49	46	54
Share value not mentioned	—	1	1	3
	301	361	362	363

COLLINS RADIO COMPANY

Balance Sheet

Capital Stock and Surplus (Note 5):

Capital stock—Issued and outstanding (including treasury shares)—		
4% cumulative preferred, $50 par value —122,500 shares		$ 6,125,000.00
Common, $1 par value:		
Class A—735,555 shares	$ 735,555.00	
Class B—735,555 shares	735,555.00	
		1,471,110.00
Total capital stock		$ 7,596,110.00
Surplus—		
Paid-in	$ 4,641,757.73	
Earned	7,404,041.94	
		12,045,799.67
Total capital stock and surplus		$19,641,909.67
Less—Par value of common shares held in Treasury		32.00
		$19,641,877.67

Note 5: Capital Stock and Surplus—At a meeting held on April 25, 1955 the Company's stockholders adopted Second Amended

and Substituted Articles of Incorporation which increased authorized Common Stock from 750,000 shares of $5 par value to 1,500,000 Class A and 1,750,000 Class B Common shares, each of $1 par value; and reclassified each outstanding $5 par value Common share into 1½ shares Class A and 1½ shares Class B Common Stock. Giving effect to this reclassification, the 490,370 shares theretofore outstanding, having a total par value of $2,451,850, were changed to 735,555 Class A and 735,555 Class B shares having an aggregate par value of $1,471,110. The excess of the par value of the $5 par Common shares over the aggregate par value of the Class A and Class B shares (or $980,740) was transferred to Paid-in Surplus.

This amendment also authorized 122,500 shares of 4% Cumulative Preferred Stock ($50 par), all of which were sold, at par, in May 1955 for a total amount of $6,125,000, which was credited to the appropriate capital stock account. Of the net proceeds of $5,901,169—after deducting financing expenses of $223,831, charged against current income—$722,297 was used for the redemption of the $2.75 Cumulative Preferred Stock, resulting in net charges to Paid-in and Earned Surplus accounts of $21,804 and $23,618, respectively.

At July 31, 1955 Paid-in Surplus consisted of:

Excess over par value received on sales of Common Stock—		
Nov. 1944 140,000 shares	$1,395,700.00	
Dec. 1953 9 shares (Treasury)	166.44	
Jan. 1955 20 shares (Treasury)	1,141.29	$1,397,007.73
Premium paid on redemption of $2.75 Cumulative Preferred Stock — May 1955	$ 45,421.87	
Less—Net excess of par value over purchase price of shares previously acquired:		
Aug. 1, 1945 to July 31, 1954—5,295 shares	22,601.57	
Aug. 1, 1954 to Feb. 28, 1955—455 shares	(797.50)	
	21,804.07	
Balance—Charged Earned Surplus	$ 23,617.80	—
Excess of stated value assigned to common shares over par value thereof ($5)—Issued as dividends on Common Stock at July 31, 1952, 1953 and 1954		2,263,833.00
Reclassification of Common Stock — April 1955—		
Par value of old ($5) shares—490,370	$2,451,850.00	
Exchanged for new ($1 par) shares:		
Class A—735,555	735,555.00	
Class B—735,555	735,555.00	
	1,471,110.00	980,740.00
Par value of common shares returned to Company's treasury — Representing fractional stock-dividend scrip unexchanged at expiration dates—		
$5 par — 29 shares	$ 145.00	
$1 par — 32 shares	32.00	177.00
Total		$4,641,757.73

COLUMBIA PICTURES CORPORATION
Consolidated Balance Sheet
Capital Stock and Surplus:

Capital Stock:	
$4.25 cumulative preferred stock without par value (Note F)—	
Authorized 60,065 shares:	
Outstanding 60,065 shares	$ 6,006,500
Common stock $5 par value (Note G)—	
Authorized 2,000,000 shares:	
Outstanding 837,319 shares	14,536,281
Capital Surplus (Note H)	464,301
Earned Surplus (Note I)	15,693,812
	$36,700,894
Less—Treasury Stock, at cost:	
Preferred stock held for sinking fund (Note F) 2,960 shares	235,995
Common stock 4,285 shares	90,582
	$ 326,577
	$36,374,317

Note F: The shares of $4.25 cumulative preferred stock are redeemable at and in the event of a voluntary liquidation, holders of such stock are entitled to receive the following amounts, together with accrued dividends: $107 through January 14, 1956; $106 thereafter and through January 14, 1961; $105 thereafter and through January 14, 1966; $104 thereafter and through January 14, 1971; and $103 thereafter.

Within six months after expiration of each fiscal year the Corporation must set apart in a sinking fund for the redemption of its preferred stock a mandatory instalment (not to exceed $225,000), which is based upon the excess of consolidated net profit for the year over $900,000, and may set aside each year an optional instalment of $225,000 minus the amount of the mandatory instalment. As at June 25, 1955, the Corporation had in its treasury sufficient preferred stock to meet the sinking fund requirements for the year then ended.

Note G: On June 16, 1955, the Board of Directors authorized a five-for-four split-up of the common stock, distributable July 29, 1955 to holders of record on June 30, 1955. Common stock outstanding was thereby increased to 1,046,649 shares, including 5,356 shares held in treasury.

As at June 25, 1955, 1,198 shares of common stock were reserved for issuance at $13.35 per share under an option exercisable from July 1, 1956 to December 31, 1959; and, subject to stockholders' approval, 4,200 shares of common stock representing two options were reserved for issuance at $31.19 per share, one option expiring September 27, 1961 and the other expiring April 1, 1962. The said numbers of shares and prices are subject to adjustment in respect of the five-for-four split-up and in the event of other dilution of the common stock under certain circumstances.

Note H: During the year ended June 25, 1955, capital surplus was increased by $130,008, representing the excess of stated value over cost of 3,549 shares of $4.25 cumulative preferred stock retired in accordance with the sinking fund provisions contained in the certificate of incorporation as amended.

Note I: The loan agreement with banks places certain restrictions on the Corporation, including a restriction with respect to payment of dividends on common stock other than stock dividends. By reason of such restriction, the surplus available for cash dividends on common stock amounted to $5,615,000 at June 25, 1955.

CONSOLIDATED FOODS CORPORATION
Consolidated Balance Sheet
Capital Stock and Surplus:

Preferred Stock—$50 par value (issuable in classes)	
Originally authorized—300,000 shares, of which 200,000 shares have been classified as—	
5¼% Cumulative Preferred Stock:	
Issued and outstanding—153,487 shares	$ 7,674,350
Common Stock—$1.33 1/3 par value:	
Authorized—2,400,000 shares	
Reserved for conversion of preferred stock—420,282 shares	
Reserved under options granted to officers and key employees at not less than 95% of market value at date of granting—49,000 shares	
Issued and outstanding—1,286,949 shares	1,715,932
Surplus, per accompanying statement:	
Paid-in	7,776,165
Capital	9,660,793
Earned (Note 5)	16,039,250
Total capital stock and surplus	$42,866,490

Note 5: Surplus Restrictions—Under provisions of the agreement covering the issue of 3¾% Promissory Notes of the Corporation, beginning June 30, 1951, earned surplus is subject to certain restrictions regarding its use for stock purchases and retirements, investments in affiliates, and dividends other than stock dividends and regular dividends on preferred stock outstanding on June 30, 1952. The amount available for such restricted purposes at June 30, 1955, was $3,966,858. Nor may such stock purchases and retirements, investments, and dividends operate to reduce consolidated net current assets of the Corporation and its subsidiaries after July 1, 1952, to less than $21,000,000. Similarly, the trust indenture relating to the 4% sinking fund debentures of Rosenberg Bros. & Co. Inc. also places restrictions on the payment of dividends other than stock dividends and imposes specific requirements for the maintenance of working capital.

Note 6: Sinking Fund and Market Fund for 5¼% Cumulative Preferred Stock—Sinking fund—Commencing August 1, 1956, and on each August 1 thereafter, to and including August 1, 1961, the Corporation will be required to deposit $200,000 in a sinking fund to be applied to the retirement of shares of Preferred Stock by purchase or redemption, and on August 1, 1962, and on each August 1 thereafter, so long as there are shares of Preferred Stock outstanding, to deposit an amount which is equal to 3% of the aggregate par value of all shares of Preferred Stock issued and outstanding, unconverted, as of January 1, 1962.

Market fund—On each February 1 while shares of Preferred Stock are outstanding, commencing February 1, 1953, the Corporation is required to apply a market fund to the purchase and retirement of the largest possible number of shares of Preferred Stock tendered to the Corporation at prices not to exceed $49 per share, first purchasing the lowest priced stock tendered. The market fund so to be applied on any February 1, prior to February 1962, is $196,000 and the market fund to be applied on February 1, 1962, and on each February 1 thereafter is an amount equal to 3% of the aggregate par value of the shares of Preferred Stock issued and outstanding on the first day of January immediately preceding such February first.

(Refer also to example, *Consolidated Foods Corporation,* this section, *Short-term Borrowing and Long-term Debt.*)

CURTIS MANUFACTURING COMPANY

Balance Sheet

Shareholders' Equity:

Common stock—par value $4.00 per share:	
Authorized—1,000,000 shares	
Issued—713,556 shares	$2,854,224.00
Retained earnings	5,240,904.08
	$8,095,128.08

Note A: On September 30, 1955, The United States Air Compressor Company was merged into Curtis Manufacturing Company (surviving Company). In connection with this merger each share of the capital stock with a par value of $5.00 per share of Curtis Manufacturing Company (exclusive of those shares held by the Company in its treasury and shares held by The United States Air Compressor Company, all of which were canceled) was converted into two shares of common stock having a par value of $4.00 per share of Curtis Manufacturing Company (the surviving Company) and each share of common stock without par value of The United States Air Compressor Company was converted into 32 shares of common stock of the surviving Company.

On November 15, 1955, Central Petroleum Company and The Lewis Machine Company were merged into Curtis Manufacturing Company (surviving Company). In connection with these mergers, each share of common stock having a par value of $4.00 per share of the surviving Company continued to be one share of common stock. Each share of common stock without par value of Central Petroleum Company was converted into 41 2/3 shares of common stock of the surviving Company, and each share of common stock without par value of The Lewis Machine Company was converted into 500 shares of common stock of the surviving Company.

These mergers have been considered a "pooling of interests" for accounting purposes and accordingly the net income for the year includes the results of operations of Curtis Manufacturing Company (the surviving Company) and the other constituents referred to herein for the year ended November 30, 1955.

CUTTER LABORATORIES

Consolidated Balance Sheet

Capital Stock and Retained Earnings:

Cumulative preferred stock, issuable in series, par value $100 per share, authorized 20,500 shares (Note 3):	
Issued and outstanding:	
4% series, 10,050 shares	$1,050,000
4¼% convertible series, 6,500 shares	650,000
Common stock, par value $1 per share (Note 3):	
Series LV common stock, authorized 1,200,000 shares, issued 526,251 shares	526,251
Series V common stock, authorized 1,200,000 shares, issued 524,611 shares	524,611
Paid-in surplus (Note 4)	272,325
Earnings retained for use in the business, per accompanying statement (Notes 2 and 6)	2,112,681
	$5,135,868

Note 2: Long Term Indebtedness—Under the provisions of the notes and agreements relating to long term indebtedness, none of the earnings retained for use in the business at December 31, 1955 was available for the payment of cash dividends, in excess of $30,000 per annum, on common stock. The 4¼% note payable on August 1, 1975 is convertible into Series LV common stock of the Company at the conversion price of $14.25 per share, which is subject to adjustment under certain conditions.

Note 3: Capital Stock—The involuntary redemption price and the sinking fund redemption price of the 4% cumulative preferred stock are $100 per share; the voluntary redemption price is $103 to September 1, 1956, decreasing to $100 per share after September 1, 1966. Sinking fund payments for retiring the 4% cumulative preferred stock are required annually on or before August 31 in an amount equal to the lesser of (1) $50,000 or (2) the consolidated net income for the preceding year less the preferred stock dividend requirements.

The 4¼% cumulative preferred stock is convertible, at the option of the holder, into Series LV common stock at the conversion price of $14.25 (subject to adjustment under certain conditions) per share of LV common stock and the redemption price is $100 per snare. Commencing January 1, 1957, payments into a sinking fund for retiring this stock are required annually in amounts increasing from $25,000 in 1957 to $50,000 in 1960 and thereafter.

In April 1955 the 524,261 shares of common stock then outstanding were reclassified into 524,261 shares of Series LV common stock, par value $1 per share (limited as to certain voting rights), and

TABLE 39: STATUS OF CAPITAL STOCK

Number of Shares Shown	1955	1954	1953	1950
For—Common Stock				
Authorized, issued, outstanding	178	178	189	192
Authorized, issued	177	177	167	159
Authorized, outstanding	115	119	116	111
Authorized, issued, outstanding, unissued	4	4	6	6
Authorized, outstanding, unissued	2	3	3	5
Authorized	3	1	2	3
Authorized, issued, unissued	1	1	1	—
Issued	3	2	2	2
Outstanding	4	4	2	2
Issued, outstanding	1	—	—	1
Status not set forth	5	5	6	7
Total	493	494	494	488
For—"Capital Stock"				
Authorized, issued	49	52	53	57
Authorized, issued, outstanding	44	46	46	49
Authorized, outstanding	16	13	14	10
Authorized, issued, outstanding, unissued	1	2	3	1
Issued	2	3	2	1
Issued, outstanding	2	1	1	3
Outstanding	—	—	—	1
Authorized	1	—	—	—
Status not set forth	1	1	1	3
Total	116	118	120	125
For—Preferred Stock				
Authorized, issued	98	121	120	115
Authorized, outstanding	84	105	98	96
Authorized, issued, outstanding	74	84	94	100
Authorized, outstanding, unissued	1	1	1	2
Authorized, issued, outstanding, unissued	—	—	1	1
Authorized	4	4	4	3
Outstanding	4	10	7	4
Issued	1	1	1	1
Authorized—None issued to date	28	29	28	32
Status not set forth	6	5	7	8
Authorized, issued; undesignated and unissued	1	1	1	1
Total	301	361	362	363

524,261 shares of Series V common stock, par value $1 per share. At December 31, 1955, 9,600 shares of unissued Series V common stock and 238,574 shares of unissued Series LV common stock were reserved for issuance under the stock purchase and stock option plans and for conversion of note payable and 4¼% cumulative preferred stock. At December 31, 1955, outstanding options under the officers' and employees' stock option plan were for 9,600 shares of Series V common stock and 32,250 shares of Series LV common stock at an aggregate price of $323,210, representing the approximate market price at the dates the options were granted.

Under repurchase agreements, the Company will acquire 34,500 shares each of Series V and Series LV common stock for $46,000 upon the death of the owners of such shares; the Company carries insurance of this amount upon the lives of the owners.

Note 4: Paid-In Surplus—Paid-in surplus was decreased during the year by $524,261, transferred to capital stock in connection with the reclassification of common stock (Note 3), and was increased by $28,333 representing the excess of proceeds or market value over the par value of shares sold or issued to officers and employees during the year under the stock purchase and stock option plans.

Note 6: Contingent Liabilities—The Company has been named defendant in lawsuits for recovery of damages in excess of its product liability insurance. No trial dates have been set and the effect, if any, of this litigation on the consolidated financial position of the Company cannot now be determined. Some of the business during 1955 is subject to renegotiation, but Company officials are of the opinion that no refunds will be required.

LANGENDORF UNITED BAKERIES, INC.
Balance Sheet
Capital (Notes 3 and 4):

Capital stock:	
Preferred, par value $25, $1.80 cumulative, authorized 200,000 shares, outstanding 98,600 shares (Note 4)	$3,155,200
Common, par value $1, authorized 500,000 shares, outstanding 283,200 shares, 1955; 281,300 shares, 1954	283,200
	$3,438,400
Paid-in surplus, details annexed	385,900
Earned surplus, details annexed	3,774,174
Total capital	$7,598,474

Note 3: Unsecured notes payable to The Equitable Life Assurance Society of the United States at July 2, 1955 were as follows:

4½% note, maturing December 1, 1967, payable in annual installments of $250,000	$3,250,000
4% notes, maturing December 1, 1964, payable in annual installments of $45,000 on December 1, 1955 and $95,000 thereafter	900,000
	$4,150,000
Less, installments due within one year, classified as current liabilities	295,000
Balance classified as long-term liabilities	$3,855,000

The terms of the loans contain, amongst other provisions, restrictions on payment of dividends and redemption of capital stock, and a requirement that working capital be maintained within certain limits. Under provisions of the loan agreements the amount of restricted earned surplus at July 2, 1955 was approximately $2,107,000.

Note 4: A plan of reclassification of capital stock became effective November 15, 1948. The company agreed that, while the preferred stock was included in stated capital at less than liquidation value of $35 per share, no dividends would be paid on common stock out of earned surplus at June 28, 1947, which amounted to $957,276, and further, that until such deficiency in stated value was made up, there should be transferred from earned surplus to stated capital at the close of each fiscal year $1 for each share of preferred stock outstanding. The transfer is to be made only in the event that annual earnings after payment of dividends on the preferred stock are not less than $1 for each share of preferred stock outstanding, such transfers not to be cumulative. The liquidating preferences and redemption rights of the preferred stockholders as of July 2, 1955 amounted to $3,451,000, which was $295,800 ($3 per share) greater than the stated amount for such shares.

PENN FRUIT CO., INC.
Consolidated Balance Sheet
Stockholders' Equity:

4.6% Cumulative Prior Preferred stock, par value $50., authorized and outstanding 32,980 shares (Note 8)	$ 1,649,000
4.68% Convertible Preferred stock, par value $50., authorized and outstanding 88,571 shares (Note 8)	4,428,550
Common stock, par value $5., authorized 2,000,000 shares, outstanding 1,328,897 shares (Note 10)	6,644,485
Paid-in capital in excess of par value of capital stock	2,307,531
Earnings retained and invested in the business (Note 9)	3,716,034
Total Stockholders' Equity	$18,745,600

Note 8: 4.6% Preferred Stock and 4.68% Convertible Preferred Stock—The holders of the 4.6% Preferred stock are entitled to receive, upon redemption other than through the sinking fund, a premium of $2.50 per share in addition to par and accrued dividends. Such premium is reduced periodically, becoming $1. per share from and after September 1, 1962. Sinking fund payments in installments of $40,000 each, semi-annually, are provided for the retirement of these shares. The premium payable on redemption through the sinking fund is $1. per share.

Each share of 4.68% Convertible Preferred stock is convertible at the holders' option into 1.55 shares of Common stock if converted on or before October 31, 1958; 1.35 shares of Common stock if converted on or before October 31, 1961; and 1.25 shares of Common stock if converted on or before October 31, 1964. The Convertible Preferred stock is redeemable in whole or in part at $54.50 per share on or before October 31, 1958, thereafter $53.75 on or before October 31, 1961, thereafter $53. on or before October 31, 1964, and $52.25 thereafter. At August 27, 1955, 11,429 shares of this stock had been converted. Of the authorized unissued Common stock, 137,285 shares were reserved for conversion of the remaining 4.68% Convertible Preferred stock. A purchase fund is provided for the purchase of 4.68% Convertible Preferred shares at a price not to exceed $52.25 per share. On February 20, 1955 and August 20, 1955 the Company paid $50,000 each date into the purchase fund. Every six months thereafter a similar amount will be paid until a balance of $200,000 is reached, after which the balance is to be maintained at that level.

Note 9: Restriction on Dividends—At August 27, 1955, under the terms of the 4.6% Preferred stock, consolidated earnings retained and invested in the business were not restricted as to dividends on or purchases of junior classes of stock.

Under the terms of the 4.68% Convertible Preferred stock, consolidated earnings retained and invested in the business were restricted at August 27, 1955 as to dividends on or purchases of Common stock in the amount of $1,152,283.

Note 10: Common Stock—In accordance with authorization by shareholders on October 15, 1954, the authorized Common shares were increased effective October 20, 1954 from 850,000 to 2,000,000 and each outstanding Common share was split into two Common shares. 611,443 additional shares were thus issued at $5. par value. The aggregate par value of these shares was credited to the Common capital stock account and paid-in capital correspondingly reduced.

Under the Company's Stock Ownership Plan, at August 27, 1955 officers and eligible employees held outstanding contracts and option agreements to purchase 70,150 shares of Common stock as follows: 63,220 shares at $13.18¾ per share; 640 shares at $16.25; 2,080 shares at $21.25; 1,800 shares at $38.25 and 2,410 shares at $31.69.

These prices were the market prices (adjusted for the stock-split effective October 20, 1954) for outstanding Common shares on the respective dates of the contracts and options. The subscription contracts and options require payment at the rate of at least 10% a year. In addition, 14,600 shares were reserved for future allocations under the Plan. Total commitments to purchase shares under outstanding subscription contracts over a ten-year period amounted to $386,412 at August 27, 1955.

The Board of Directors on October 19, 1955, declared a 2% stock dividend payable December 15, 1955 to holders of record at the close of business on November 18, 1955.

SMITH-CORONA, INC.
Consolidated Balance Sheet

Capital stock—common (Notes 4 and 5)	$3,226,840

Note 4: By amendment to its certificate of incorporation as of September 29, 1954, the company's authorized capital stock was changed from 350,000 shares of common stock of no par value to 600,000 shares of common stock of $10 par value per share. The change from no par to $10 par value shares, and the sale of shares under the incentive stock option plan referred to in Note 5, resulted in the following changes in the amounts at which capital stock outstanding capital surplus are stated:

	Capital Stock	Capital Surplus
Balances at July 1, 1954 (capital stock issued and outstanding amounting to 322,613 shares, less 44 shares in treasury—a net of 322,569 common shares of no par value)	$4,484,990.66	$ 583,249.66
Transfer from capital stock to capital surplus as of September 29, 1954 to restate to $10 par value per share amount at which 322,569 common shares are carried	1,259,300.66	1,259,300.66
	3,225,690.00	1,842,550.32
Proceeds of $1,966.50 received upon exercise of stock options for 115 shares at $17.10 per share	1,150.00	816.50
Balances at June 30, 1955 (capital stock issued and outstanding amounting to 322,728 shares, less 44 shares in treasury—a net of 322,684 shares of common stock of $10 par value per share)	$3,226,840.00	$1,843,366.82

Note 5: In 1953 stockholders approved an Incentive Stock Option Plan under which 26,885 shares of authorized but unissued common stock were reserved at June 30, 1955 for option and sale to key personnel at a price of 95% of the fair market value of the stock on the day an option is granted, but in no event less than $12 per share. Fifteen employees (including certain officers) held options for 14,385 shares at June 30, 1955, granted from the reserved shares as follows:

Date Granted	Number of Shares	Price Per Share
November 2, 1953	13,385	$17.10
December 6, 1954	1,000	21.375

The total number of shares subject to each option is allotted in equal annual installments over an allotment period of four years from the date of granting. All options expire ten years from the date of granting unless earlier termination occurs under provisions of the plan.

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY
Consolidated Statement of Financial Position
Sources from Which Capital Was Obtained:

Common Stock, $1.00 par value (Note A):	
Authorized 1,500,000 shares; Issued 1,385,000 shares, at stated value in 1955	$ 9,000,000
Additional Paid-In Capital (transferred in 1955 to common stock)	—
Accumulated Earnings Reinvested in the Business (after transfer in 1955 of $2,989,600 to common stock to increase its stated value	5,009,419
	$14,009,419
Less 76,000 shares of stock in treasury—at cost (Note C)	953,900
Total Capital	$13,055,519

Note A: Common Stock—During the year 1955, the Board of Directors approved, subject to shareholder ratification, a Restricted Stock Option Plan for selected key employees. Under the plan, 95,000 shares of the common stock are reserved for issuance under options to employees. At December 31, 1955, options as to 63,000 shares had been granted at a price of $11.65 per share, which exceeded 95% of the market price at the date of grant.

Stated value of Common Stock was increased to $9,000,000 pursuant to action by the Board of Directors on May 23, 1955.

To the Stockholders: Financial Condition— . . . During 1955 the Board of Directors authorized an increase in the stated value of the Company's common stock to $9,000,000. This increase was made possible by the transfer to common stock of all additional paid-in capital together with $2,989,600 heretofore carried as accumulated earnings re-invested in the business. This change in the capital structure is fully reflected in the consolidated financial statement.

UNITED STATES HOFFMAN MACHINERY CORPORATION
Consolidated Balance Sheet
Capital Stock and Surplus (Note 9):

4¼% cumulative preferred stock of $100 par value:	
Authorized and originally issued, 30,000 shares; less shares redeemed, 5,350 to December 31, 1955; outstanding—1955, 24,650 shares	$ 2,465,000
Common capital stock of $1.65 par value:	
Authorized — 1,250,000 shares; issued, 891,502 shares, less 21,000 shares in treasury — outstanding, 870,502 shares	1,436,328
Issued January 6, 1956 in payment of 4% common stock dividend — 34,362 shares	56,697
Issued January 12, 1956 for acquisition of subsidiaries (as of November 1, 1955 — Note 1) — 21,840 shares	36,036
Common capital stock of $5 par value (split 3 for 1 in 1955):	
Authorized — 312,204 shares; issued, 266,986 1/3 shares, less 7,000 shares in treasury — outstanding, 259,986 1/3 shares	—
Issued January 5, 1955 in payment of 2% common stock dividend — 5,061 shares	—

Note 9: The 4¼% cumulative preferred stock is redeemable at the option of the Corporation in whole or in part at any time at $103.50 per share plus accrued dividends.

On January 30, 1956 stockholders approved an amendment to the Certificate of Incorporation increasing the authorized common stock of the Corporation to 3,000,000 shares of $1.65 par value, and authorizing 1,000,000 shares of Class A preference stock with a par value of $50 per share.

Note 1: Refer to Section 3, *Extraordinary Items* for example, Note 1 reproduced thereunder.

WHIRLPOOL-SEEGER CORPORATION
Balance Sheet
Stockholders' Equity:

Capital stock:	
Cumulative Preferred—par value $80 per share (Authorized—500,000 shares)	
Initial Series:	
4¼% Cumulative Convertible	
Authorized—216,000 shares	
Outstanding—212,142 shares	$16,971,360
Common—par value $5 per share:	
Authorized—10,000,000 shares	
Outstanding—5,804,857 shares	29,024,285
Additional paid-in capital	51,805
Earnings retained in the business	45,206,278
	$91,253,728

Note B: Stock Options—Both Whirlpool Corporation and Seeger Refrigerator Company had stock option contracts outstanding whereby officers and key employees could purchase common stock of the respective companies. The Agreement of Merger provides that upon the exercise of any of the stock options after the effective date of the merger, the optionee, in the case of such options issued by Whirlpool Corporation prior to the merger, shall be entitled to receive one share of Whirlpool-Seeger Corporation Common Stock in lieu of each share of Whirlpool Corporation Common Stock to which he would have been entitled had such option been exercised prior to the merger, and the optionee, in case of such options issued by Seeger Refrigerator Company prior to the merger, shall be entitled to receive one and three-eighths shares of Common Stock and three-sixteenths of a share of 4¼% Cumulative Convertible Preferred Stock of Whirlpool-Seeger Corporation in lieu of each share of Seeger Refrigerator Company Common Stock to which he would have been entitled had such option been exercised prior to the merger.

During the period from January 1, 1955, to December 31, 1955, 1,020 shares of 4¼% Cumulative Convertible Preferred Stock and 18,841 (6,800 shares prior to merger and 12,041 shares after merger) shares of Common Stock were purchased by eligible officers and employees. An option to purchase 800 shares of Common Stock was cancelled upon termination of employment. At December 31, 1955, there were outstanding options to purchase 3,447 shares of Preferred Stock and 25,455 shares of Common Stock at an average price of $27.64 for a unit of one and three-eighths common shares and three-sixteenths of a share of 4¼% of Cumulative Convertible Preferred Stock, and also for the purchase of 91,300 shares of Common Stock at an average price of $11.72 per share.

The Agreement of Merger authorizes the Board of Directors to grant at any time and from time to time to employees and officers of Whirlpool-Seeger Corporation and of its subsidiaries, if any

TABLE 40: TREASURY STOCK

Balance Sheet Presentation	"Common" Treasury Stock 1955	1954	1953	"Preferred" Treasury Stock: 1955	1954	1953
Within Stockholders' Equity Section:						
Deducted from *total* of capital stock and surplus (*Nos. 19, 37, 50, 76, 167, 177, 188, 218, 290)	120	124	117	40	45	41
Deducted from *total* of capital stock and capital surplus (*No. 431)	1	1	1	—	—	—
Deducted from *total* of capital surplus and earned surplus (*Nos. 56, 259)	2	1	1	—	—	—
Deducted from retained earnings (*Nos. 25, 179, 489, 546, 585)	5	8	10	1	2	3
Deducted from issued stock of the same class (*Nos. 1, 6, 16, 17, 34, 72, 110, 130, 138, 153, 180, 225, 349, 423, 566)	78	70	80	48	57	57
Set forth with issued stock of the same class (*Nos. 2, 3, 192, 227, 540)	5	2	4	2	2	3
In Noncurrent Asset Section:						
Separately set forth therein (*Nos. 36, 120, 261, 384, 424, 589)	9	12	14	1	1	2
Set forth therein as a part of various special funds (*Nos. 11, 48, 254, 390)	8	5	6	1	1	1
Set Forth in Notes to Financial Statements (*Nos. 38, 116, 262, 313, 505, 509)	8	5	6	8	4	4
Total Presentations	236	238	239	101	112	111
Basis of Valuation						
Per-Share-Value Shown At:						
Cost (*Nos. 9, 19, 41, 45, 52, 86, 108, 123, 141, 154, 177, 188, 189)	127	130	127	42	45	43
Par Value (*Nos. 6, 17, 34, 77, 113, 130, 139, 225, 233, 287, 344, 363, 439)	53	58	61	39	42	41
Stated Value (*Nos. 56, 67, 72, 93, 153, 254, 262, 317)	7	8	8	4	6	6
Cost or less than cost (*Nos. 11, 442)	2	3	3	—	—	—
Less than cost (*No. 548)	1	1	1	—	—	—
Reduced value (*No. 235)	1	1	1	—	—	—
Carrying value (*No. 370)	—	—	—	1	1	1
Lower of cost or market (*Nos. 120, 589)	2	—	—	—	—	—
Liquidation value (*No. 264)	—	—	—	1	1	1
Average issued value (*No. 536)	1	1	1	—	—	—
Per-share-value not shown	42	36	37	14	17	19
Total Valuations	236	238	239	101	112	111
Number of Companies Presenting						
Only "common" treasury stock	181	173	168	—	—	—
Both "common and preferred" treasury stock	48	55	61	48	55	61
Only "preferred" treasury stock	—	—	—	48	51	48
Total treasury stock	229	228	229	96	106	109
No treasury stock	371	372	371	195	199	199
No "preferred" stock class	—	—	—	309	295	292
	600	600	600	600	600	600

*Refer to Company Appendix Section.

(including those who may be directors of the Company) privileges to purchase unissued Common Stock, not exceeding a total of 100,000 shares. The purchase price per share in each purchase privilege shall be such amount as will at least equal 85% of the fair market value per share at the date the purchase privilege is granted.

Note G: Restriction on Retained Earnings: In accordance with certain provisions relating to the 4¼% Cumulative Convertible Preferred Stock, earnings retained in the business of $23,599,057 at December 31, 1955, were not available for the payment of cash dividends.

Shown below are illustrations from the 1955 balance sheets of the survey companies wherein the total issued shares of certain "par value" capital stocks are carried at an aggregate value which is greater than the aggregate "par value" of such issued shares. Company Numbers* 98, 138, 153, 161, 275, 489 show in the balance sheet that the stock is extended at "stated value" while Company Numbers* 2, 96, 105, 120, 125, 140, 162, 196, 201, 229, 237, 251, 380, 397, 407, 417, 422, 480, 487, 515 make no reference to this fact. An illustration of each follows:

BOEING AIRPLANE COMPANY
Balance Sheet
Stockholders' Investment:

Capital stock, par value $5 a share— Authorized—5,000,000 shares Issued and outstanding — 3,258,125¾ shares at stated value	$ 60,968,732
Earnings retained for use in the business (after transfer to capital stock of $46,445,666 in 1952 and 1954)	60,506,626
	121,475,358

GENERAL DYNAMICS CORPORATION
Consolidated Balance Sheet
Share Owners' Equity:

Common stock, par value $1 per share— Authorized—15,000,000 shares Issued and outstanding—5,011,333 shares at end of 1955	$ 13,777,215
Capital surplus	24,008,508
Earned surplus	81,516,373
	119,302,096

Treasury Stock

There were 277 survey companies which referred to treasury stock in their 1955 reports as follows:

One hundred eighty-one companies referred only to *common* treasury stock; 48 companies showed only *preferred* stock in treasury; 49 companies showed both *common and preferred* treasury stock.

BALANCE SHEET PRESENTATION

Table 40 discloses that the usual practice of the survey companies is to present treasury stock within the stockholders' equity section of the balance sheet, either as a deduction from the total of capital stock and surplus or as a deduction from issued stock of the same class. Other methods of presentation are less frequently used within the stockholders' equity section. In a few instances, treasury stock is set forth in the noncurrent asset section of the balance sheet or information with regard to such stock is presented in notes to the financial statements.

BASIS OF VALUATION

The usual practice, as shown in the survey reports, is to value common treasury stock at "cost," but "par value" is used in a number of cases.

The two most commonly mentioned bases of valuation for preferred stock held in the treasury are "par value" and "cost." In the case of preferred stock, it is likely that in many instances it was reacquired at par value and that therefore "par value" is also the "cost" of the stock.

The bases of valuation of treasury stock used by the survey companies for the years 1953 through 1955 are given in Table 40.

"Treasury Stock"—Examples

(a) From the stockholders' equity section of the balance sheet, with "treasury" stock as a deduction from the total of capital stock and surplus; from the capital surplus account; or from the retained earnings account:

DI GIORGIO FRUIT CORPORATION
Consolidated Balance Sheet
Capital and Surplus:
Preferred stock:

$3 cumulative preferred stock without par value (stated value $95 per share, redeemable at $103 per share plus accumulated unpaid dividends), included in capital at the liquidating value of $100 per share: Authorized, 51,404 shares Issued, 12,307 shares			$ 1,230,700
Common stock, par value $5 per share:	SHARES		
	Class A (voting)	Class B (non-voting)	
Authorized	160,808	1,339,192	
Issued and outstanding	159,432	348,653	2,540,425
			$ 3,771,125
Capital surplus, per accompanying statement			3,627,518
Earned surplus, per accompanying statement			9,525,628
			$16,924,271
Less—Treasury stock (3 shares of Class A common stock and 740 shares of Class B common stock)			3,715
			$16,920,556

THE WARNER & SWASEY COMPANY
Statement of Financial Condition
Shareholders' Equity—Notes C, E, H and I:

Common stock $1.00 par value: Authorized 1,000,000 shares; issued 847,038 shares in 1955, and 816,635 shares in 1954 (including 9,360 shares in treasury)	$ 837,678
Capital in excess of par value of common stock—Note F	5,079,999
Earnings reinvested in the business (less in 1954, treasury shares—9,360 shares at cost of $108,512)	17,701,536
	$23,619,213

Note C: The loan agreements with the banks and insurance company place certain restrictions on acquisition of shares of Common Stock of the Company and require the Company to maintain working capital of not less than $10,000,000. Such agreements restrict the declaration or payment of dividends to a specified portion of net earnings accumulated since January 1, 1951. At December 31, 1955, the amounts which had been disbursed as dividends were $4,066,987 less than the amounts permitted to be disbursed by such agreements. Notes payable to the banks may carry interest rates of 3¼% to 3¾%; rate in effect at December 31, 1955, is 3¾%. Interest rates on notes payable to insurance company are 3⅞% and 4¼% on $3,000,000 and $2,000,000 principal amounts, respectively.

Note E: The shareholders have reserved for sale to officers and employees, upon such terms and conditions as the Board of Di-

*Refer to Company Appendix Section.

rectors may determine, 137,145 shares of unissued Common Stock in addition to any outstanding shares which may be acquired by the Company pursuant to agreements, some of which grant to the Company or its nominee, and others to the President or his nominee, the right to purchase such shares upon the happening of certain events. At December 31, 1955, 9,360 shares have been so acquired by the Company and an additional 86,545 shares were outstanding subject to such agreements. Such shares may be released by the Board of Directors from this reservation at any time.

Note H: During the year the Board of Directors adopted a Stock Option Plan authorizing the granting to officers and other key employees of the Company or of any of its subsidiaries of options to buy from the Company an aggregate of not more than 40,000 shares of its Common Stock referred to in Note E at prices not less than the fair market value of the shares at the times the respective options are granted. No optionee may exercise the option more than seven years from the date granted. 28,600 shares were under option at the balance sheet date. The option prices were equal to the fair market values and ranged from $19.75 to $21.625 a share ($568,600 in total). No options were exercised during the year.

Note I: Pursuant to provisions of the revised Ohio General Corporation Law under which shares reacquired are excluded in determining stated capital, regardless of whether reacquired before or after the revision of the Law, the accounting for treasury shares has been changed. The effect of this change has been to reduce stated capital by $9,360, capital in excess of par value of Common Stock by $47,132 and earnings reinvested in the business by $52,020 representing the cost of treasury shares, all reacquired in prior years.

WOODALL INDUSTRIES, INC.

Consolidated Statement of Financial Condition

Assets Less Liabilities (Total Capital)	$9,795,444
Represented By:	
Preferred Stock, 5% cumulative convertible, par value $25 a share (66,406 shares authorized and outstanding)	$1,660,150
Common Stock, par value $2 a share (750,000 shares authorized; 400,000 shares issued)	800,000
Paid-in capital in excess of par value of stock	250,024
Accumulated income employed in the business	7,131,975
	$9,842,149
Common Stock in treasury—5,000 shares, at cost	46,705
Total Capital	$9,795,444

Note A: Shares of Preferred Stock are convertible until August 31, 1960, at the option of their holders, into common shares on a share-for-share basis, and 66,406 shares of Common Stock are reserved for this conversion. The Corporation may redeem the preferred shares at any time at par. During the year the Corporation acquired, for retirement, 1,720 shares of Preferred Stock at a purchase cost which was $4,448 below par value. Accumulated income employed in the business in the amount of $356,471 may not be used for cash dividends on Common Stock as long as the Preferred Stock is outstanding.

THE ARO EQUIPMENT CORPORATION

Consolidated Balance Sheet

Stockholders' Equity:

Cumulative preferred stock, $50.00 par value (50,000 shares authorized) 4½% series, authorized and issued 21,900 shares (Note 3)		$1,095,000.00
Common stock, $2.50 par value (1,000,000 shares authorized) 515,500 shares issued (Note 4)		1,288,750.00
Paid-in surplus		2,498,056.56
Earned surplus		2,262,733.41
		$7,144,539.97
Less: Stock held in treasury, at cost:		
544 shares of cumulative preferred stock	$ 26,242.50	
52 shares of common stock	510.04	
		26,752.54
		$7,117,787.43

Note 3: Preferred Stock—The preferred stock is redeemable at any time, at the option of the Company, in whole or in part, at $50.00 per share and accrued dividends, plus a premium of $2.50 per share if redeemed on or before March 1, 1956, and $2.00 per share if redeemed thereafter.

The Company is required, within 120 days after the close of each year, to set aside in a sinking fund for the retirement of the preferred stock, a maximum sum of $45,000.00. However, the amount required to be so set aside need not be in excess of the Company's consolidated net income, less the dividend requirement on the preferred stock for such year. The sinking fund requirement is cumulative, so that if earnings for any year are insufficient to require setting aside the maximum amount, the deficiency shall be set aside in the following year or years in which earnings permit. Preferred stock purchased or redeemed by the Company by the use of monies other than sinking fund cash may, upon retirement thereof, be credited at par value against any sinking fund obligation thereafter arising.

Note 4: Stock Options—Under a plan approved by stockholders in 1953, the Board of Directors may from time to time, subject to certain limitations, grant to officers and other key employees, options to purchase shares of common stock of the Company at prices not less than 95% of the market price on the dates the options are granted. The options are exercisable at any time within five years from the date granted.

No options were granted during the current year and none are outstanding at November 30, 1955; however, 27,700 shares of common stock are reserved for options which may be granted in the future.

(b) From the stockholders' equity section of the balance sheet, with "treasury" stock set forth with, or as a deduction from, issued shares of the same class of capital stock:

GENERAL ALLOYS COMPANY

Balance Sheet

Capital Stock and Surplus (See Notes A, B and C):

Capital Stock:	
Class "A" cumulative 7% preferred stock, par value $10.00 per share:	
Authorized and issued 30,000 shares	$300,000.00
Less 20,900 shares in treasury (including 5,859 shares purchased through preferred stock sinking fund for retirement)	209,000.00
Outstanding 9,100 shares	91,000.00
Common stock of no par value:	
Authorized 350,000 shares, issued 282,408 shares; outstanding, after deducting 1,142 shares in treasury, 281,266 shares	1.00
	$ 91,001.00
Capital Surplus (increased during year by $2,364.15 for common stock issued under stock option agreement and preferred stock exchange offer)	311,669.97
Earned Surplus, per accompanying statement	101,950.01

Note A: Capital Stock and Surplus—Under the company's preferred stock exchange offer, which became effective on November 2, 1953, each outstanding share of Class "A" 7% preferred stock may be exchanged for one $10 par 5% Debenture Bond, Series A and two shares of common stock, plus $1.00 in cash for each share of unstamped preferred stock. At December 31, 1955, 14,530 shares of the preferred stock had been reacquired by the company under this offer and in exchange therefor the company had issued $145,300.00 face amount of 5% Debenture Bonds and 29,060 shares of common stock and paid $3,455.00 in cash. Under the terms of the indenture of the 5% Debenture Bonds, the company has agreed that, so long as any of the debentures are outstanding, it will create and maintain a cash fund, equal to 10% of the "sinking fund earnings" for each year, for the purpose of redemption of the debentures.

Note B: Capital Stock and Surplus—Under the preferred stock provisions, the Class "A" cumulative 7% preferred stock may be redeemed at the option of the company in whole or in part on any dividend date upon fifteen days notice at $11.00 per share and accrued dividends and is entitled to preference in liquidation (whether voluntary or involuntary) of $11.00 per share and accrued dividends. At December 31, 1955, accumulated dividends in arrears amounted to a total of $127,155.00 on the 9,100 shares outstanding, as follows: $12.60 per share on 6,125 shares of stock (stamped) on which unpaid dividends for the years 1931 to 1936, inclusive have been waived and $16.80 per share on 2,975 shares (unstamped).

Note C: Capital Stock and Surplus—During the year 1955 employees purchased 2,210 shares of common stock under the company's stock option agreement. As at December 31, 1955, there were outstanding options issued in 1954 and expiring in 1961, held by officers and certain employees for the purchase of 47,790 shares of the company's common stock for an aggregate consideration of approximately $60,000.

AMERICAN HAIR & FELT COMPANY
Consolidated Statement of Financial Position
Sources from Which the Net Assets Were Derived:

Capital Stock:	
$6 cumulative preferred stock, no par value, stated value $100 per share (noncallable; liquidation preference $100 per share)—	
Authorized 30,000 shares; issued 18,564 shares, less 6,085 treasury shares	$1,247,900
Common stock, $5 par value—	
Authorized 200,000 shares; issued 160,354 shares, less 354 treasury shares	800,000
Paid-In Surplus	11,619
Accumulated Earnings reinvested in the business	3,636,130

To the Stockholders and Directors: Profits and Dividends— . . . The company has continued its policy of acquiring preferred stock from time to time when offered at reasonable prices. During the calendar year 1955 the company acquired 453 shares of preferred stock at a cost of $45,166. It also purchased 54 shares of common stock at a cost of $742.50. The common stock was purchased for the purpose of rounding out the number of outstanding shares of common stock.

NOPCO CHEMICAL COMPANY
Comparative Consolidated Statement of Financial Condition
Capital—Note D:

Preferred stock—authorized 47,000 shares of $100 par value:	
4% cumulative preferred shares—Series A	
Capital contributed for 22,000 shares	$ 2,200,000
Less: In treasury	1,312,300
Outstanding	$ 887,700
Common stock—$2.00 par value—authorized 1,000,000 shares	
Outstanding—492,238 shares	984,476
Capital surplus	2,310,163
Earned surplus	6,521,330
Total Capital	$10,703,669

Note D: Capital—Under the provisions applicable to the 4% Cumulative Preferred Stock, Series A, the Company is required: that out of its earned surplus, it shall set aside as a sinking fund for the retirement of shares of Preferred Stock, Series A, on or before June 1, 1950 and on or before June 1st in each subsequent year, so long as any shares of Preferred Stock, Series A, shall be outstanding, such sum as shall be required for the redemption on said date of 500 shares at the redemption price set forth below:

$103.00 if redeemed after June 1, 1955 and on or before June 1, 1957 and
102.50 if redeemed at any time after June 1, 1957.

In accordance with this provision the Company had retired on or before June 1, 1955, a total of 3,000 shares of Preferred Stock, Series A.

The only limitation on payment of dividends on Common or Preferred Stock is that provided for in the Certificate of Incorporation as amended, with respect to the rights of Preferred Stock, Series A, and is as follows:

Full dividends on Preferred Stock outstanding at the end of the quarterly dividend period shall be paid or provided for before any sum shall be set aside for sinking fund and before any distribution shall be declared, paid upon or set apart for the Common Stock.

So long as any Preferred Stock shall be outstanding the Company shall not declare any dividends on the Common Stock, except dividends payable in shares of its Common Stock, or purchase any shares of its Common Stock, or make any distributions of cash or property, among its holders of Common Stock if after giving effect to any of the above provisions, the aggregate of such dividends, purchases, etc., subsequent to December 31, 1946 shall exceed the corporation's consolidated net earnings subsequent to December 31, 1946 plus the sum of $250,000. At December 31, 1955 approximately $3,276,900 of the earnings retained were free of such restrictions.

On July 1, 1955, Nopco Chemical Company acquired the net assets of Griffin Chemical Company, San Francisco, California in exchange for 8,000 shares of its Common Stock. The Board of Directors valued the 8,000 shares at $35.00 per share, (such value being the fair value in view of pertinent market conditions) and authorized the credit of $2.00 per share ($16,000) to Common Stock and $33 per share ($264,000) to Capital Surplus.

THE PYLE-NATIONAL COMPANY
Balance Sheet
Capital Stock and Surplus:

Preferred, 8% cumulative, $100 par value, noncallable (entitled to 10 votes per share)—	
Authorized and issued 10,000 shares, less 1,179 shares held in treasury	$ 882,100
Common, $5 par value (entitled to 1 vote per share)—	
Authorized 175,000 shares, outstanding 167,992 shares (after deducting 6,008 shares in the treasury)	839,960
Paid-in surplus (decrease in 1955 of $67,446 represents excess of cost over par value of 6,008 shares of common stock purchased for the treasury)	66,853
Earned surplus (per accompanying statement)	2,963,227
	$4,752,140

"Dated" Surplus

In February, 1956, the Committee on Accounting Procedure of The American Institute of Accountants issued Accounting Research Bulletin No. 46—*Discontinuance of Dating Earned Surplus*. The current bulletin refers to Paragraph 10 of Chapter 7 (a), "Quasi-Reorganization or Corporate Readjustment," of Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins* which reads as follows:

> After such a readjustment earned surplus previously accumulated cannot properly be carried forward under that title. A new earned surplus account should be established, dated to show that it runs from the effective date of the readjustment, and this dating should be disclosed in financial statements until such time as the effective date is no longer deemed to possess any special significance.

Bulletin No. 46 now states the belief of the committee that the dating of earned surplus following a quasi-reorganization would rarely, if ever, be of significance after a period of ten years. It also states that there may be exceptional circumstances in which the discontinuance of the dating of earned surplus could be justified at the conclusion of a period less than ten years.

The earliest date still shown in the balance sheets of the survey companies from which the earnings have been accumulated is the year 1925. The following summary discloses that there has been a decrease in the number of survey companies showing "dated" surplus in their reports during the past two years:

TABLE 41: EMPLOYEE STOCK OPTION PLANS

Relationship of Option Price to Market Value at Date of Grant of Option:	1955
Option Price shown as a percentage, which was:	
Not less than 95% of market value (*Co. Nos. 8, 202, 276, 344, 371, 518)	72
Exactly 95% of market value (*Co. Nos. 127, 163, 238, 302, 491, 517)	51
Not less than 85% of market value (*Co. Nos. 27, 178, 382, 440)	8
Exactly 85% of market value (*Co. Nos. 112, 327, 431)	3
	134
Option Price shown in dollar amount only, which was:	
Above market value (*Co. Nos. 72, 226, 490, 513, 542)	5
Equal or approximately equal to market value (*Co. Nos. 1, 26, 153, 162, 305, 570)	39
Below market value (*Co. Nos. 155, 226, 314, 497)	4
Market value not shown or referred to (*Co. Nos. 18, 52, 89, 122, 329, 394)	65
	113
Option Price not shown in either per cent or dollars, but stated to be:	
Equal to market value (*Co. Nos. 209, 249, 319, 521)	4
Below market value (*Co. No. 454)	1
	5
Neither Option Price nor Market Value stated or indicated (*Co. Nos. 58, 97, 165, 232, 289, 571)	19
Total number of plans	271

Number of Companies	1954	1955
Referring to employee stock option plan	209	256
Not referring to employee stock option plan	391	344
	600	600

*Refer to Company Appendix Section.

Date from Which Earnings Accumulated	Balance Sheets for: 1955*	1954
1925-1927	1	1
1928-1930	1	1
1931-1933	6	6
1934-1936	7	11
1937-1939	6	13
1940-1942	4	4
1943-1945	4	4
1946-1948	1	1
1949-1951	1	1
1952-1954	1	1
	32	43

*Refer to Company Appendix Nos. 17, 21, 86, 112, 121, 134, 180, 185, 192, 237, 249, 264, 271, 281, 304, 322, 358, 377, 389, 392, 397, 398, 422, 452, 485, 514, 516, 530, 561, 563, 564, 582.

STOCK OPTION AND STOCK PURCHASE PLANS

STOCK OPTION PLANS

The 1955 reports of the survey companies show an increase in the number of companies having employee stock option plans. Table 41 reveals that there were 256 survey companies that referred to such plans in their 1955 annual reports, as compared with 209 companies in 1954.

Stock option plans were adopted in 1955 by 44 survey companies (*Co. Nos. 12, 24, 33, 41, 51, 93, 117, 183, 200, 229, 274, 279, 305, 333, 362, 371, 400, 447, 480, 514) and were mentioned for the first time by three companies (*Co. Nos. 173, 186, 196). Several plans were amended or extended (*Co. Nos. 103, 127, 261, 313, 320).

In the annual reports which included discussions of employee stock plans, the following types of information were frequently given:

(a) Date of granting of options.
(b) Number of employees or classes of employees to whom options were granted.
(c) Number of shares reserved to cover employee stock options and number of shares, if any, for which options have been granted.
(d) Option price and relation of option price to market value of the stock at date of granting of option.
(e) Length of option period and provisions as to prior termination by retirement, death, etc., of employees.
(f) Accounting treatment of certain transactions pertaining to employee stock options.

The following examples, selected from 1955 annual reports, illustrate the disclosure of various types of information concerning employee stock options (Plans which resulted in entries to surplus accounts during 1955 are presented extensively in Section 4 under "Employee Stock Plans"):

DAN RIVER MILLS, INCORPORATED
Notes to Consolidated Financial Statements

Note 3: Capital Stock— . . . (c) On September 8, 1955 the stockholders approved an Incentive Stock Option Plan for Employees which provides for the granting of options not exceeding in the aggregate 150,000 shares of Common Stock with the stipulation that no one employee may be granted an option for more than 20,000 shares. The term of any option granted under the Plan may not exceed seven years, the option price may not be less than 95% of the fair market value of the stock on the date the option is granted and, generally, the individual must agree to remain in the employment of the Corporation for at least two years after the option is granted. As of December 31, 1955, there were outstanding options under the Plan with certain officers and employees to purchase 77,000 shares, of which 74,500 shares were granted in October, 1955 and 2,500 shares in November, 1955 at prices of $14.15 and $13.78 per share, respectively. The aggregate option price for the optioned shares at the dates the options were granted amounted to $1,088,625, in comparison with an aggregate fair market value of approximately $1,145,500 at the same dates. No options were exercised during the current period. No accounting is made for options until they are exercised, at which time the aggregate option price will be credited to common stock and capital surplus accounts.

FANSTEEL METALLURGICAL CORPORATION
Consolidated Balance Sheet

Note 5: Stock Option Plan—On October 27, 1955 the Board of Directors adopted a "restricted" stock option plan to become effective January 2, 1956, subject to approval by the stockholders at the forthcoming annual meeting to be held in May, 1956. Under the plan, options to purchase an aggregate of 35,000 shares may be granted to a total of 35 officers and key employees. The option price is established at 95% of the market price on the date of granting.

*Refer to Company Appendix Section.

Options to purchase 21,500 shares at $33.13 were granted to 13 executives on January 3, 1956 and options for the remaining shares may be granted until May 1, 1960. Each option granted will continue in force for not more than ten years. It is contemplated that each option will become exercisable in equal annual instalments over its term.

THE HOOVER COMPANY
Notes to Consolidated Financial Statements

Note C: Certain officers and key employees exercised options during 1955 to purchase 2,444 Class A shares and 611 Class B shares at $14.50 a share, and 1,840 Class A shares and 460 Class B shares at $17.50 a share. No new options were granted during 1955. At December 31, 1955, options on 562 Class A shares and 140 Class B shares at $14.50 a share, and 400 Class A shares and 100 Class B at $17.50 a share had not been exercised. The authorized but unissued shares at that date included 23,282 Class A shares and 5,820 Class B shares which have been released from preemptive rights under the share option plan.

MEAD JOHNSON & COMPANY
Notes to Financial Statements

Note C: The Company has an Employees Restricted Stock Option Plan through which officers and key employees (holders of 10% or more of the outstanding voting stock are ineligible) have an opportunity to purchase Common Stock of the Company, not to exceed 100,000 shares, at not less than 95% of the market price at the time the options are granted. Options are exercisable in four installments at two year intervals, commencing two years from the date on which such options are granted. As of December 31, 1955, options were in effect for 37,000 shares at $14.19 a share, 8,500 shares at $17.34 a share, 28,000 shares at $20.19 a share, 4,500 shares at $21.375 a share, and 2,000 shares at $24.58 a share. Options for 10,250 shares at $14.19 a share became exercisable December 17, 1955, of which 4,000 shares were exercised. The excess of $52,760 of the purchase price over par value was credited to Paid-In Surplus.

In addition to the foregoing, the Company adopted in 1955 an Employees Restricted Stock Option Plan "B" through which all regular employees, except men over sixty and women over fifty-five years of age, and those eligible or specifically excluded under the Plan above, would have an opportunity to purchase Common Stock of the Company, not to exceed 150,000 shares, at not less than 95% of the market price at the time the options are granted. Options are to be purchased through payroll deductions over a period of approximately eight years and are exercisable in four installments at two year intervals from the date on which the options are granted. As of December 31, 1955, options were in effect for 70,266 shares at $23.40 a share. No part of the options will become exercisable until May 16, 1957.

VIRGINIA-CAROLINA CHEMICAL CORPORATION
Comparative Balance Sheet
Other Assets:

Miscellaneous notes and accounts receivable, etc. (including in 1955, $52,183 due from officers under Stock Option Plan—Note D)	$54,203

Note D: Of the 750,000 shares of authorized Common Stock as at June 30, 1955, 34,500 are reserved for issuance under the terms of a Stock Option Plan, for which options for the purchase of 24,500 shares were outstanding at that date. The Corporation is holding 3,000 shares of its Common Stock as collateral for payment of $52,183 due from officers which represents the unpaid balance (including interest thereon) of the option price of the 10,500 shares of Common Stock issued during the year under the plan.

Capital Surplus was increased during the year ended June 30, 1955 by the option price of $207,250 upon issuance of 10,500 shares of Common Stock under the Stock Option Plan.

STOCK PURCHASE PLANS

There were 42 survey companies that indicated in their 1955 annual reports the existence of various employee stock purchase plans. The information contained in the annual reports of the survey companies for 1955 and 1954 concerning the determination under these plans of the subscription price and its relation to the market value of the stock is summarized in Table 42.

Although there is an apparent decrease in the number of companies mentioning stock "purchase" plans it appears that stock "option" plans are being substituted for so-called "purchase" plans.

The following examples from 1955 annual reports illustrate the information given with regard to employee stock purchase plans (Plans which resulted in entries to the surplus accounts during 1955 are presented extensively in Section 4 under "Employee Stock Plans"):

MULLINS MANUFACTURING COMPANY
Notes to Financial Statements

At a special meeting held on January 27, 1956, the stockholders adopted an Agreement of Merger and authorized the filing of a Certificate of Consolidation providing for the merger of Mullins Manufacturing Corporation into American Radiator & Standard Sanitary Corporation. Such merger became effective on January 30, 1956.

Note A: Amounts totaling $855,333.73 due from officers and employees represent the balances unpaid as at December 31, 1955 of the purchase price of shares of Common Stock sold by the Corporation in 1952 under employees stock purchase agreements. As collateral for these balances the Corporation held 55,995 shares of its Common Stock. During the year 1955, 3,365 shares were repurchased under these agreements. Sales of shares under these stock purchase agreements resulted in the creation of Capital Surplus in the amount of $1,690,197.50 representing the excess of the sales price over the par value of the shares sold. In connection with the merger of the Corporation into American Radiator & Standard Sanitary Corporation, the Corporation, in January 1956, offered to each of the employees who are parties to these stock purchase agreements an alternative, either to cancel his agreement and substitute a promissory note and pledge agreement therefor or to cancel the agreement under provisions whereby the Corporation would apply all amounts paid by the employee or credited to his account in full payment for the largest number of shares that could be fully paid for at the original selling price of $25⅛ per share by application of such amounts and would repurchase the balance of the shares by canceling the employee's obligation to make further payments. As a result, the Corporation received non-interest-bearing promissory notes, payable in annual installments, in an amount of $703,049.01 collateralized by 46,405 shares of Common Stock. Certain officers and employees cancelled stock purchase agreements, as a result of which the Corporation repurchased 3,542 shares of stock and cancelled obligations amounting to $88,903.27 applicable to such cancelled agreements.

TABLE 42: EMPLOYEE STOCK PURCHASE PLANS

Determination of Subscription Price and Relationship to Market Value	1955	1954
Subscription price shown as a percentage, which was not less than 75% of market value at subscription date (*Co. Nos. 239, 551)	2	4
Subscription price shown in dollar amount only, and price set—		
At time stock offered for subscription (*Co. Nos. 8, 30, 95, 414, 480)	5	3
Not determinable from annual report (*Co. Nos. 87, 351, 397, 451, 527)	5	6
Subscription price not shown, but stated to be equal to market—		
At time stock offered for subscription (*Co. No. 319)	1	1
At time employee subscribed for stock (*Co. No. 271)	1	1
Neither subscription price nor market value stated or indicated (*Co. Nos. 98, 104, 147, 236, 484, 526)	28	43
Number of Companies With		
Employee stock purchase plan	42	58
No employee stock purchase plan	558	542
	600	600

*Refer to Company Appendix Section.

GENERAL GAS CORPORATION
Notes to Financial Statements

Note 6: On November 1, 1955, the Board of Directors authorized a restricted stock option plan for certain officers and key employees. Of the 50,000 shares of common stock reserved under the plan, options to purchase 41,100 shares at $18 a share were granted to officials and employees in November 1955, exercisable under certain conditions during a period of 10 years from date of grant of option.

The Board of Directors has also approved an employee stock purchase plan, the details of which have not yet been completed, and for which a maximum of 75,000 shares of authorized but unissued common stock was allotted on January 30, 1956.

At a meeting held January 30, 1956, the Board of Directors approved for submission to the shareholders at their annual meeting, a plan to change the present authorized stock of the Company from 1,000,000 shares of par value $5 each to 2,000,000 shares of par value $2.50 each, which would result in a 2 for 1 split.

The President's Message: The Corporate Family— . . . The Board of Directors approved in January 1956, subject to ratification by the stockholders, an employee stock purchase plan making available a maximum of 75,000 shares of authorized common stock to the employees of the Company and its subsidiaries. Under the plan, an employee may purchase shares by investing up to 8% of his annual earnings. Purchase price of the stock is at 95% of the stock's market value; and, in addition, at the close of the year from the date the employee signs his purchase agreement, the employee is entitled to buy at the stock's par value one additional share for each 4 shares he purchased during the year and is still holding.

In addition to the employee stock purchase plan, the Board of Directors has granted to key employees and executives restricted purchase options on a total of 41,100 shares of authorized but unissued common stock. The options may be exercised on a graduated basis over a ten-year period at $18 per share, equal to 95 per cent of the common stock's market value on November 21, 1955, the effective date of the plan.

JOHNS-MANVILLE CORPORATION
Notes to Financial Statements

Note 8: Common stock is without par value. 4,500,000 shares are authorized of which 3,202,063 have been issued and are outstanding.

The Board of Directors has decided to propose to the stockholders at the Annual Meeting that the common stock be split two shares for one and the authorized shares increased from 4,500,000 of no par value to 25,000,000 of $5 par value.

69,658 shares are reserved in connection with the employees' stock purchase plan. This plan, approved in 1949, permits eligible employees to purchase a limited number of shares of the Company's common stock at market price prevailing at time of purchase, to be paid for within ten years. Shares are issued and held by a trustee as security for unpaid amounts. At December 31, 1955 the trustee held 44,886 shares issued under the plan.

125,000 shares are reserved in connection with the incentive stock option plan. This plan, approved by stockholders in 1954, permits key employees, including officers and directors who are full-time employees of the Company or its subsidiaries, to purchase shares at the fair market value thereof on the date the option is granted. Options may be exercised only after two years of continuous employment by the Company or its subsidiaries after the date of the grant of the option. In 1954 options were granted on 46,150 shares of stock at $75.50 per share. Additional options were granted in 1955 on 9,400 shares at $83.75 per share.

THE NEW YORK CENTRAL RAILROAD COMPANY
Notes to Financial Statements

Note F: Stock Purchase Plan—Of the unissued capital stock 256,964 shares are reserved for sale to employees and 320,000 shares are reserved for sale to officers and key employees under a stock purchase plan. Under the terms of the plan 63,012 shares were sold to employees, payable on an installment basis and certain officers and key employees were granted restricted stock options to purchase 134,400 shares at various intervals over a period of from two to ten years from the date of the grants (none exercisable before October 20, 1956) at a price per share of $19⅞ for 32,000 shares and between $49⅜ and $43⅝ for the remainder; the market price at the dates of the grants. Properties and capital funds include $2,628,671 of unpaid installments on stock sold to employees.

WINN & LOVETT GROCERY COMPANY
Notes to Consolidated Financial Statements

Note 5: Employee Stock Purchase Plan—Under an employee stock purchase plan adopted in 1952 and amended in 1954, 15,764 shares of the parent company's common stock were sold during the current year at a price equal to 95% of the last reported sales price on the New York Stock Exchange during the calendar month immediately preceding the purchase. At June 25, 1955, 24,236 shares were reserved for sales under the plan.

CONTINGENT LIABILITIES

The principal types of contingent liabilities disclosed by the survey companies in their 1955 reports were those existing in connection with contract renegotiation or price determination (discussed in this section under *U. S. Government Contracts*), resulting from long-term lease commitments, (refer to Table 17 this section), existing in connection with litigation, arising out of guarantees, or attributable to the construction or acquisition of fixed assets. In most cases the disclosure by the survey companies of information regarding contingent liabilities was made in footnotes to the financial statements. Some companies, however, described the contingency in the letter to the stockholders, and others presented the contingent liability, with no dollar amount, within the balance sheet.

Table 43 indicates the various types of contingent liabilities shown by the 440 survey companies referring to such liabilities in their 1955 reports (but does not include those concerning contract renegotiation and price redetermination or long-term lease commitments).

EXAMPLES OF CONTINGENT LIABILITIES

The extent of the information disclosed as to contingent liabilities and the manner of presentation are illustrated in the following examples selected from the 1955 reports:

Guarantees

AMERICAN BROADCASTING-PARAMOUNT THEATRES, INC.
Notes to Financial Statements:

Note F: Contingent Liabilities—Guaranty of notes of an affiliated company, principal amount $50,000.

For indemnities given in connection with transactions consummated in the rearrangement of theatre assets, for additional Federal income taxes and for pending litigation, including anti-trust suits, to many of which a predecessor company, Paramount Pictures Inc., and other major motion picture companies are defendants (amount not determinable).

Under the Plan of Reorganization of Paramount Pictures Inc., United Paramount Theatres, Inc. (now American Broadcasting-Paramount Theatres, Inc.) assumed 50% of the expense and liability incurred in connection with anti-trust litigation where distribution and exhibition are involved and which is based upon occurrences prior to the dissolution of Paramount Pictures Inc., whether or not the litigation is commenced after such dissolution and whether or not the litigation is commenced against Paramount Pictures Inc., Paramount Pictures Corporation, United Paramount Theatres, Inc. (now American Broadcasting-Paramount Theatres, Inc.), or any subsidiary of them.

FRUEHAUF TRAILER COMPANY
Consolidated Balance Sheet
Liabilities and Shareholders Investment:
Commitments and Contingent Liabilities (Notes B and C)

Note B: Long-term Leases—The Company is lessee under long-term leases (25 to 35 years) for 39 sales and service branches and one manufacturing plant. The Company has the right to purchase the properties after certain specified periods (generally five years from the date of the lease). The rental payments in most cases and purchase prices in all cases decline gradually over the terms of the leases. The annual rentals on such properties will amount to $687,658 in 1956, exclusive of taxes, insurance, maintenance, and repairs which are also payable by the Company. If all of the rights to purchase were presently exercisable, the aggregate purchase price would amount to approximately $9,335,000.

In addition, the Company is lessee under 17 leases having terms extending more than three years (but not more than 10 years) from December 31, 1955. The maximum annual rental requirements thereunder aggregate $159,830.

The Company has guaranteed the performance of four long-term leases of Fruehauf Trailer Company of Canada Limited (subsidiary not consolidated) for a factory location and three factory sales and service branches. The rentals for the year ending December 31, 1956, will amount to $88,121.

Note C: Other Guarantees—In connection with the reorganization and combination of a group of freight trucking companies Fruehauf has guaranteed bank loans of $1,100,000 and holds notes of $498,974 which are subordinate to the bank loans, and nonvoting 5% Preferred Stock of $500,000. The reorganized company is also indebted to Fruehauf Trailer Finance Company on installment equipment notes for the purchase of new trailers in the approximate amount of $4,775,000.

Fruehauf Trailer Company has also guaranteed bank loans to its subsidiary in Brazil in the approximate amount of $160,000.

Litigation

BURLINGTON INDUSTRIES
Consolidated Balance Sheet
Contingent liabilities and commitments (Note E)

Note E: Contingent Liabilities and Other Matters—(1) The financial statements are subject to the final determination of Federal, foreign and state taxes by the taxing authorities. Federal income tax returns of the Corporation and substantially all of its domestic subsidiaries have been examined by the Internal Revenue Service through their fiscal years ended in 1952, and the tax liabilities resulting therefrom have been paid or provisions made therefor in the accompanying financial statements.

(2) A subsidiary company has guaranteed, in connection with the sale of mill village properties to third parties, the payment of mortgage notes and interest thereon to the extent of amounts due during a ten year period. The unpaid principal on these notes amounted to approximately $619,000 at October 1, 1955.

(3) The Corporation is defendant in a stockholders' derivative suit brought against it and its subsidiaries, Pacific Mills and Ely & Walker Dry Goods Company, and others by certain plaintiffs owning an aggregate of less than 1/5 of 1% of the stock of Pacific Mills, alleging, among other things, that the acquisition by the Corporation of stock of Pacific Mills violated the Federal Antitrust laws. Plaintiffs seek, among other things, treble damages of an undisclosed amount and that the Corporation be directed to dispose of its stock in Pacific Mills. The complaint has been answered denying any unlawful conduct or liability, and the Corporation has asserted a counterclaim against the plaintiffs for libel. It is the opinion of the Management of the Corporation that the complaint is without merit.

The Corporation and its subsidiaries had at the balance sheet date other sundry claims, suits, etc., pending against them and certain guarantees all of which were incident to the ordinary course of business. It is impossible to state the ultimate liability in these matters but, in the opinion of Management, adequate provision has been made therefor in the accounts.

(4) Commitments for additions to fixed assets and other capital items amounted to approximately $15,500,000 at October 1, 1955.

THE UNITED PIECE DYE WORKS
Notes to Financial Statements

Note 7: Contingent Liabilities—The Corporation is contingently liable in connection with a pending lawsuit in the ordinary course of business, in connection with which the Corporation denies liability. The maximum amount claimed is not in excess of $150,000.

In January, 1956, the Corporation has guaranteed payment of a promissory note, in amount of $121,000, issued by the Hi-Lux Tape Corporation, a two-thirds owned subsidiary, to the Wachovia Bank and Trust Company. The Corporation has acquired $127,000 face amount United States Treasury Certificates of Indebtedness which have been deposited with the bank as collateral under this guarantee.

Agreement with Employees

PHILADELPHIA AND READING CORPORATION
Notes to Financial Statements

Note 8: In the event of default by the purchaser of a slush bank under a secured loan agreement with a Philadelphia banking institution in the payment of a loan (presently reduced to $484,880 from an original amount of $800,000), the Corporation is committed at the option of the bank to purchase the bank's position.

The Corporation is contingently liable for the refund of approximately $150,000 to an operator-lessee. It is the opinion of officials of the Corporation that no refund will be required.

Note 9: The Corporation has employment contracts with three officers for a term of five years ending December 31, 1959, terminable under certain conditions at December 31, 1957, at the option of the Corporation or the officers. These contracts provide for aggregate annual minimum salaries of $95,000. Employment contracts have also been entered into with other officers, which contracts became effective January 1, 1956 or subsequent thereto, for varying terms and at stipulated minimum salaries. These contracts are terminable under certain conditions and the aggregate amounts being paid thereunder as of the date of this report are at an annual rate of $115,000.

Certain subsidiaries have entered into employment contracts with an officer of each at minimum aggregate annual salaries of $125,000, plus, in the case of one officer, additional compensation contingent upon profits but (as to such compensation) not in excess of $500,000 over a five-year period. These contracts are for varying periods and are terminable under certain conditions as stated in the agreements.

TABLE 43: CONTINGENT LIABILITIES

Nature of Contingency	1955
Accounts or notes receivable sold (*Co. Nos. 109, 132, 218, 305)	15
Agreement to purchase stocks or bonds (*Co. Nos. 92, 444, 455)	5
Agreements—investments (*Co. Nos. 238, 361)	2
Agreements—as to employees (*Co. Nos. 12, 18, 26, 43)	36
Agreements with affiliated and subsidiary companies (*Co. Nos. 329, 508)	2
Bonds and mortgages of subsidiary companies (*Co. No. 344)	1
Commitments for acquisition of fixed assets (*Co. Nos. 8, 130, 276, 405)	25
Commitments for acquisition of inventory (*Co. Nos. 81, 206, 450, 483)	12
Commitments for construction of fixed assets (*Co. Nos. 31, 32, 175, 500)	24
Commitments for disposal of fixed assets, sale, etc. (*Co. Nos. 73, 400)	5
"Purchase" commitments (*Co. Nos. 17, 46, 265, 355)	10
Repurchase commitments (*Co. Nos. 197, 251, 396)	6
Contracts (*Co. Nos. 87, 297, 552, 569)	18
Dividend arrearages (*Co. Nos. 326, 499, 519)	3
Guarantees re affiliated and associated companies (*Co. Nos. 50, 57, 102, 220)	18
Guarantees re subsidiary companies (*Co. Nos. 63, 147, 153, 446)	48
Guarantees—other (*Co. Nos. 205, 224, 251, 293)	28
International Wheat Agreement (*Co. No. 449)	1
Letters of credit (*Co. No. 563)	1
Liquor in bond (*Co. Nos. 123, 430, 493, 521)	5
Litigation—Government (*Co. Nos. 10, 141, 449, 549)	27
Litigation—Non-government (*Co. Nos. 134, 329, 411, 445)	53
Litigation—not identified (*Co. Nos. 151, 237, 245, 463)	23
Minority interest in subsidiary company (*Co. No. 139)	1
Provisional payment of long-term debt (*Co. No. 490)	1
Sinking fund requirement (*Co. Nos. 499, 506)	2
Taxes (*Co. Nos. 120, 437, 451, 495)	24
Total	**396
Number of Companies	
Referring to contingent liabilities	383
Not referring to contingent liabilities	217
	600

* Refer to Company Appendix Section.
**Does not include contingent liabilities existing in connection with contract renegotiation and price redetermination (See Table 8) or long-term lease commitments (See Table 17).

Contracts

MORRISON-KNUDSEN COMPANY, INC.
Consolidated Balance Sheet
Contingent Liabilities:

Guarantees of loans to affiliated companies:	
Limit of guarantee	$ 16,063,243
Outstanding	8,106,021
Notes receivable discounted	2,095,755
Other contingent liabilities (Notes 3 and 4)	

Note 3: Other Contingent Liabilities—Contingencies, undeterminable in amount, include the usual liability of contractors for completion of contracts, and possible liability in joint venture participations and in connection with performance and indemnity bonds of subsidiaries.

Note 4: Renegotiation of Government Contracts—No provision has been made in the accompanying financial statements for possible refunds on government contracts under the provisions of the Renegotiation Act of 1951. It is believed that refunds, if any, under this Act will not have a material effect on the financial position as of December 31, 1955, or on the results of operations for the year then ended.

Repurchase Agreements

IRONRITE, INC.
Consolidated Balance Sheet
Contingent Liability:

Under repurchase agreements covering paper discounted by dealers and distributors—approximately	$110,000

Miscellaneous

GULF OIL CORPORATION
Notes to Financial Statements

Commitments and Contingent Liabilities—
The companies have commitments in the ordinary course of business for the acquisition or construction of fixed assets, for the purchase of materials, supplies, and services, and for long-term leases for real property and long-term charters for tankers which in the opinion of the officers are not significant in relation to the net assets of the companies.

The Corporation and consolidated subsidiaries were contingently liable for guarantees of loans payable by a subsidiary company not consolidated, associated companies, owners of service stations and others. Although the amounts of these guarantees are substantial, in the opinion of officers of the Corporation no losses of any consequence will result.

PENN FRUIT CO., INC.
Consolidated Balance Sheet
Long-Term Leases and Commitments (Notes 7 and 11)

Note 7: Long-Term Leases and Commitments—The Company had 48 leases on properties in use, expiring more than three years after August 27, 1955. Such leases call for minimum aggregate annual rentals totaling $1,684,157, of which about 13% relate to leases expiring within 15 years and the remainder relate to leases expiring from 15 to 30 years, with the exception of one lease expiring in 99 years.

The Company has entered into additional long-term leases covering 17 proposed supermarkets and a production building, which provide for minimum aggregate annual rentals of $848,806.

The sum of $342,228 in aggregate rent on leases of transportation equipment was payable in quarterly installments of varying amounts through January 26, 1959. The leases contain options to purchase the equipment at prices declining in proportion to rentals paid.

The sum of $548,254 in aggregate rent on leases of automatic sprinklers and other store equipment was payable monthly in annual rentals of $78,058 at various dates extending through November 14, 1964. In addition, the sum of $167,932 in aggregate rent on leases of automatic sprinkler equipment for five supermarkets not completed at August 27, 1955 was payable monthly in annual rentals of $20,387 at dates extending through July 19, 1965. The leases are subject to renewal at the option of the Company at nominal rentals.

The Company has entered into leases with others for five new supermarkets and for three store buildings in two new shopping centers, for which construction contracts have been let to contractors who have furnished surety bonds for performance of their obligations, and there exist firm contracts for permanent financing upon completion. In these cases, the Company has agreed with the financial institutions furnishing the construction money that if the construction is not completed by such builders, it will complete or cause the surety companies or others to complete all necessary construction, and, in three cases has guaranteed repayment of the construction loan. The aggregate amount required to fulfill these commitments is $2,941,406. In addition, the Company has leased two other sites under the terms of which leases the Company has agreed that it will build or cause to be built on such sites stores at a cost of not less than $350,000 at one location and not less than $850,000 at the other, of which latter sum the builder, Dunn Field, Inc., at August 27, 1955, has expended $484,171.

Note 11: Disability and Death Benefits—The Company has entered into contracts with its six senior officers, granting certain benefits in the event of the disability or death of any of them. They will be entitled to be paid at the full rate of their respective salaries in effect at the time, for a maximum of three years following disability; and in case of the death of any of them, his surviving widow will be entitled to receive benefits equal to one-half the deceased husband's salary for three years following such death. For the fiscal year 1955, the sum of $11,719 has been set aside as a reserve for these purposes.

CONSOLIDATION OF SUBSIDIARIES

There is no uniform procedure followed by the survey companies with regard to the amount of disclosure given to the basis of inclusion or exclusion of the accounts of subsidiary companies in consolidation.

In general, relatively few companies provide detailed information concerning the basis used in the consolidation of their financial statements. In some annual reports the names of subsidiaries are omitted, or referred to merely as "subsidiaries," "domestic subsidiaries," or "foreign subsidiaries."

In most instances the basis of consolidation is *indicated* rather than *stated*; usually the basis of consolidation can be determined only by observing the nature of the *unconsolidated* subsidiaries or the fact that there is no investment in unconsolidated subsidiaries.

The Research Department of the American Institute of Accountants, in August, 1956, published a *Survey of Consolidated Financial Statement Practices,* based upon replies to questionnaires sent to approximately 400 of the survey companies included in this study (*Accounting Trends and Techniques*). The separate study of consolidation practices provides more information than is available in an examination of the annual reports alone.

There is provided in Table 44 a summary of the various bases of consolidation of domestic and foreign subsidiaries as disclosed by the survey companies in their annual reports.

Reference to Companies Included in Table 44

Refer to Company Appendix Section—1: Co. Nos. 41, 187, 248, 267, 313, 326, 420, 568; 2: Co. Nos. 51, 86, 142, 262; 3: Co. Nos. 71, 303, 558; 4: Co. Nos. 17, 193, 198, 537; 5: Co. Nos. 338, 378; 6: Co. No. 504; 7: Co. Nos. 176, 181, 493; 8: Co. Nos. 1, 448, 463; 9: Co. Nos. 195, 320, 520, 593; 10: Co. Nos. 27, 289, 294, 387, 521; 11: Co. No. 503; 12: Co. Nos. 494, 518; 13: Co. No. 333; 14: Co. No. 542; 15: Co. Nos. 309, 401, 547; 16: Co. Nos. 4, 211, 383, 386, 480, 522; 17: Co. Nos. 409, 485; 18: Co. Nos. 276, 335, 538; 19: Co. Nos. 324, 329, 429, 551; 20: Co. Nos. 254, 281, 553, 597; 21: Co. Nos. 129, 252, 497; 22: Co. Nos. 241, 406, 462; 23: Co. Nos. 62, 259; 24: Co. Nos. 69, 102, 563; 25: Co. Nos. 103, 169, 332; 26: Co. Nos. 405, 486; 27: Co. Nos. 446; 28: Co. Nos. 55, 314, 525, 533; 29: Co. Nos. 89, 144, 192, 238, 408, 475; 30: Co. Nos. 134, 240, 257, 287, 362, 377, 506, 467; 31: Co. Nos. 6, 451, 594; 32: Co. Nos. 39, 178; 33: Co. No. 584; 34: Co. Nos. 85, 92, 137, 244, 438; 35(a): Co. Nos. 68, 173, 214; 35(b): Co. Nos. 70, 347, 424, 541, 545; 35(c): Co. Nos. 153, 535, 582; 35(d): Co. Nos. 197, 363.

TABLE 44: CONSOLIDATION OF SUBSIDIARY COMPANIES

Consolidation Policy	Location of Subsidiaries: Domestic Only	Domestic and Foreign	Foreign Only	Not Indicated	1955 Total Companies
1. Fully Consolidated Financial Statements	127	95	8	21	251
Partially Consolidated Financial Statements—					
Companies having domestic subsidiaries only:					
2. Wholly-owned, active subsidiaries consolidated	9	—	—	—	9
3. Significant, principal, and active subsidiaries included	4	—	—	—	4
4. All subsidiaries consolidated except those with non-homogeneous operations	6	—	—	—	6
5. All majority-owned subsidiaries consolidated except those with non-homogeneous operations	2	—	—	—	2
6. Inclusion based upon fixed percentage of ownership	2	—	—	—	2
7. Other basis stated	3	—	—	—	3
8. Basis not indicated	5	—	—	—	5
Companies having domestic and foreign subsidiaries:					
All domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (67 companies):					
9. Exclusion of all	—	32	—	—	32
10. Exclusion based upon geographic location	—	11	—	—	11
11. Exclusion based upon geographic location *plus* other factor(s) of operation, ownership, significance, etc.	—	1	—	—	1
12. Inclusion based upon fixed percentage of ownership	—	5	—	—	5
13. Inclusion of wholly-owned	—	1	—	—	1
14. Exclusion based upon other stated basis	—	1	—	—	1
15. Basis not indicated	—	16	—	—	16
Wholly-owned, active domestic subsidiaries consolidated, with following treatment of foreign subsidiaries:					
16. Inclusion of all wholly-owned and active	—	24	—	—	24
17. Exclusion of all	—	6	—	—	6
18. Exclusion based upon geographic location	—	3	—	—	3
19. Exclusion based upon geographic location *plus* other factor(s) of operation, ownership, significance, etc.	—	4	—	—	4
All domestic subsidiaries consolidated except those with non-homogeneous operations, with following treatment of foreign subsidiaries (13 companies):					
20. Inclusion of all	—	5	—	—	5
21. Exclusion of all	—	3	—	—	3
22. Exclusion based upon geographic location	—	3	—	—	3
23. Basis not indicated	—	2	—	—	2
24. Significant and homogeneous domestic subsidiaries consolidated; some foreign subsidiaries excluded on basis of geographic location	—	3	—	—	3
25. Others with foreign subsidiaries excluded on basis of geographic location	—	3	—	—	3
26. All foreign subsidiaries included; some domestic subsidiaries excluded because of factor(s) of operation, ownership, significance, etc.	—	2	—	—	2
27. Majority-owned and homogeneous domestic subsidiaries consolidated; all foreign subsidiaries excluded	—	1	—	—	1
28. All subsidiaries based on fixed percentage of ownership	—	4	—	—	4
29. Significant, principal and active subsidiaries included	—	7	—	—	7
30. Basis not indicated	—	25	—	—	25
Companies having only foreign subsidiaries:					
31. Exclusion based upon geographic location	—	—	4	—	4
32. Exclusion based upon geographic location *plus* factor(s) of operation, ownership, significance, etc.	—	—	2	—	2
33. Basis not indicated	—	—	1	—	1
34. *Location of subsidiaries not determinable*	—	—	—	10	10
Total companies having consolidated subsidiaries	158	257	15	31	461
35. Unconsolidated Financial Statements	(a) 13	(b) 12	(c) 10	(d) 3	38
Total companies having subsidiaries	171	269	25	34	469
Companies having no subsidiaries					101
					600

Examples

The scope and nature of the information disclosed in the 1955 annual reports concerning the consolidation of domestic and foreign subsidiaries is illustrated by the following selected examples:

THE ANACONDA COMPANY
Notes to Financial Statements

Note A: Basis of Consolidation—The consolidated financial statements include the accounts of all significant subsidiaries in which the stock interest of the Company is 75% or more.

Note B: Assets and Income in Foreign Countries—Approximately forty-seven per cent of the net amount of property, plant and equipment, investments and deferred charges, less reserves, shown on the Consolidated Balance Sheet and approximately twenty-four per cent of the net current assets (including cash balances of $2,579,270) are located in South America and Mexico.

The greater part of the assets in South America and Mexico were acquired for United States dollars (see note G as to basis for property, plant and equipment), those acquired for foreign currency, not significant in amount, being converted at rates of exchange current at the dates of acquisition. The assets of the Canadian subsidiary have been included at par.

Consolidated net income includes $36,596,659 as The Anaconda Company's proportion of the income of subsidiaries operating in South America and Mexico, substantially all of which has been received in United States funds.

Note C: Equity in Assets and Income of Principal Unconsolidated Subsidiary—The investment of the parent company in its principal unconsolidated subsidiary (Anaconda Wire and Cable Company) is included in the Consolidated Balance Sheet at $23,613,878 less than the Company's equity in the net assets of this subsidiary as shown by its books.

The Company's proportion of the net earnings of such subsidiary amounted to $4,955,076. Dividends received amounting to $2,533,400 are included in the Statement of Consolidated Income.

Note F: Investments—Basis of Valuation—Investments in securities of unconsolidated subsidiaries and other investments are included in the Consolidated Balance Sheet at cost or less. Other investments include 333,000 shares of Inspiration Consolidated Copper Company, carried at $6,252,108.

Investments carried on this basis do not indicate current values which could be determined only by current appraisals.

THE BORDEN COMPANY
Notes to Financial Statements

Note 1: Basis of Consolidation, etc.—The financial statements include all Canadian operating subsidiaries and all domestic subsidiaries except one whose operations are not integrated with those of the Company. In consolidating the accounts of Canadian operating subsidiaries, liabilities and income were converted at parity of exchange.

The Company's equity (approximately $4,100,000 for 1955 and $3,450,000 for 1954) in the net income of the unconsolidated subsidiaries is included in Other Income only to the extent of dividends received (in 1955—$600,000; in 1954—None). The Company's equity in the net tangible assets of these unconsolidated subsidiaries at December 31, 1955, as shown by their books, is approximately $13,800,000 more than its investments in these subsidiaries.

BURROUGHS CORPORATION
Notes to Financial Statements

Note 1: Subsidiary Companies and Principles of Consolidation—For the first time since 1947, the accounts of all subsidiaries operating in foreign countries have been completely consolidated with those of the Company in the accompanying financial statements. This change was made to give recognition to the improving economic situation in areas in which the subsidiary companies operate and to the relaxing of foreign exchange restrictions. For purpose of comparison, the accounts for 1954 have been restated to give effect to this change.

The net income for 1955 of the subsidiaries operating in foreign countries other than Canada was $5,226,238, and the dividends paid to the Company by these subsidiaries in 1955 was $2,157,005.

Inventories acquired from the U. S. and property accounts of foreign subsidiary companies are included substantially at their U. S. dollar cost. Other net assets and the net income are converted into U. S. dollars at appropriate free rates of exchange.

During 1955, the Company acquired the net assets of The Todd Company and all the capital stock of the Charles R. Hadley Company in exchange for 466,666 shares and 79,400 shares, respectively, of the Company's common stock. The issuance of these shares increased capital stock account by $2,730,330 and other paid-in capital by $10,772,254. The net income of these companies for the full year 1955 is included in the accompanying financial statements.

ROBERT GAIR COMPANY, INC.
Consolidated Balance Sheet

Note 1: Principles of Consolidation—During the year 1955, the Company acquired the assets of Harvey Container Corporation on January 3, Southern Advance Bag & Paper Co., Inc. on May 2, and Great Southern Box Company, Inc. on May 16 in consideration of the issuance of its capital stock (Note 5) and the assumption of liabilities of the acquired corporations. The accompanying financial statements for 1955 include the accounts of the Company and all of its subsidiaries and the results of operations of Southern Advance and Great Southern for the entire year since these acquisitions were treated as a pooling of interests. Comparative financial statements for 1954 include the consolidated accounts of Southern Advance and Great Southern for that year and the net assets of Harvey Container at December 31, 1954.

The procedures for converting the accounts of Canadian subsidiaries into U. S. dollars are: (1) current assets and liabilities at the year-end rate, (2) capital assets and related reserves for depreciation and long-term investments at rates prevailing at acquisition, and (3) income for the year at the year-end rate after taking into consideration dividends realized in U. S. dollars.

NATIONAL CYLINDER GAS COMPANY
Notes to Consolidated Financial Statements

Note 1: Basis of Consolidation—Following the established practice of National Cylinder Gas Company, the accompanying financial statements include all domestic subsidiaries 90% or more of whose voting capital stock is owned by the parent company.

The accounts of four small subsidiaries acquired in 1955 are included in the financial statements for the periods after dates of acquisition.

The accounts of foreign subsidiaries, 90% or more owned by the parent company or by consolidated subsidiaries, are not included because their businesses are conducted, and their properties are located, outside of the United States. The financial interests in the unconsolidated companies—including Midwest Carbide Corporation and Tube Turns Plastics, Inc., 50% of whose capital stock is owned by National Cylinder Gas Company—are carried in the accompanying consolidated balance sheet at cost or less.

The net earnings reported in the accompanying statement of consolidated earnings include income earned by the unconsolidated affiliated companies only to the extent of cash dividends received from such companies. In 1955, no cash dividends were received from unconsolidated domestic and foreign subsidiaries and 50% owned companies. Our share of the 1955 earnings of such companies approximated $489,000.

Note 3: Investments—The carrying value (cost, except as to one Canadian company which is carried at the underlying net assets at date of acquisition) of investments in unconsolidated affiliates and other companies is tabulated below:

Domestic companies—50% owned:	
Midwest Carbide Corporation	$ 520.000
Tube Turns Plastics, Inc.	750,332
Other domestic companies—less than 50% owned	322,112
Affiliated companies in Canada, Latin America, and Germany	968,574
Total	$2,561,018

Advances to unconsolidated affiliated companies are shown in the accompanying balance sheet among sundry assets.

National Cylinder Gas Company is contingently liable under a "continuing guaranty" to the National City Bank of New York that all interest and principal, not exceeding 800,000 Colombian pesos, of borrowings from said bank by a Latin American subsidiary will be paid at maturity. At December 31, 1955, the principal amount of bank loans subject to this guaranty was 275,000 Colombian pesos ($110,000).

In agreements with the Trustee under the indenture relating to a $2,500,000 issue of 4¾% Debentures of Midwest Carbide Corporation, National Cylinder Gas Company and Shawinigan Products Corporation agreed to purchase from Midwest Carbide Corporation from time to time calcium carbide at such prices and in such quantities as will, while the agreements remain operative, provide Midwest Carbide Corporation with gross income sufficient to cover its expenses and charges, and to service its 4¾% debentures.

PHILCO CORPORATION
Notes to Financial Statements

The Company's policy is to include in consolidation all majority-owned domestic subsidiaries which are engaged in the manufacture and wholesale distribution of the Company's products and to exclude from consolidation all foreign subsidiaries.

The investments of the Company in excluded domestic subsidiaries are carried at cost, adjusted by its equity in profits and losses of such subsidiaries.

The investments of the Company and the consolidated subsidiaries in excluded foreign subsidiaries are carried at cost adjusted by their equities in available profits and losses of such subsidiaries substantially to December 31, 1950. At December 31, 1955, the Company's equity in the net assets of such excluded foreign subsidiaries exceeded the carrying value of the investments in these subsidiaries by approximately $1,960,000. Dividends of $450,037 received from foreign subsidiaries in 1955 are included in the Earnings Statement.

HARRISBURG STEEL CORPORATION
Notes to Consolidated Financial Statements

Note 1: Basis of Consolidation—Beginning with the calendar year 1955, the parent company adopted the policy of including in its consolidated financial statements those of a majority-owned foreign subsidiary (acquired in April, 1954) as well as those of wholly-owned subsidiaries. The 1954 consolidated financial statements have been restated to give effect to this policy and, as a result thereof, the consolidated balance sheet includes the net assets of this subsidiary in lieu of the investment and advances of $600,144 and the previously reported consolidated net income for that year was reduced by approximately $29,000. The 1955 consolidated financial statements also include those of Precision Castings Company, Inc., a wholly-owned subsidiary, acquired as of July 31, 1955.

Foreign net assets and the results of operations of a subsidiary located in Wales and a branch of Heckett Engineering, Inc., located in Canada, have been converted into United States currency at the applicable rates of exchange. A summary of such assets is as follows:

	Dec. 31, 1955	Dec. 31, 1954
Net current assets	$ 714,682	$ 444,471
Fixed assets, net	1,889,208	1,991,969
Long-term liabilities	(1,712,847)	(1,200,000)
	$ 891,043	$1,236,440

In January, 1956, Heckett Engineering, Inc., acquired a majority interest in another foreign subsidiary and in connection therewith is to make advances not to exceed $400,000. Other interests are to make advances in an equal amount.

SMITH-CORONA, INC.
Notes to Financial Statements

Note 1: All domestic subsidiaries and the English and Canadian subsidiaries are wholly-owned and their assets, liabilities and operations are included in the consolidated financial statements consistent with principles of consolidation followed in previous years.

The consolidated balance sheet includes current assets and current liabilities of the English subsidiary at the net amount of $106,152.55 and of the Canadian subsidiary at the net amount of $906,816.89. Assets of those subsidiaries, other than current assets, are included at the amount of $89,164.59.

Consolidated net income of $1,051,727.04 includes $15,972.96 representing the net loss of the English subsidiary and $49,272.53 representing the net income of the Canadian subsidiary. The parent company did not receive any dividends from its foreign subsidiaries during the year.

Assets, liabilities and operations of the foreign subsidiaries, except plant and equipment and depreciation, were translated from foreign currencies to United States dollars for consolidated statement purposes at exchange rates current on June 30, 1955. Plant and equipment and depreciation were translated at other appropriate exchange rates which approximated those prevailing when the assets were acquired.

Consolidated retained earnings of $10,224,536.36 includes $10,238.20 representing retained earnings of the English subsidiary and $599,788.00 representing retained earnings of the Canadian subsidiary.

SOCONY MOBIL OIL COMPANY, INC.
Notes to Financial Statements

Note 1: Principles of Consolidation—The principles of consolidation are, in general, consistent with those in effect since January 1, 1946. Western Hemisphere (United States, Canada and Latin America) subsidiaries and branches have been included in consolidation; subsidiaries and branches in the Eastern Hemisphere have been excluded from consolidation and income therefrom treated in the consolidated accounts as explained in Note 2.

Appropriate rates of exchange have been used to convert foreign currency accounts into U. S. dollars, the adjustments resulting therefrom being charged or credited to income.

The approximate world distribution of earnings and shareholders' equity included in the December 31, 1955 financial statements is shown on Page 8.

Note 2: Investments and Advances (at or below cost)—Foreign Subsidiaries and Branches—Dividends from foreign subsidiaries and profits of foreign departments and branches, not consolidated, are included in income only to the extent received or made available. Although complete year-end financial information is not yet available, it is estimated that the amount included in 1955 income for all such subsidiaries, departments and branches is approximately $2,000,000 less than the Company's equity in their current earnings. The Company's equity in their net assets is estimated to be at least $88,000,000 more than the corresponding investment therein.

Other Companies—During the year Socony Mobil received dividends of $36,167,299 from companies owned 50 percent or less, engaged in foreign operations. While complete year-end financial information is not yet available, it is estimated that the Company's equity in the current net earnings of this group exceeds the dividends received by at least $15,000,000 and that the Company's equity in their net assets is substantially in excess of the corresponding investment therein.

The investments and advances to "Other Companies" are stated at cost less reserves (principally applicable to foreign) of $12,290,698 in 1955 and $12,394,780 in 1954.

STERLING DRUG, INC.
Notes to Financial Statements

Note A: The accounts of all majority-owned subsidiaries except those operating in Argentina and Chile are included in the consolidated financial statements. Certain subsidiaries and branches operating in foreign countries have been included in the consolidation based on fiscal years ended September 30 or October 31. Current assets and liabilities of consolidated subsidiary companies and branches operating in foreign countries have been translated into U. S. dollars at quoted fiscal year-end rates and property accounts are translated at the rates prevailing at dates of acquisition or construction. In some of the Latin American countries local currencies cannot be readily converted into U. S. dollars. A summary of net assets and profits of the subsidiary companies and branches operating in foreign countries or engaged solely in export trade included in the consolidated statements follows: (Ed. Note: Schedule omitted here)

Reflected in the current liabilities above are $3,275,763 of the notes and loans payable shown in the consolidated balance sheet. Approximately $2,150,000 of this amount and all of the long-term notes and mortgages payable by subsidiaries have been guaranteed by the Company.

Of the total foreign net profits included in consolidation, approximately $2,665,000 represents (a) remittances of dividends and profits by foreign subsidiaries and branches to the Company and its U. S. subsidiaries and, (b) profits of U. S. subsidiaries realized on export business, and approximately $2,865,000 represents profits of foreign subsidiaries and branches not remitted.

The consolidated earned surplus at December 31, 1955 includes approximately $16,450,000 of earned surplus of subsidiaries and branches operating in foreign countries or engaged solely in export trade. Of the total earned surplus unremitted at December 31, 1955, approximately $5,600,000 has been capitalized in recognition of permanent investment in plant and equipment abroad.

(Refer also to Section 5, *Accounting Principles Consistently Observed*, example thereunder.)

VICK CHEMICAL COMPANY
Notes to Financial Statements

Note 2: The Company changed its principles of consolidation retroactive to July 1, 1954 in that assets and liabilities in Canada, which were previously included in foreign net assets, are now included in their regular classifications in the balance sheet and income from Canadian operations is reported as earned. This change resulted in restoring to earned surplus an amount of $613,576 representing the portion of the reserve for foreign assets applicable to Canadian assets, which was originally transferred from earned surplus to the reserve. The amount of unremitted Canadian income included in income for the year ended June 30, 1955 was not significant. Foreign net assets included in that caption on the balance sheet are stated in U. S. dollars at approximate current rates of exchange. Substantially all such net assets represent unremitted foreign income, most of which has been re-invested in the business.

POST BALANCE SHEET DISCLOSURES

Disclosure of events occurring subsequent to the balance sheet date was made by many of the survey companies in their 1955 annual reports. The most frequently discussed subjects were:

(a) Cash or stock dividends declared or paid (*Co. Nos. 1 P, 148 S, 241 P, 265 N, 334 P, 385 P, 455 P)

(b) Indebtedness—incurred (*Co. Nos. 1 N, 223 N, 535 N), reduced (*Co. Nos. 442 P, 449 P, 508 P), or refinanced (*Co. Nos. 304 N, 457 P, 514 N)

(c) Subsidiaries—interests acquired or increased (*Co. Nos. 70 P, 217 P, 241 N), or sold or decreased (*Co. Nos. 62 N, 212 N, 506 N)
(d) Fixed assets—purchased (*Co. Nos. 80 P, 278 P), constructed (*Co. Nos. 431 P, 502 P, 540 P), or sold (*Co. Nos. 30 P, 311 P, 320 P)
(e) Litigation (*Co. Nos. 181 P, 216 N, 310 P, 430 P, 444 N, 562 P)
(f) Employee relations—welfare, pension and stock option plans (*Co. Nos. 375 P, 416 N, 463 P), and union negotiations (*Co. Nos. 11 P, 262 P, 330 P)
(g) Capital stock—changes in capital structure (*Co. Nos. 12 N, 107 N, 122 N), stock acquired for redemption or retirement (*Co. Nos. 196 P, 382 N) and stock conversions (*Co. Nos. 2 N, 8 P, 400 N)
(h) Various other subjects (*Co. Nos. 391 P, 483 N, 589 P, 598 P).

Examples of the balance sheet presentation of some of the above categories follow:

Revision in Capital Structure

ALLEGHENY LUDLUM STEEL CORPORATION—December 31, 1955
Notes to Financial Statements

Note 3: Capital Stock—The outstanding shares of the $4.375 cumulative preferred stock were called for redemption on January 16, 1956 at the redemption price of $102 per share plus accrued dividend of 39 cents per share. All shares were surrendered for conversion into common shares except 165 shares which were redeemed for cash.

On January 6, 1956, the stockholders of the corporation approved an amendment to the Articles of Incorporation (a) increasing the number of shares of $1.00 par value common stock authorized to be issued from 2,500,000 shares to 10,000,000 shares and (b) converting each issued share of $1.00 par value common stock into two shares of $1.00 par value common stock.

The effect of the 2 for 1 split-up of the common stock on January 6, 1956, and the conversion of preferred stock into common stock after December 31, 1955, as above, is to increase the number of $1.00 par value common shares outstanding from 1,777,706 shares, shown in the balance sheet, to 3,722,549 shares.

Adjusted for the 2 for 1 split-up of common stock mentioned above, 147,900 shares of common stock (73,950 shares at December 31, 1955) were subject to outstanding options under the employees' stock option plan adopted by shareholders in February 1955 and an additional 94,100 shares (47,050 shares at December 31, 1955) were reserved for purposes of the plan and not subject to options. During the year options were granted to 23 officers and key employees to purchase during a period of ten years shares of common stock at prices not less than 95% of fair market value of the shares on the dates of granting the options. Options were exercised in 1955 for 4,000 shares at the price of $40.50 per share. The option prices under outstanding options, adjusted on account of the stock split-up, are 137,900 shares at $20.25 per share, 5,000 shares at $23.50 per share, and 5,000 shares at $23.65 per share.

STANDARD OIL COMPANY (NEW JERSEY)—December 31, 1955

Financial Review: Capital Stock—As of December 31, 1955, there were 80,000,000 shares of $15.00 par value capital stock authorized. This included the 10,000,000 shares approved by the shareholders at the annual meeting on May 25, 1955. There were 65,435,474 shares outstanding at the end of 1955.

A three-for-one split-up of the Company's shares and an increase in the number of authorized shares were approved at a special shareholders' meeting held on January 30, 1956. These changes became effective February 10, 1956, at which time each outstanding share of $15 par value became three shares of $7 par value, thereby tripling the total number of outstanding shares from 65,435,474 to 196,306,422 shares. At the same time the total number of authorized shares was increased from 80,000,000 to 250,000,000. In connection with this split-up, $392,612,844 was added to the Company's capital stock account in 1956 by transferring to it the entire capital surplus of $364,828,659 plus $27,784,185 from earnings reinvested and employed in the business.

Letter to Stockholders: Stockholders of the Company, at a special meeting on January 30, 1956, voted a three-for-one split of the shares. This move has already encouraged a broader market for the shares and has widened ownership of them. A probable result should be to make more people personally familiar with Jersey's activities, thus increasing public interest and support.

*Refer to Company Appendix Section.

P—President's Letter
N—Notes to Financial Statements
S—Financial Statement

Indebtedness

BELL AIRCRAFT CORPORATION—December 31, 1955

Financial Review: . . . In June, all outstanding borrowings under the V-Loan Agreement were repaid and the revolving V-Loan credit expired June 30. An open line of bank credit for $20,000,000 was subsequently established with several banks but it can be reported that operations were continued through the year without borrowing.

During the first few months of 1956, however, it was necessary to borrow $4,000,000 under this open line of bank credit to meet the usual large obligations, including tax and pension plan payments, which are prevalent at the beginning of a new year.

HYGRADE FOOD PRODUCTS CORPORATION—October 29, 1955
Consolidated Balance Sheet
Long-Term Dept:

Term loans payable (Note 4) $5,500,000

Note 4: Term loans outstanding at October 29, 1955 have been repaid from the proceeds of new loans of $6,600,000 obtained under agreements effective December 1, 1955, which provide for repayment in annual installments of $550,000 beginning December 1, 1956 and extending to December 1, 1967. The new agreements stipulate, among other restrictions, that until the loans are paid the company shall not pay cash dividends or acquire Capital Stock of any class issued by the Company, which on a cumulative basis from November 1, 1952 will exceed the sum of (1) 75% of net earnings (as defined in the agreements) subsequent to November 1, 1952, (2) the fair value of net current assets acquired for Capital Stock issued by the Company, (3) cash proceeds from the sale of Capital Stock, and (4) contributions to the Capital of the Company; and such agreements also provide that no such dividend payments or acquisitions may be made unless certain amounts and ratios of net current assets and net tangible assets are maintained.

PITTSBURGH STEEL COMPANY—December 31, 1955

Financial Review: . . . Your Company's financial position improved in 1955. Long-term debt was reduced by making the following payments:

$2,000,000—on 5-year bank loan, including prepayment of 1956 installment.
1,562,886—on customer loans.
1,250,000—on first mortgage bonds.
302,916—on purchase money loans, including prepayment of future installments.
$5,115,802—Total payments in 1955.

In addition to prepayment of the bank loan and purchase money loans, steps were taken to simplify your Company's long-term debt. On April 2, 1956, the Company will sell $35,000,000 of 4⅛% First Mortgage Bonds due December 1, 1957, to the Metropolitan Life Insurance Company in accordance with an agreement concluded on November 28, 1955. It will then redeem, at par, the balance of $22,989,000 of 3¾% First Mortgage Bonds due December 1, 1971, and $5,000,000 of 4¾% First Mortgage Bonds due December 1, 1973. This refinancing will result in your Company borrowing an additional $7,011,000. This amount will be applied to the 15 million dollar cost reduction and expansion program which was announced on September 23, 1955. The terms of the new financing have improved the working capital position of your Company by an extension of debt repayments. The new debt repayments will amount to $750,000 each year in 1956-58 and $1,750,000 each year thereafter until 1975 when the balance becomes due.

Merger

BROWN SHOE COMPANY, INC.—October 31, 1955
Notes to Financial Statements

Note B: Meetings of the stockholders of Brown Shoe Company, Inc. and G. R. Kinney Co., Inc. had been scheduled to be held on December 1, 1955 to vote on the merger of Kinney into Brown. The Department of Justice obtained on November 28, 1955 a temporary restraining order against the Company and Kinney under the Clayton Act to restrain the proposed merger. A hearing is set for December

7, 1955, on the action by the Justice Department for a preliminary injunction to prohibit the merger. If the merger as submitted to stockholders is approved, the Company will issue 156,462 shares of Common Stock for all of the outstanding Common Stock of Kinney. Upon consummation of the merger the Company intends to redeem Kinney's Preferred Stock at a cost of approximately $6,070,000 and to pay off long-term debt of Kinney in the amount of $1,900,000. It is contemplated that the cash necessary to accomplish this will be obtained through the issuance of long-term debt to institutional investors.

Note C: The Companies had long-term leases in effect at October 31, 1955, which had terms of more than five years with aggregate minimum annual rentals of approximately $725,000. The major portion of these leases expire successively to 1968.

G. R. KINNEY CO., INC.—December 31, 1955 *Notes to Financial Statements*

Note 8: An agreement dated October 24, 1955 between Brown Shoe Company, Inc. and G. R. Kinney Co., Inc. provides that the stockholders of the two companies, at special meetings to be held on or before March 15, 1956 (date extended from December 30, 1955) or at such later dates as established by the respective companies, shall vote upon the merger of Kinney into Brown. The agreement further provides, among other things, that at or prior to the effective date of the merger, (a) monies sufficient to redeem the $5 Prior Preferred stock of Kinney shall have been deposited with a banking institution and notices of redemption shall have been mailed to such stockholders; (b) Kinney will not declare any dividends except as prescribed in the agreement; as amended on January 25, 1956, the agreement permits Kinney to pay (1) a (quarterly) dividend on common stock of forty-five cents on March 26, 1956; (2) an additional (special) dividend on or before March 30, 1956 of not more than fifty cents, plus the difference between forty-five cents a share and two-thirds of any dividend per share declared by Brown between January 25, 1956 and March 15, 1956; (3) the regular quarterly dividend of $1.25 on its preferred stock on March 5, 1956.

Acquisitions

FOOTE MINERAL COMPANY—December 31, 1955 *Notes to Financial Statements*

Note 1: Electro Manganese Corporation—The company has agreed to issue on or about March 15, 1956, 169,178 shares of its common stock in exchange for the net assets and business of Electro Manganese Corporation, a producer of electrolytic manganese. The transaction will be treated as a pooling of interests.

A. G. SPALDING & BROS., INC.—October 31, 1955 *Notes to Financial Statements*

Note A: Acquisition of Rawlings Manufacturing Company—On December 6, 1955, stockholders of the Company approved the purchase of all the outstanding capital stock of Rawlings Manufacturing Company at an aggregate price of approximately $5,700,000 and upon the condition that the Company enter into (a) an employment contract for a term of five years with, and (b) grant to Claude E. Carr (President of Rawlings Manufacturing Company) a restricted stock option to purchase 16,042 shares of the Company's common stock at $13.47 per share. Net Assets of Rawlings at October 31, 1955 amounted to $4,231,477 of which $3,610,729 represented net current assets.

The Federal Trade Commission charged that this acquisition is in violation of Section 7 of the Clayton Act. Counsel for the company is preparing an answer to the charges asserting that there is no violation of the Clayton Act.

The acquisition of Rawlings Manufacturing Company and the redemption of the Fifty-Year Debentures (Note C) will be financed by loans in the aggregate amount of $9,000,000.

The Loan Agreement with banks provides for (a) $4,000,000 to be evidenced by 3¾% notes maturing August 31, 1960, payable in five annual installments of $800,000 commencing on August 31, 1956, and (b) $1,000,000 to be evidenced by 4% notes due August 31, 1960, with required prepayments within 90 days after the close of each fiscal year beginning with the fiscal year ended October 31, 1955, of an amount equal to 50% of the annual net earnings of such fiscal year in excess of $800,000.

The Note Agreements with insurance companies provide for the issuance by the Company of its 4½% promissory notes in the aggregate principal amount of $4,000,000 to mature September 1, 1975. The Company is required to prepay principal of the notes in the amount of $266,000 per year commencing on the first September 1 following 30 days or more after the Bank Loans have been paid in full, or September 1, 1961, whichever is earlier. At the option of the Company, additional prepayments of $266,000 per year may be made without payment of premium on any September 1 on which required prepayment is made.

Among other things the agreements contain restrictions and covenants relative to the maintenance of working capital, payment of cash dividends and expenditures for buildings and equipment. So long as any indebtedness under the bank loan agreement is outstanding, cash dividends may be paid only to the extent of 50% of annual net earnings of the immediately preceding fiscal year in excess of $800,000. Thereafter cash dividends may be paid to the extent of 100% of the annual net earnings in excess of $400,000.

Note C: Fifty-Year 5% Debentures—On December 6, 1955, stockholders of the Company approved the call for redemption on or about February 6, 1956, of the Company's Fifty-Year 5% Debentures at 105 plus accrued interest.

VITRO CORPORATION OF AMERICA— December 31, 1955 *Notes to Financial Statements*

Note G: In connection with the transaction described in Note 1, the Corporation, in January 1956, sold 45,000 shares of its authorized Common Stock through private offering for a total amount of $765,000 and incurred expenses in connection with such sale amounting to $7,500.

Note 1: During January 1956 the Corporation entered into an agreement for the purchase from Crane Co. of (a) a 40% interest in the capital stock of Heavy Minerals Co., which together with its subsidiary, Marine Minerals, Inc., was organized for the purpose of producing various rare earths and heavy minerals, and (b) one-half of the principal amount of promissory notes of Heavy Minerals Co. and Marine Minerals, Inc., representing advances to these companies heretofore made by Crane Co. The aggregate amount to be paid by the Corporation for the capital stock and notes is $1,576,785. In addition the Corporation and Crane Co. have agreed to advance in equal shares such funds as may be required for further development and operation of these companies, of which the Corporation's share in 1956 is estimated to aggregate approximately $1,600,000.

Sale and Liquidation of Subsidiary

ACME ALUMINUM ALLOYS, INC.— December 31, 1955 *Notes to Financial Statements*

Note 5: Subsequent to December 31, 1955, the Company's operating subsidiary contracted to sell all of its inventories and property, plant, and equipment as of February 28, 1956 at a price expected to result in a moderate profit. The subsidiary will be liquidated and dissolved.

To the Shareholders: Sale and Liquidation of William F. Jobbins, Incorporated—In 1945 and 1946, the Corporation acquired all the outstanding stock of William F. Jobbins, Incorporated, which Company was engaged in the business of smelting and refining secondary aluminum. The purpose of such acquisition was to assure to this Corporation an adequate supply of aluminum ingots for its aluminum foundry operations. In 1954 this Corporation discontinued such foundry operations and ceased being an aluminum foundry producer. Inasmuch as the Corporation no longer required a supply of aluminum ingots and the operations of the Jobbins Company were unrelated to the present business, arrangements were completed on February 28, 1956, to dispose of the assets and to liquidate and dissolve William F. Jobbins, Incorporated. It is felt that the capital in this enterprise can be used to better advantage in expanding and diversifying our manufacturing operations. It is expected that the amount received by your Company from this sale and liquidation, will be in excess of $1,000,000.

Employee Stock Option Plan

J. J. NEWBERRY CO.—December 31, 1955 *Notes to Financial Statements*

Note 5: Stockholders at a special meeting on January 20, 1956, approved an employees' restricted stock option plan which provides that on February 15th of each year for which it is declared effective, each person in the employ of the Company since the beginning of the preceding year, is to be granted an option to purchase one share of common stock for each full $300.00 of his compensation during that year. Options are exercisable prior to December 31st in the year granted at 85% of the fair market value on the date of purchase.

The Board of Directors declared the plan effective for 1956 and as prescribed in the plan reserved 100,000 shares of unissued common stock which is anticipated will be sufficient to meet the requirements of the plan for several years.

TERMINOLOGY

A review of the income statements presented by the 600 survey companies indicates that there is a wide variety of terms used as captions for the items within the income statement.

In this regard, the Committee on Terminology, American Institute of Accountants, in March 1955, issued *Accounting Terminology Bulletin No. 2* concerning the use of the terms *proceeds, revenue, income, profit,* and *earnings*. In its examination of the usage of these terms which refer to closely related concepts, the committee found that the lack of uniformity in accounting practice was confusing. To promote uniformity of usage, definitions and recommendations were made for the use of these terms in connection with business operations and financial statements.

Accounting Terminology Bulletin No. 3 is reproduced in its entirety in the Appendix of Recent Accounting Bulletins (Refer to Table of Contents for page number).

SALES—PRESENTATION

Table 1 reveals that only two of the 600 survey companies (*Co. Nos. 267, 435) did not include an income statement in their annual reports for 1955. The remaining 598 companies used various methods of presenting income from sales and services. *Net sales* was the term presented by the majority of companies (347 companies) although eleven of these included *net sales* with *operating revenue* (*Co. Nos. 9, 57, 185, 393, 438). *Net sales after deducting discounts, returns, etc.* was the term used by eight companies (*Co. Nos. 66, 93, 110, 131, 224, 268, 517, 568). Of the 43 reports which showed *sales less discounts, returns, etc.* two also referred to *operating revenue* (*Co. Nos. 371, 456) and one also indicated *net sales* (*Co. No. 350). Twenty-seven reports included *gross sales less discounts, returns, etc.,* and one of these (*Co. No. 14) included the term *operating revenue* in its caption. Both *gross* and *net sales* were given by 14 companies (*Co. Nos. 175, 202, 410, 534, 573). Of the 21 companies using the term *gross sales* (*Co. Nos. 55, 128, 240, 541), one company also used the term *operating revenue* (*Co. No. 289); the same company also indicated *net sales* and *operating revenues. Sales* was the term used by 106 companies, including 9 companies which displayed *sales* and *operating revenues* (*Co. Nos. 120, 523, 526, 545), and 4 which indicated *sales* and *revenues* (*Co. Nos. 12, 63, 101, 238). The terms *revenue* or *operating revenue* were used by 6 companies (*Co. Nos. 58, 76, 287, 525, 546, 553) in lieu of sales.

In twenty-six of the survey companies the initial item of income was either *gross profit* or *operating profit* (*Co. Nos. 94, 152, 274, 434, 574, 576).

The examples which follow are representative of the various methods used to present sales in the 1955 reports of the companies reviewed:

NET SALES

A. S. BECK SHOE CORPORATION
Comparative Condensed Consolidated Income and Profit and Loss Statement

Sales:		
Store and factory sales		$68,251,556
Store sales	$48,616,068	
Factory sales	19,635,487	
Less intercompany sales		16,755,079
Net sales		$51,496,477
Less:		
Cost of sales, selling, general and administrative expenses, exclusive of depreciation and amortization		$48,696,700
Depreciation and amortization		557,108
Other income		(40,830)
Interest paid		192,199
Other deductions		83,867
		$49,489,046
Net Profit before Federal income taxes		$ 2,007,430

NUNN-BUSH SHOE COMPANY
Statement of Consolidated Operations and Earnings Invested in Business

Net sales	$14,946,872
Cost of goods sold	9,949,056
Gross profit on sales	$ 4,997,816

*Refer to Company Appendix Section.

THE AETNA-STANDARD ENGINEERING COMPANY
Statement of Consolidated Income

Net sales—Note A	$20,467,453
Commissions, fees and royalties earned	185,892
	$20,653,345
Cost of products sold and selling, administrative and general expenses	$18,553,834
Interest—principally on long-term indebtedness	26,721
	$18,580,555
Income before Taxes on Income	$ 2,072,790

Note A: It is the parent Company's practice to include in sales the progress billings made to customers, with proportionate charges to cost of products sold.

Net Sales after Deducting Discounts, etc.

L'AIGLON APPAREL, INC.
Condensed Statement of Profit and Loss

Sales	$8,884,171
Less, Discounts and Allowances	688,172
Net Sales	$8,195,999
Cost of Sales	6,655,523
Gross Profit	$1,540,475

Sales, Less Returns, etc.

THE CALIFORNIA INK COMPANY, INC.
Condensed Statement of Consolidated Income

Sales, less returns and allowances	$14,498,534
Cost of goods sold, selling, general, and administrative expenses, exclusive of depreciation	12,680,536
Profit from operations before depreciation	$ 1,817,998

TABLE 1: SALES*

Income Statement Shows	1955	1954	1953	1950
Net Sales:				
Net Sales	347	336	326	307
Net sales after deducting discounts, returns, etc.	8	9	10	12
Sales less discounts, returns, etc.	43	44	45	50
Gross sales less discounts, returns, etc.	27	37	42	46
Both Gross and Net Sales	14	17	16	17
Gross Sales	21	24	25	28
Sales	106	98	98	97
Revenue (**Co. No. 546)	1	1	1	1
Operating Revenue (**Co. Nos. 58, 76, 287, 525, 553)	5	4	4	1
No "sales"—initial item is:				
Gross Profit	15	16	17	23
Operating Profit	11	12	14	15
No income statement (**Co. Nos. 267, 435)	2	2	2	3
	600	600	600	600

*Refer to further discussion in narrative.
**Refer to Company Appendix Section.

THE MAGNAVOX COMPANY
Consolidated Statements of Income and Retained Earnings

Sales, less manufacturers' excise taxes, transportation, cash discounts, and returns and allowances	$55,071,765
Cost of goods sold, selling, general and administrative expenses, including provision for depreciation and amortization of $800,709...(see Note)	50,339,813
	$ 4,731,952

Note: Cost of goods sold also includes amortization of defense contract tools, dies, etc.—$502,749 in 1955.

Gross Sales, Less Returns, etc.

APEX SMELTING CO.
Statement of Consolidated Earnings and Accumulated Earnings

Gross sales, less returns and allowances	$41,919,923
Less freight on outgoing materials and discounts	977,792
	$40,942,131

BURRUS MILLS, INCORPORATED
Statement of Consolidated Income

Gross sales, less returns, discounts, allowances, freight out, etc.	$45,102,990
Other operating income—Storage, handling, etc.	8,537,083
	$53,640,073
Cost of goods sold and expenses:	
Cost of goods sold and other operating charges	$47,595,093
Selling and general and administrative expenses	3,937,779
	$51,532,873
Operating Profit	$ 2,107,199

COPELAND REFRIGERATION CORPORATION
Statement of Income and Earnings Retained in the Business

Gross sales, less returns, allowances, and discounts	$25,019,852
Other income	56,015
Total income	$25,075,867
Costs and expenses:	
Costs of products sold	$22,004,582
Selling and administrative expenses	824,287
Provision for depreciation	194,191
	$23,023,061
Income before Federal taxes on income	$ 2,052,806

GROSS AND NET SALES

MEAD JOHNSON & COMPANY
Statement of Consolidated Profit and Loss

Income:	
Gross sales	$41,215,000
Less discounts, allowances, outbound transportation and royalties	3,461,963
Net sales	37,753,037
Cost of products sold	17,645,904
	$20,107,133

REVENUES

AMERICAN SEAL-KAP CORPORATION OF DELAWARE
Consolidated Statement of Income

Revenues:	
Sales, less returns, discounts and allowances	$8,399,199
Machinery rentals	106,764
Royalties	31,811
Miscellaneous	6,368
	$8,544,142
Costs and expenses:	
Cost of goods sold	$6,773,039
Selling, general and administrative expenses	1,307,748
Provision for depreciation and amortization	308,620
Interest	37,226
	$8,426,633
Income before Federal income taxes	$ 117,509

HOMESTAKE MINING COMPANY
Statement of Consolidated Income

Revenues:	
Bullion (1,550,116 tons of ore milled, an average of $11.65 per ton)	$18,055,257
Sales of lumber, coal, uranium ore, and water	1,373,554
Gain on sale of minority interest in a uranium property	940,451
Interest, rents, and other income (net)	251,469
	$20,620,733
Expenses:	
Mining, hoisting, and milling ore	$ 9,417,550
Productions costs of lumber, coal, uranium ore, and water	940,484
Welfare—hospital, pensions, etc. (including Pension Trust contribution, $536,750—Note 3)	1,080,479
Taxes—other than Federal income taxes	1,493,072
Administrative and general	1,117,973
	$14,049,561
Net Income Before Depreciation and Federal Income Taxes	$ 6,571,172

DRAVO CORPORATION
Consolidated Statement of Income and Retained Earnings

Revenue:	
Billings to customers for products and services, and for completed construction contracts	$78,074,068
Profit on sale of land and equipment previously used in the business	51,508
Dividends and interest income	131,368
Total Revenue	$78,256,944
Costs and Expenses:	
Wages, salaries, materials and services from others, etc., applicable to products and services sold and completed construction contracts	$64,312,643
Salaries, supplies and services applicable to general, selling and administrative activities	5,965,718
Retirement plan, group insurance and social security taxes	1,767,584
Provision for depreciation of plant and equipment	2,537,302
Interest on money borrowed from banks	19,303
Miscellaneous state and local taxes	487,515
Provision for federal and Pennsylvania taxes on income	1,654,000
Total Costs and Expenses	$76,744,065

Note: Long-term Contracts and Inventories—Billings, costs and profits and losses relating to long-term contracts are reflected in the consolidated statement of income in the year of physical completion, excepting contracts for more than one unit, in which case each unit is considered as a separate contract.

Materials, supplies and items purchased for resale, generally, are priced at the lower of cost or market. Used tools and small equipment returned from construction contracts and used equipment carried for rent or sale are valued at cost, less estimated depreciation.

Finished goods manufactured and costs of contracts and stock items in process include materials and direct labor at actual costs and overhead based on standard rates. Any variance from actual overhead is carried currently to the income account.

MEREDITH PUBLISHING COMPANY
Earnings

Revenues less all discounts and allowances:	
Advertising—magazine	$23,480,420
Subscription and newsstand	8,143,459
Books and booklets	3,197,785
Broadcasting	7,318,724
Miscellaneous	613,167
Total Revenue	$42,753,555
Costs and Expenses:	
Materials, wages and expenses	$33,423,397
Provision for depreciation and amortization	1,604,907
Interest	96,895
Federal and state income taxes	3,886,200
Prior years' adjustments	118,291
Total Costs and Expenses	$39,129,690
Net Earnings	$ 3,623,865

OPERATING REVENUE

BARBER OIL CORPORATION
Consolidated Statement of Income

Operating revenues of Barber Oil Corporation and its subsidiary companies	$8,962,259
Operating expenses, including repairs, maintenance, insurance and other charges, before depreciation	$7,561,188
Selling, administrative and general expenses	981,811
	8,542,999
Profit from operations before depreciation	$ 419,260

OPERATING PROFIT AS INITIAL ITEM

ELECTROLUX CORPORATION
Statement of Profit and of Earnings Retained and Employed in the Business

Profit from operations, before provision for depreciation, etc.	$8,140,660
Miscellaneous income	114,981
	$8,255,641
Deduct:	
Employees' retirement income plan	$1,036,075
Depreciation	795,979
Interest	470,238
	$2,302,292
Profit before provision for federal income taxes	$5,953,349

THE M. A. HANNA COMPANY
Consolidated Income Account

Operating profit before depreciation, depletion, amortization, and development	$16,066,152
Dividends	12,545,456
Sundry income and interest—net	615,206
	$29,226,814

Depreciation, depletion, amortization, and development	$ 4,565,624
Interest on long-term debt	20,471
Supplemental retirement account payment	300,000
Sundry deductions	45,806
	$ 4,931,901
Profit Before Taxes on Income	$24,294,913

THE PATTERSON-SARGENT COMPANY
Summary of Profit and Loss

Profit from operations for the year ended October 31, 1955, after deducting cost of goods sold, selling, administrative, and general expenses which include allowances for depreciation aggregating $96,194.25, and pension fund payment of $66,262.48	$443,225
Other income	73,756
	$516,981
Other deductions	$ 21,633
Profit Before Federal Taxes on Income	$495,348

SALES—U. S. GOVERNMENT CONTRACTS

THE OLIVER CORPORATION
Consolidated Statement of Income

Sales and Other Income:	
Net sales (including sales under defense contracts: 1955, $31,991,227)	$133,599,627

THE RYAN AERONAUTICAL CO.
Consolidated Statement of Income

Net Sales (including costs and fees under cost-plus-fixed-fee contracts) (Note 2)	$41,527,770

COST OF GOODS SOLD AND GROSS PROFIT—PRESENTATION

The survey of the 1955 annual reports discloses that there is an increasing number of companies abandoning the traditional form of income statement in which the cost of goods sold is applied directly against related income from sales. The current trend is toward the use of a single-step form of income statement (with all income items shown above one total and all expense items grouped together as an offset). Accordingly, the item representing cost of goods sold is frequently given as a separate caption and amount, but shown as one of several other expense items. Although 316 companies in the current survey disclosed a separate caption and amount for either cost of goods sold or cost of manufacturing, only 142 companies applied the amount against sales income resulting in a sub-total either labeled or identifiable as "gross profit." A substantial number of companies (225) combined the cost of goods sold with other costs in many different ways. A common presentation was the inclusion of the cost of goods sold with other costs in a single total amount. Another method was the arrangement of total expenses segregated by basic nature, such as: employment costs, materials and services purchased, taxes, and depreciation, etc.

The presentation of opening and closing inventories, or net change in inventories is seldom provided in current annual reports. Only three of the 600 survey companies included opening and closing inventory balances in their 1955 income statements. One company (*Co. No. 279) used the traditional cost of goods sold form; the other two companies (*Co. Nos. 114, 129) combined inventories with other total costs in the single-step form of income statement. Three additional companies used the same type of income statement, and included only the net increase or decrease in inventories as a separate item of expense or credit (*Co. Nos. 191, 280, 384).

The examples which follow illustrate the various methods used in presenting the cost of goods sold and gross profit:

GROSS PROFIT AS INITIAL ITEM

BLISS & LAUGHLIN, INCORPORATED
Income Account

Gross profit on sales	$8,655,664
Selling, general and administrative expenses, including general taxes	3,306,884
Operating profit—before depreciation	$5,348,780

THE CLEVELAND BUILDERS SUPPLY COMPANY
Summaries of Income and Earnings Retained for Use in the Business

Gross income after deducting cost of goods sold including materials, labor, manufacturing, and delivery expenses—Note A	$1,978,189

Note A: Depreciation and depletion in the amounts of $467,619 in 1955 . . . were charged to costs and expenses in the above statement of income. Costs and expenses also include a charge of $73,383 . . . for contribution to profit-sharing trust.

HAMMOND ORGAN COMPANY
Consolidated Statement of Income and Surplus

Gross Profit on Sales—Before Depreciation and Amortization	$8,889,509
Engineering, Selling, Administrative and General Expenses	2,172,089
Operating Profit Before Depreciation and Amortization	$6,717,420

THE PARKER PEN COMPANY
Summary of Consolidated Income and Earned Surplus

Gross Income on Sales	$13,267,115
Selling, and General and Administrative Expenses	11,860,567
Income from Operations	$ 1,406,548

COST OF GOODS SOLD AND GROSS PROFIT

INTERTYPE CORPORATION
Consolidated Statement of Income

Net sales and rentals	$12,805,301
Cost of sales and rentals	7,558,334
Gross profit, after providing $573,502 for depreciation and amortization	$ 5,246,967

*Refer to Company Appendix Section.

PENICK & FORD, LTD., INCORPORATED
Consolidated Statement of Income and Earned Surplus

Gross sales, less discounts, returns and allowances	$52,451,670
Cost of Goods Sold:	
Materials at the higher of current costs or inventory carrying value and operating expenses exclusive of maintenance, repairs and taxes	$35,970,170
Maintenance and repairs	1,007,393
Taxes—Real estate, personal property and social security	324,272
Gross profit on sales	$15,149,835

STEWART-WARNER CORPORATION
Statement of Consolidated Income

Net Sales	$113,810,640
Cost of Sales, including a provision of $479,500 to reduce basic inventories to 1945 price levels (Note 1)	88,178,271
Gross income from Sales	$ 25,632,369

Note 1: The provision of $479,500 to reduce basic inventories to 1945 price levels was not deductible for Federal income tax purposes in 1955. Accordingly, the provision for Federal income taxes has been reduced by $249,500, the Federal income tax effect. Thus, the net effect of this provision was to reduce net income for the year by $230,000 with a corresponding increase in the reserve deducted from inventories.

UNION BAG & PAPER CORPORATION
Summary of Income

Net sales	$123,031,544
Cost of products sold	67,325,497
Gross profit on sales before depreciation and depletion	$ 55,706,047

Note: Inventories are stated on the basis of the lower of cost or market. Cost of pulpwood, pulp, paper, and board is determined on the last-in, first-out method. Conversion cost of manufacture of paper and board into bags, corrugated sheets, and boxes is determined on the first-in, first-out method, as is also the cost of certain supplies. The cost of other supplies (primarily general plant stores) is determined on the average cost method.

COST OF GOODS SOLD INCLUDED IN COSTS AND EXPENSES

THE BULLARD COMPANY
Statement of Income

Net Sales (Shipments)	$30,278,284
Costs and Expenses:	
Cost of goods sold (including extraordinary expenses in connection with change-over to redesigned line of machines)	$28,357,786
Selling and administrative expenses	4,236,518
Other *income* deductions—net (including interest)	23,579
	$32,617,883
Net Income *Loss* before Federal Taxes on Income and Renegotiation	$ 2,339,599

TABLE 2: COST OF GOODS SOLD AND GROSS PROFIT

Cost of Goods Sold:	1955	1954	1953	1950
Income Statement Presentation—				
Single total amount for:				
Cost of goods sold (*Co. Nos. 390, 456, 600)	316	348	352	354
Manufacturing cost of goods sold (*Co. Nos. 3, 24, 394)	24	18	15	15
Cost of goods sold together with other costs (*Co. Nos. 9, 12, 62, 114, 129, 191)	225	199	184	174
Cost of goods sold shown in:				
Separate elements of cost (*Co. Nos. 239, 285, 384)	5	3	14	13
Detailed section therefor (*Co. Nos. 279, 566)	2	2	2	2
Total	572	570	567	558
Not shown in statement—				
Initial item is:				
Gross profit (*Co. Nos. 148, 152, 363, 424)	15	17	18	25
Operating profit (*Co. Nos. 321, 434, 460)	11	11	13	14
No income statement (*Co. Nos. 267, 435)	2	2	2	3
	28	30	33	42
	600	600	600	600
Gross Profit:				
Income Statement Presentation—				
As initial item of gross profit	15	17	18	25
With single total amount:				
Designated "gross profit"	114	116	121	123
Identifiable as "gross profit"	28	26	25	25
Total	157	159	164	173
Not shown in statement—	430	428	421	410
Initial item is operating profit	11	11	13	14
No income statement	2	2	2	3
	600	600	600	600

*Refer to Company Appendix Section.

TABLE 3: COST OF MATERIALS

Presentation in Income Statement:	1955	1954	1953	1950
With single total amount for—				
Materials and services purchased (*Co. Nos. 9, 114, 256, 467, 570)	24	18	18	15
Materials purchased (*Co. Nos. 276, 384, 421, 448, 522, 525)	6	9	8	6
Materials used (*Co. Nos. 101, 210, 239, 285)	4	6	3	3
Materials, together with other costs (*Co. Nos. 53, 219, 313, 457, 512)	24	21	20	22
	58	54	49	46
Disclosed Elsewhere in Report:				
In notes to financial statements (*Co. No. 42)	1	4	3	2
In uncertified statements or schedules (*Co. Nos. 44, 200, 211, 278, 470)	64	73	84	91
	65	77	87	93
In graphic presentation—				
With dollar amount shown therein (*Co. Nos. 69, 106, 282, 311, 593)	21	16	22	18
With dollar amount not shown therein (*Co. Nos. 2, 18, 241, 449, 523)	48	42	60	66
	69	58	82	84
Number of Companies				
Referring to material costs	192	189	218	223
Not referring to material costs	408	411	382	377
	600	600	600	600

*Refer to Company Appendix Section.

DAYSTROM, INCORPORATED
Consolidated Results of Operations

Costs:	
Employment costs:	
Wages and salaries	$20,066,345
Pensions, social security taxes, insurance, and other employee benefits	1,091,119
Materials, supplies, services purchased, etc.	25,129,730
Wear and exhaustion of property, plant and equipment	1,311,895
Interest on borrowed funds	515,171
Federal taxes on income	1,865,000
	$49,979,260
Add decrease in inventories	23,053,217
Total Costs	$73,032,477

Note 2: Inventories at March 31, 1955 are summarized as follows:

Government contracts and subcontracts	$ 7,493,707
Raw materials	722,409
Partially finished products	4,527,634
Finished products	4,028,711
	16,772,461
Less progress payments	5,775,570
	$10,996,891

Inventories under Government contracts and subcontracts are stated at cost. Commercial inventories, other than finished type, were priced at the lower of average cost or market.

Inventories of finished type, amounting to $255,742 in 1955, were priced on the basis of a price per pound established in 1936 (which is less than current cost or market) for that portion of the inventory considered to be the normal base stock quantity, and the balance at current average cost which is not in excess of market.

CORN PRODUCTS REFINING CO.
Consolidated Statement of Income and Earned Surplus

Gross Sales:	
To customers:	
Domestic	$304,871,458
Foreign	5,593,856
	310,465,314
To foreign subsidiary and affiliated companies	6,468,712
Total	316,934,026
Less transportation and other sales deductions	26,759,441
Net Sales	$290,174,585
Cost of Sales, including decrease of $1,914,350 in 1955 and decrease of $83,052 in 1954 in reserve for reduction of normal inventories to fixed prices	$220,108,539
Selling, General and Administrative Expenses	34,632,559
Depreciation	6,535,288
Provision for Additional Compensation Under Profit Sharing Plan	403,915
Taxes, other than taxes on income	2,211,009
Total	$263,891,310
Profit from Operations	$ 26,283,275

Note 2: Inventories—Raw materials, finished and in process goods, and manufacturing and mechanical supplies are priced at cost or cost or market, whichever lower, on the basis of first in, first out. The parent company and certain of its subsidiaries use the normal

stock inventory method in respect to minimum quantities of corn and other grains, finished and in process goods manufactured from corn and other grains, necessary to do a continuing business based upon plant capacity. Since the adoption of this method the companies have consistently stated normal stock requirements at fixed prices, determined in the year in which adopted, which are substantially lower than current cost or market prices. Under this method a reserve has been established which represents the difference between the normal stock inventory quantities at cost, or cost or market, whichever lower, and at fixed prices. The deduction of this reserve from normal stock inventories stated at cost, or cost or market, whichever lower, results in stating that portion of the inventory at fixed prices. The reserve is increased or decreased as required through charges or credits to cost of sales to record the fluctuations in prices on the basis of cost, or cost or market, whichever lower, and the fixed prices determined in the year of adoption. As a result of the application of the normal stock inventory method, income from operations is less affected by fluctuations in raw material prices of corn and other grains.

MOTOROLA, INC.
Statement of Consolidated Income and Retained Earnings

Sales	$226,653,953
Other income	1,774,110
Total income	$228,428,063
Manufacturing and other costs of sales	$179,293,927
Selling, service and administrative expenses	24,133,615
Depreciation and amortization of leasehold improvements	1,840,911
Contribution to employees' profit-sharing fund	3,362,514
Interest and other expenses	1,056,670
Total costs and other expenses	$209,687,637
Net income before provision for taxes on income	$ 18,740,426

PENN FRUIT CO., INC.
Comparative Statement of Consolidated Earnings

Sales	$108,583,165
Cost of Sales and Operating Expenses:	
Cost of merchandise sold, including warehousing, processing and transportation expenses	$ 87,918,080
Wages, rents, advertising, administrative and other operating expenses	16,785,828
Depreciation and amortization	754,025
	$105,457,933
Profit from Operations	$ 3,125,232

THE BUDD COMPANY
Results of Operations

Products sold	$316,572,778
Royalties and miscellaneous income	1,227,118
	$317,799,896
Costs allocated to the year:	
Inventories brought forward from previous year	$ 33,638,767
Materials, supplies, services purchased, etc.	170,714,944
Payrolls and other employment costs	118,505,095
Depreciation of plant and equipment	6,753,140
Property taxes, interest and rents	3,873,407
	$333,485,353
Deduct—Inventories carried forward to next year	45,076,035
Total costs allocated to the year	$288,409,318
Profit before taxes on income	$ 29,390,578

Supplementary information: Inventories—

Work in process	$22,834,438
Raw materials	13,667,892
Other materials and supplies	6,273,519
Provision for obsolescence, etc.—(deduct)	(881,000)
Tools, dies and jigs chargeable to customers	3,181,186
	$45,076,035

Inventories, for the most part, are at current average cost or estimated realizable amounts. A relatively small portion of inventories, representing productive materials of one subsidiary, are valued at cost determined on the last-in, first-out method.

COST OF MATERIALS—PRESENTATION

The majority of the 600 survey companies (408 companies) did not refer to the cost of materials in their 1955 reports. The most common presentataion was in the content of graphs or charts (used by 69 companies). Only 58 companies presented the cost of materials in the income statement. Disclosure of this information was given within the annual report in other uncertified statements or schedules by 65 companies. Table 3 indicates the methods of presentation used by the survey companies to show the cost of materials in their 1955 reports.

Examples

The examples which follow illustrate the various methods of presentation of cost of materials in the income statement:

AMERICAN STEEL FOUNDRIES
Consolidated Results of Operations and Summary of Net Income Employed in the Business

Sales	$80,664,461
Dividends received and other income (net)	411,143
	$81,075,604
Costs:	
Inventories at beginning of year	$15,216,260
Add—Costs incurred during year:	
Materials, supplies, services purchased, etc.	34,849,453
Wages, salaries, and company contributions for group insurance, retirement plans, unemployment insurance, old age benefits, etc.	36,201,884
Portion of cost of buildings, machinery, and equipment allocated to current operations	2,717,155
Provision for Federal taxes on income	4,400,000
Total costs incurred during year	$78,168,492
	$93,384,752
Deduct—Inventories at end of year	16,079,519
Costs allocated to year	$77,305,233
Net Income for Year	$ 3,770,371

PEPPERELL MANUFACTURING COMPANY
Statement of Income

Sales and Other Income	$84,688,171
Costs:	
Materials and Other Purchases	$48,898,117
Wages and Salaries	24,727,768
Collection Discounts	1,615,745
Depreciation	1,407,830
State, Local and Social Security Taxes	1,221,765
Federal Income Tax Provision	2,000,000
All Other Costs	2,931,191
	$82,802,416
Net Income for the Year	$ 1,885,755

INTERLAKE IRON CORPORATION
Statement of Income and Earned Surplus

Sales and Revenues:	
Net sales	$ 98,822,094
Dividends, interest, rents, royalties, etc.	1,348,926
	$100,171,020
Costs and Other Charges:	
Purchased materials and services	$ 61,058,071
Wages and salaries	11,521,139
Pensions	899,900
Depreciation, depletion and amortization	6,789,149
Interest	533,153
State and local taxes	1,235,822
Federal income taxes:	
Current	9,147,000
Future	445,000
	$ 91,629,234
Net Income	$ 8,541,786

ROTARY ELECTRIC STEEL COMPANY
Statement of Earnings

Costs and Expenses:	
Employment costs—	
Salaries and wages	$ 8,663,308
Social security taxes	120,422
Pension, insurance and other costs	565,925
Total	$ 9,349,655
Scrap and other raw materials	26,086,493
Supplies and other costs	8,974,802
Depreciation and amortization	1,264,391
State and local taxes	551,717
Interest and debt expense	221,190
	$46,448,248

TORO MANUFACTURING CORPORATION
Consolidated Statement of Operations

Sales of products	$11,484,259
Costs:	
Wages, salaries and retirement benefits	2,336,082
Materials and services	7,531,088
Portion of cost of buildings and equipment allocated to operations (depreciation)	170,526
Cash discount on sales	187,452
Interest paid	60,309
Real estate and personal property taxes	50,714
Federal and State taxes on income	619,000
	$10,955,171
Earnings for period	$ 529,088

EMPLOYMENT COSTS—PRESENTATION

Wages or employment costs were presented in the income statement by only 52 of the 600 survey companies. Such information was provided by 221 companies in other parts of the report, either in the form of notes to the financial statements, uncertified statements or schedules, graphs, or in the letter to the stockholders. Most of the companies which indicated such costs in the income statement also referred to pension costs (*Co. Nos. 96, 204, 258, 416, 599). Two companies identified these costs as "past-service" costs (*Co. Nos. 401, 543). Several companies also discussed profit-sharing costs (*Co. Nos. 126, 175, 205, 253, 299, 368, 451) and/or incentive compensation (*Co. Nos. 98, 143, 575).

In addition to the pension or retirement plans mentioned above, many companies referred to other employee welfare plans. These plans, in the order of frequency, included the following: employee insurance plans, profit sharing plans, incentive compensation plans, savings plans, bonus plans not payable in stock, disability benefit plans, plans referred to only as fringe benefits, scholarship funds, contingent compensation plans, social insurance plans, and deferred compensation plans.

Table 4 discloses the various methods of presentation of employment costs used by the survey companies in their annual reports.

Examples

The following examples, selected from the 1955 reports, illustrate the presentation of employment costs:

APEX SMELTING CO.
Statement of Consolidated Earnings and Accumulated Earnings

Employee Costs:	
Wages and salaries	$2,660,292
Payroll taxes and other employee benefits	164,633
Profit sharing contribution	208,332
Total employee costs	$3,033,257

ARMCO STEEL CORPORATION
Statement of Consolidated Income

Costs and Expenses:	
Employment costs:	
Wages and salaries	$176,832,328
Social security taxes	3,254,112
Pensions and group insurance (page 8)	9,846,914
	$189,933,354

Page 8: Employment Costs Rise— . . . During the year 1955, $5,588,814 was paid into pension funds for current service costs and for the level funding of past service costs. The unfunded balance of past service costs as of December 31, 1955, was estimated by actuaries to be $51,000,000.

BATES MANUFACTURING COMPANY
Consolidated Statement of Income

Costs:	
Payments to and for the benefit of employees:	
Wages and salaries	$19,112,416
Unemployment and old age benefit taxes	656,687
Employee health and life insurance premiums	327,604
	$20,096,707

CLEVITE CORPORATION
Consolidated Results of Operations

Costs:	
Wages, salaries, and company contributions for group, hospital and unemployment insurance and old age and retirement benefits (Note 5)	$32,453,236

Note 5: Retirement Income Plans—Effective November 30, 1953, the corporation established a contributory, trusteed retirement income plan for salaried employees. In 1955 the corporation paid into the trust fund and charged against income, an amount of $520,000. At December 31, 1955 the unfunded liability with respect to the re-

*Refer to Company Appendix Section.

TABLE 4: EMPLOYMENT COSTS

Presentation in Income Statement:	1955	1954	1953	1950
With single total amount for—				
Wages and salaries (*Co. Nos. 289, 325, 391, 517, 589)	9	11	8	13
Wages, salaries, and employee benefits (*Co. Nos. 11, 101, 129, 266, 375)	17	15	16	13
Wages and salaries together with certain unrelated costs (*Co. Nos. 47, 74, 84, 196, 275)	15	12	8	10
In separate section detailing employee costs (*Co. Nos. 9, 62, 92, 137, 299, 570)	11	8	9	6
	52	46	41	42
Disclosed Elsewhere in Report:				
In notes to financial statements (*Co. Nos. 42, 487, 525)	3	3	4	3
In uncertified statements or schedules (*Co. Nos. 143, 218, 253, 337, 571)	152	147	154	151
In letter to stockholders (*Co. Nos. 19, 220, 309, 347, 418)	16	23	30	25
	171	173	188	179
In graphic presentation—				
With dollar amount shown (*Co. Nos. 165, 203, 314, 511, 593)	22	16	18	17
With dollar amount not shown (*Co. Nos. 8, 123, 155, 238, 492)	28	37	44	54
	50	53	62	71
Number of Companies				
Showing employment costs	273	272	291	292
Not showing employment costs	327	328	309	308
	600	600	600	600

*Refer to Company Appendix Section.

tirement income plan for salaried employees was approximately $1,580,000.

Effective January 1, 1955, the corporation adopted a non-contributory, trusteed pension plan for hourly personnel employed at certain divisions of the corporation. In 1955 the corporation paid into the trust fund and charged against income an amount of $580,000. At December 31, 1955 the unfunded liability with respect to the pension plan for hourly personnel was approximately $3,340,000.

KELSEY-HAYES WHEEL COMPANY
Statement of Net Earnings
Costs and Expenses:

Cost of employees' pension plans	$1,379,756
Incentive compensation plan	956,794

Note B: Under its noncontributory pension plans covering all employees, the Company has agreed to make minimum annual payments to cover (1) current service costs and (2) past service costs on the basis of funding such costs over a period of not more than 30 years. Unfunded past service costs at August 31, 1955, amounted to approximately $8,300,000.

Letter to Stockholders: In accordance with determination made by our Independent Public Accountants, the sum of $956,794.20 has been credited to the Incentive Compensation reserve for the past year, compared to $692,942.27 for the previous year. The Incentive Compensation Committee has allocated to 137 key employees the sum of $863,410.00 to be distributed in five annual installments, compared with $655,832.00 awarded to 125 key employees in the previous year. There remains an accumulated balance of $309,278.33 in the Incentive Compensation Reserve for future allocation.

UNDERWOOD CORPORATION
Results of Operations
Costs:

Wages and salaries, including holiday and vacation pay	$49,396,650
Employees' benefits, including pensions, life insurance, hospitalization and social security taxes	3,059,222

Note C: There was charged to operations during the year $360,000 for past service benefits under the Corporation's non-contributory pension plan. The estimated remaining past service costs under the plan as of December 31, 1955 amounted to $4,800,000.

OUTBOARD MARINE & MANUFACTURING COMPANY
Statement of Consolidated Earnings
Costs and Expenses:

Wages paid to employees other than for supervision and management	$23,819,506
Compensation paid to supervisory and managerial employees (427 and 459 persons in the respective years)	4,459,383
Paid for employee benefits through contributions to retirement plan, insurance, social security taxes, vacations and holiday pay	4,557,998
Total amount paid to employees or for direct benefit of employees amounting to 80.7 and 84.6 cents, respectively, of each dollar left after paying for necessary operational costs shown above	$32,836,887

COLORADO FUEL AND IRON CORPORATION
Consolidated Income and Surplus
Costs and Expenses:

Employee costs:	
Wages and salaries	$101,032,631
Pensions, social insurance and other employee benefits	6,207,424
	$107,240,055

A DISCUSSION OF "SUPPLEMENTAL UNEMPLOYMENT BENEFITS" was included in the notes to the financial statements of *Allis-Chalmers Manufacturing Company:*

Supplemental Unemployment Benefits: Effective September 1, 1955, the Company established Supplemental Unemployment Benefits Plans for hourly-paid employes. The plans provide that contributions, computed at the rate of 5c per hour worked, be made to trust funds until the market value of assets in the funds equals the amount of maximum funding, determined in accordance with provisions of the plans. Maximum funding, based on the level of employment as of September 1, 1955, amounts to approximately $7,248,000. Operations for 1955 were charged with $782,000, representing contributions payable for the period from September 1 to December 31, 1955.

Retirement and Pension Plans: The non-contributory Retirement and Pension Plans were amended in 1955 to increase normal, early, and disability pension benefits. Cost of the plans in 1955 amounted to $7,950,000 as compared with $4,669,000 in 1954. The increase is attributable to increased benefits, the inclusion of additional employes, and the fact that to some extent the contributions of the Company due in 1954 had been anticipated by advance payments in prior years.

Unfunded past service cost for hourly-paid people at December 31, 1955, as estimated by an independent actuary, amounted to approximately $45,000,000; this plan provides for funding past service cost over a 30-year period. The plan for salary-paid people contains no specific provision for funding past service.

PENSION AND RETIREMENT PLANS

The 600 survey companies included 378 which indicated that there were pension or retirement plans in operation during 1955; the remaining 222 companies made no reference to the existence of such plans. Thirteen of the survey companies stated in their 1955 reports that they had adopted new pension plans during the year (*Co. Nos. 24, 43, 55, 84, 98, 112, 232, 286, 303, 382, 420, 476, 479) and ten companies disclosed new plans which either supplemented or replaced pension plans previously in effect (*Co. Nos. 87, 123, 149, 202, 229, 385, 443, 543, 590).

Eighteen other companies that had referred to pension plans in a prior year made no reference to such plans in their 1955 reports. In approximately 74 per cent of the plans mentioned in the 1955 reports it was indicated that such plans were funded or partially funded. Approximately 6 per cent of the plans were stated to be unfunded; in the remaining 20 per cent no such information was given.

The companies which mentioned pension plans in their 1955 reports usually disclosed such costs in the income statement (*Co. Nos. 30, 203, 220, 374, 401) or provided information which indicated that a pension plan existed (*Co. Nos. 3, 43, 93, 154, 359). Some companies provided supplementary data with regard to their plans (*Co. Nos. 35, 42, 175, 266, 360).

It appears that detailed information concerning a plan is usually given by the company in the year in which the plan was originally adopted or in a year in which the plan was materially modified; however, in subsequent years the amount of such information is apt to be substantially reduced. It is for this reason that statistical comparisons between years, based upon the varying degree of disclosure of data in annual reports, would appear to be of little value and they have therefore been omitted. Table 5 summarizes the information contained in the 1955 reports with regard to the funding of pension and retirement plans by the survey companies. This tabulation also shows the manner in which the companies presented the related "current" service, "past" service, or "pension" costs in their 1955 reports.

*Refer to Company Appendix Section.

Examples

The following examples from the financial statements, footnotes to such statements, and letters to the stockholders have been selected as illustrations of the accounting and other data supplied by the survey companies in their 1955 annual reports concerning pension and retirement plans:

Trusteed Pension Plans

THE AMERICAN SUGAR REFINING COMPANY

Notes to Consolidated Financial Statements: Pensions—During 1955, the Company adopted a revised pension plan and established a tax exempt trust fund for the purpose of providing benefits under the plan. At December 31, 1955, this Pension Plan Trust Fund held by Trustees aggregated $4,376,935. These funds have been transferred irrevocably for pension purposes and are not a part of the assets of the Company.

The pension fund and reserve of $10,656,415 now carried on the Company's Balance Sheet will require additional provisions from future years' earnings, totaling approximately $4,400,000 net of taxes, in order to reflect the total undeposited past service cost of the revised pension plan adopted during 1955. While it is intended that the fund and reserve will be used to accomplish the trust deposit of the full past service cost of the revised plan over a period of years, the Company reserves the right to make the balance sheet fund and reserve available for other corporate purposes at any time.

Pension plan costs of $2,021,649 have been included in costs and expenses for 1955. Of this amount, $854,167 represents an additional provision toward the past service cost not previously provided in the Company's pension reserve. The net effect of pension plan costs upon earnings, after applicable income taxes, was $1.188,309 in 1955 (including the additional provision of $410,000 after taxes), $746,050 in 1954, and $729,458 in 1953.

To the Stockholders: Pensions—At a special meeting of stockholders on December 14, 1955, approval was given to the adoption of an improved pension plan providing greater benefits at normal retirement age for regular full-time employees of the Company.

The Company has established a tax-exempt trust fund with The First National City Bank of New York for the purpose of providing benefits to pension plan members and their beneficiaries in accordance with the terms of the new plan. Income to the trust fund from securities held by it is not taxable. Contributions to the trust fund, within certain maximum limitations are deductible in determining the Company's taxable income for federal income tax purposes.

For a number of years the Company had maintained a pension reserve on its books by making annual provisions from earnings. A fund in an amount equal to the reserve was also maintained. These provisions were not permitted as deductions for purposes of determining taxable income, however, since only the actual payments of pension benefits are so recognized if a tax-exempt trust or other qualified funding arrangement does not exist.

Our pension fund and reserve will be confined hereafter to the undeposited past service cost, adjusted for the amount of tax reduction to be obtained when deposits are made. Accruals for each year's current service cost for pensions will not be reflected in the reserve, as the related sums will be deposited directly in the trust fund.

In December, a deposit of 10 per cent of the past service cost was made to the tax-exempt trust fund. A portion of this deposit represented a charge to 1955 earnings in recognition of the higher past service cost of the improved trusteed plan as estimated by independent actuaries. The pension reserve aggregated $10,656,415 at December 31, 1955.

Provisions for pension costs charged to 1955 earnings amounted to $1,188,309 after reflecting the applicable reduction in taxes. Of this amount, $778,309 represents the provision for current service cost and $410,000 an additional provision toward past service. Provision for pension costs charged to 1954 earnings amounted to $746,050.

AMERICAN ZINC, LEAD AND SMELTING COMPANY

Financial Review: Employee Relations— . . . During the past year the company adopted retirement benefit plans for hourly and salaried employees which were approved by the stockholders at the annual meeting and were effective as of January 1, 1955. The president and one vice president were excluded from the salaried plan. Both plans are noncontributory and the funds pertaining to the plans are administered by trustees. It is the present intention of the company to continue the plans indefinitely, although the company has the right to terminate the plan for hourly employees on Decem-

TABLE 5: PENSION AND RETIREMENT PLANS

Funded or Partially Funded Plans:	Charge to Income Set Forth For*: Current and Past Service Costs: Shown Combined	Shown** Separately	Current Service Costs	Pension Costs	Pension Costs With Other Expenses	Charges Not Set Forth	Total 1955 Plans
Current funding of current service costs with installment funding of past service costs	30	59	1	51	9	25	175
Current funding of current service costs with funding completed for past service costs	—	7	2	15	—	2	26
Current funding of current service costs with past service costs not to be funded	—	—	3	4	—	—	7
Basis of funding not disclosed	2	1	2	84	17	30	136
	32	67	8	154	26	57	344
Unfunded plans with related costs to be absorbed at time of retirements or as benefits are paid	—	2	—	17	—	10	29
Unidentified plans with no reference made to funding or nonfunding of related costs	1	1	—	23	9	57	91
Total	33	70	8	194	35	124	464
Charge to Income Set Forth In:							
Statement of income	5	6	—	70	20	—	101
Notes to financial statements	23	58	8	88	2	—	179
Uncertified supplementary schedule	—	1	—	2	4	—	7
Letter to stockholders	5	5	—	34	9	—	53
Charges Not Set Forth For:							
Funded pension or retirement plans	—	—	—	—	—	57	57
Unfunded pension or retirement plans	—	—	—	—	—	10	10
Unidentified pension or retirement plans	—	—	—	—	—	57	57
Total	33	70	8	194	35	124	464

Number of Companies:	1955
Referring to pension or retirement plans:	
Disclosing related costs	269
Not disclosing related costs	109
Total	378
Not referring to pension or retirement plans	222
	600

Number of Pension or Retirement Plans:	1955
Adopted during year	26
Amended during year	67
Continued as adopted in prior year	371
Total	464

**Includes those in which the past service costs are shown somewhere in the report even though the combined cost may have appeared in the Income Statement.

ber 31, 1959 and the plan for salaried employees at any time. Retirement benefit plan expense charged to income for the year consisted of $272,165 for current service costs, $249,641 for past service costs, and $12,243 for current pension payments under the plans. The unfunded past service liability was estimated as of January 1, 1955 at $5,225,072. It is the present intention to fund the past service costs over a period of approximately 20 years.

W. L. MAXSON CORPORATION
Notes to Financial Statements

Note 4: The Employee Retirement Plan, which was adopted in 1944, provides for annual contributions by the Corporation to a trust fund for the benefit of its employees, computed as the lesser of:

(a) an amount equal to 10% of the total compensation paid to eligible employees during the year, or

(b) an amount based on the Corporation's net income for the year before deduction of the contribution to the Plan, Federal taxes on income, payments or reserves for over-all renegotiation and any contingent reserves. No contribution is payable on the first $500,000 of such net income. The contribution on the next $250,000 is at the rate of 10%, which rate increases 2½% on each additional $250,000 up to a maximum of 25% on such net income in excess of $2,000,000.

The amount payable, computed under this formula, amounted to $351,879 for the 1955 fiscal year.

In 1955 the Corporation adopted the policy of treating its contribution under the Plan as an element of overhead and general and administrative expenses. Consequently a portion of the 1955 contribution is included in inventories and deferred general and administrative expenses at September 30, 1955 whereas in prior years the entire amount of each year's contribution was charged directly to that year's income. The effect of this change was to increase net income for the 1955 fiscal year by $38,000.

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
Notes to Financial Statements

Note 3: The Company maintains a voluntary contributory retirement plan under a trust agreement for eligible salaried employees of the Company and of participating affiliated companies. The estimated total cost for all past service under this plan is $583,159 of which $295,096 was unfunded as of December 31, 1955. The amounts charged to operations in 1954 and 1955 for contributions under this plan were as follows:

	Past service	Current service	Total
1954	$57,128	44,786	101,914
1955	58,479	70,297	128,776

TOBIN PACKING CO., INC.
Statement of Earnings

Employee retirement fund contributions (Note 6) $167,000

Note 6: The Company charged $167,000 to operations during the fiscal year ended October 29, 1955, for contributions to the employee pension fund established under the plan adopted as of September 1, 1948. Of the total charged to operations, $150,000 was paid to the fund trustee during the fiscal year and $17,000 was accrued in the financial statements for payment after the year-end. The unfunded actuarial reserve was estimated at approximately $1,517,000 after deducting the amount charged to operations. Under the plan all contributions are voluntary but irrevocable when paid; however, it is the Company's intention to pay such voluntary contributions over a period of years to fund the entire cost of the pension plan.

Since the inception of the plan on September 1, 1948, the Company has irrevocably paid a total of $1,547,612 into the employee pension fund from which pensions are currently being paid to eligible retired employees. Lincoln Rochester Trust Company, the trustee, reports assets in the fund at October 29, 1955, with securities at market values, amounted to $1,963,077.

WINN & LOVETT GROCERY COMPANY
Notes to Consolidated Financial Statements

Note 2: Profit-Sharing Retirement Program—The parent company and its subsidiaries have in effect a trusteed profit-sharing retirement program for the benefit of eligible employees of the companies, including officers, the entire cost of which is borne by the respective companies. The annual contributions of the companies amount to 15% of the total compensation paid to the participants during the fiscal year (on a cumulative basis); provided that the contributions cannot exceed 10% of the consolidated net earnings for such fiscal year before deducting such contributions and before any provision for taxes on income, and cannot exceed 50% of the consolidated net earnings for such fiscal year before deducting such contributions and before any provision for taxes on income but after deducting an amount equal to a specified return on the parent company's outstanding common stock. No past service benefits are provided under the plan. During the year ended June 25, 1955, the contributions to the program, included among the operating and administrative expenses, amounted to $978,064.

While the companies expect to continue the program indefinitely, the right to modify, amend or terminate it has been reserved. In the event of termination, the entire amount theretofore contributed under the program must be applied to the payment of benefits to participants or their beneficiaries.

Past Service Funding Not Completed or Not Required Under Funded Plans

AMERICAN MOTORS CORPORATION
Consolidated Statement of Net Loss
Costs and Expenses:

Cost of pensions for employees $5,278,936

Note B: After the pension provisions of the 1955 labor agreements become effective, all of the Corporation's pension plans will provide for contributions for costs of current service benefits, and for costs of past service benefits amortized over 20 to 40-year periods. The estimated annual future cost of all pension plans will approximate $8,500,000 of which $3,000,000 is applicable to past service.

UNITED STATES PIPE AND FOUNDRY COMPANY
Notes to Financial Statements

Note 4: The companies entered into a revised contributory retirement annuity plan for the benefit of their supervisory and salaried employees, effective January 1, 1954. The companies are required to make payments under the revised plan, for past service benefits of the covered employes and at December 31, 1955, the estimated liability for services rendered prior to the adoption of the plan was approximately $2,970,000. The companies presently contemplate payments on this liability of approximately $350,000 annually to conform to the maximum allowable payments under the plan and the maximum allowable deduction for income tax purposes.

THE CARPENTER STEEL COMPANY
Notes to Financial Statements

Note C: General Retirement Plan and Pension Plan—In accordance with the terms of the respective plans approved by stockholders on June 29, 1950, as amended, charges against income for the year ended June 30, 1955, have been made which provide for the full funding of future service and the payment of a minimum of 2½ pct. per annum interest (3¼ pct. from January 1, 1955, under General Retirement Plan) on prior service liability.

The prior service liability at June 30, 1955, based upon estimates by the Consulting Actuary for the Company, aggregates $3,618,015.

The aggregate charge against income for the year ended June 30, 1955, for the General Retirement Plan and the Pension Plan was $683,453.77.

Group Annuity Plans

INTERNATIONAL HARVESTER COMPANY
Notes to Financial Statements

Note 6: Retirement Plans—During the 1955 fiscal year most of the agreements with major unions covering retirement plans expired. New agreements were reached providing for an amended non-contributory retirement plan which was made effective September 1, 1955. As of October 31, 1955, approximately 40,000 employes were covered under the amended plan and the Company had made contributions to a Trustee, in amounts sufficient as actuarially determined, to cover the normal costs from the effective dates of the agreements to October 31, 1955, and to cover the past service costs on the basis of funding them over a 30-year period. On November 1, 1955, the amended plan was extended to all employes not represented by unions and was offered to unions with which agreements on retirement plans had not previously expired. Effective November 1, 1955, the Company's contributory annuity plan was amended to cover salaried employes only with two or more years of service whose basic annual earnings were $4,200 or more, subject to agreements with bargaining units in the case of salaried employes represented by labor unions. Contributions are based on annual earnings in excess of $4,200. This plan is underwritten by insurance companies.

As of October 31, 1955, the Company had fulfilled its current funding obligations under all existing retirement plans.

Unfunded Plans

MURRAY CORPORATION OF AMERICA
Consolidated Statement of Net Earnings
Costs and expenses:

Costs of pensions for employees $702,705

Note D: Pension Plans—The Corporation has in effect pension plans for all of its employees, except hourly rated employees of the Triplex Screw Division.

The noncontributory plan for hourly rated employees of the china, enamelware, and brass divisions of the Corporation provides for the purchase of pension annuities from an insurance company at the time of retirement of employees. The plan does not require any payment for current or past service pension liability for employees who have not retired. No actuarial studies have been made to determine the past service cost of this plan.

All employees of the recently acquired washing machine business are covered under one contributory plan, as to which payments are now being made only for current service costs, all past service obligations having been funded.

The plans relating to hourly rated employees of the other divisions of the Corporation are noncontributory and require minimum annual payments to cover current service costs and to amortize past service costs over a period of not more than 30 years. The method of funding under the contributory and noncontributory plans for the remaining salaried employees is optional with the Corporation; however, minimum annual payments are being made to cover current service costs and to amortize past service costs over a 30 year period. Unfunded past service costs under these plans (excluding amounts applicable to the chassis frame division which has been sold) amounted to approximately $3,900,000 at August 31, 1955.

PFEIFFER BREWING COMPANY
Notes to Financial Statements

Note C: During 1955 the Company executed a collective bargaining agreement covering hourly rated employees at its St. Paul, Minnesota plant which provides for the payment of specified pensions and other benefits to employees who retire during the term of the agreement which expires July 1, 1957. There is no requirement for funding of amounts due under the plan. The total past service costs under the plan, if continued, amounted to approximately $559,000 at December 31, 1955, as determined by an independent actuary. Costs have been charged with current service cost of $23,000 and past service cost of $26,000, based on amortizing the entire past service cost over a thirty year period.

The amounts charged to income for pension costs are deductible for federal income tax purposes in the years in which benefits are paid under the plan, resulting in the prepayment of income tax in the early years of the plan during which amounts charged to income exceed amounts of pensions paid. The amounts of such prepayments have been recorded as a deferred charge in the annexed balance sheet and will be charged to income in the years in which the related pension costs are deductible for tax purposes.

Profit Sharing Plans

BACHMANN UXBRIDGE CORPORATION
Notes to Financial Statements

Note 5: The Company has a profit sharing plan, which in part provides for the purchase of retirement annuities for the members (qualified employees) thereof and in part is held in trust and invested for the benefits of the members thereof. Subsidiary companies have not as yet adopted the plan although they are permitted to do so. The profit sharing plan provides that the profit sharing contribution formula applicable for each calendar year shall be 10% of the consolidated net income (before Federal taxes on income) for such calendar year of all employers under the plan. However, in no calendar year shall the profit sharing contribution exceed 15% of the total compensation for such calendar year of all members under the plan. Contributions under the plan are allowable deductions for Federal income tax purposes. The plan may be discontinued by action of the Board of Directors. No contribution was required to be made by the Company for the year ended December 31, 1955.

HELENE CURTIS, INC.
Consolidated Balance Sheet
Current Liabilities:
Accrued expenses:
Employees' profit sharing retirement plans $189,768
Long-term Debt:
Employees' profit sharing income debenture bonds, due 1956 and 1957 .... $ 67,025

Consolidated Statement of Earnings
Other Deductions:
Contributions to employees' profit sharing plans $408,855

Note 5: Post Balance Sheet Events—Transactions consummated subsequent to December 31, 1955, in connection with the proposed change in common stock and public offering by the present common shareholders are as follows:

a. Retirement of employees' profit sharing debenture bonds ($67,025) and debentures of subsidiary ($428,000) both at par.

IRONRITE, INC.
Consolidated Statement of Operations
Contribution to employees' profit-sharing retirement trust—Note C $48,374

Note C: Employee Retirement Plans—The Corporation is in the process of negotiating a pension plan for its hourly-rated employees, which is to be made effective as of January 1, 1956. It is estimated that the cost of past services under the plan will be in excess of $400,000.00, and that the annual cost of the plan, including amortization of past-service costs over a thirty-year period, will approximate $55,000.00.

For a number of years the Corporation has had in effect a pension plan for salaried employees, under which contributions of $37,691.59 were made during the year 1955. The unfunded cost of past services under this plan are not material in amount.

During the year the Corporation adopted a profit-sharing plan effective December 31, 1955, providing supplemental retirement benefits for its salaried employees. Pursuant to the plan, the Corporation has agreed to make annual contributions to the trustee of a stipulated percentage of its annual earnings before income taxes but after due allowance for return on stockholders' investment. Such contributions, however, are not to exceed 15% of the aggregate annual compensation of the participants.

REXALL DRUG COMPANY

The President's Letter to the Stockholders: . . . Over 99% of the eligible Rexall employees voluntarily joined the Rexall Profit Sharing Retirement Trust as approved at the 1955 Rexall Stockholders' Meeting. For the year 1955 under the terms of this plan the Company contributed $485,000, or approximately $1.88 for each $1.00 contributed by the employees. The employees' contributions are currently invested in U. S. Treasury Bonds and most of the Company's contribution has been invested in Rexall Drug Company capital stock. This stock was purchased by the Rexall Drug Company for the Trust on the New York Stock Exchange.

Revised Plans

TALON, INC.
Notes to Consolidated Financial Statements

Note 8: As of December 31, 1955, the Company revised its contributory Pension plans changing the basic method of funding from a Group Annuity Contract to a Pension Administration Contract.

Payments have been made to the trustees under the plans and income charged in 1955 in amounts representing actuarial estimates of current service cost, interest on the unfunded past service liability, and a portion of that liability. It is the Company's present intention to fund the past service liability, estimated as $1,200,000 at December 31, 1955, over a period of years. The right to change or discontinue the revised plans is reserved by the Company.

VANADIUM-ALLOYS STEEL COMPANY
Notes to Financial Statements

Note 4: Contingent Liabilities—Pensions—The companies' non-contributory hourly-wage pension plan was amended effective October 30, 1954 to provide increased benefits to employees. Under the plan as amended it has been actuarially estimated that at May 1, 1955 it would cost $2,341,000 to fund past service benefits and that normal cost for the year then beginning would be $117,000. The companies in the year ended June 30, 1955 made no further deposits with the insurance company to fund these costs in advance of retirements and adopted instead a terminal, or "pay-as-you-go," plan of purchasing retirement policies as the men retire. Retirements in that year costing $29,023 were provided for out of funds deposited in prior years, the unused balance of which amounted to $110,288 at May 1, 1955.

THE WESTERN UNION TELEGRAPH COMPANY
Notes to Financial Statements

Note E: Employees' Pensions and Benefits—Under the Western Union Plan, established in 1913, for employees' pensions, disability benefits, and death benefits, the Company's counsel has advised that in his opinion the legal liability of the Company at any time is limited to the unexpended portion of the amounts theretofore appropriated to the reserve, and the Company is under no legal obligation to make additional appropriations. The Company has consistently followed the practice of making the pension and benefit payments in full and charging them to operating expenses at the time of disbursement by making appropriations to the reserve in amounts equal to such disbursements. Under the provisions of labor union contracts expiring in 1956, the Company agreed, during the term of the agreements, to make appropriations, with respect to employees covered by the contracts, in amounts sufficient to meet disbursements for pensions, disability and death benefits provided by the Plan.

On April 13, 1955 the share owners approved a plan for partial funding of the Company's current pension accrual on an actuarial basis by periodic payments to a Trustee, effective January 1, 1955. Under the plan the Company is paying into a fund to be held by the Trustee one-half of the pension accruals for current service and an amount representing interest on one-half of the unfunded past service accruals as determined by a consulting actuary. The Company reserves the right to pay in any year more than the amount so calculated for the year, and, as it may determine, to have the excess used to reduce the payment in a later year. Further, the Company reserves the right to reduce, suspend or discontinue contributions for any reason at any time. The fuid is available only to meet pension payments, and can in no event revert to the Company. The statement of income for 1955 includes for partial funding of pensions a charge of $3,249,506 in excess of the aggregate of charges that would have been incurred for the period if the Company had remained entirely on the "pay-as-you-go" basis. The balance in the fund held by the Trustee, excluded from the statement of financial position, amounted to $3,263,621 at December 31, 1955.

The Reserve for Employees' Pensions and Benefits, shown in the statement of financial position at December 31, 1955, includes $1,277,566 representing the actuarially-determined balance of estimated liability recorded by the Company upon acquisition of the properties of Postal Telegraph, Inc. in 1943 for pensions theretofore granted by that company.

DEPLETION

Annual Charge

An annual charge for depletion was disclosed by 113 survey companies in their 1955 reports. Six companies indicated accumulated depletion in their balance sheets, but did not reveal a charge in the income statement (*Co. Nos. 247, 287, 293, 437, 461, 567). The remaining 481 companies provided no reference to depletion. Among those companies which reveal an annual charge for depletion, the most common presentation in the income statement is to show depletion as a separate item or in combination with depreciation and amortization.

Method

Of the companies which disclosed either an annual charge for depletion or accumulated depletion, 101 companies made no reference to the method or basis used in the determination of the amount provided. Ten companies indicated that they used the unit-of-production method of computing depletion (*Co. Nos. 58, 61, 150, 207, 302, 428, 445, 463, 509, 535). Six companies disclosed an annual depletion charge and, without stating the method used, indicated the "basis" to be "cost" (*Co. Nos. 55, 355, 411, 525, 532, 552). Two companies (*Co. Nos. 207, 355) in addition to indicating the method or basis used in computing the annual charge for depletion, stated in the notes to financial statements that the percentage method was used for tax purposes. Two companies (*Co. Nos. 142, 330) provided the amount of net income for the year "without deduction for depletion" of metal mines. Approximately 10% of the companies referring to depletion also discuss the treatment of intangible drilling and development costs.

Examples

The examples which follow have been selected from the 1955 annual reports to illustrate the methods used to disclose depletion in the accounts.

THE ANACONDA COMPANY
Consolidated Balance Sheet
Property, Plant and Equipment:

Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks, railroads and railroad concessions—note G	$655,250,519
Less accumulated depreciation and amortization	319,896,422
	$335,354,097
Mines and mining claims, water rights and lands for metal producing and manufacturing plants—note G	$263,661,466
Timber lands and phosphate and sulphur deposits, less accumulated depletion—note G	3,048,983
Total property, plant and equipment	$602,064,546

*Refer to Company Appendix Section.

Statement of Consolidated Income

Provision for depletion of timber lands and phosphate and sulphur deposits (not including depletion of metal mines)	$ 183,199

Note G: Property, Plant and Equipment—(a) Property, plant and equipment is included in the Consolidated Balance Sheet on the basis of cost to the consolidated group either in cash or in stock of the parent company at par value.

(b) As required by the United States Treasury Department, valuations as of March 1, 1913 of mining properties then owned, determined for depletion purposes in connection with Federal income taxes, have been recorded on the books but these values have not been reflected in the published accounts of the Company.

The Company has consistently followed the practice of publishing its accounts without deduction for depletion of metal mines, and no such deduction is included in these financial statements.

Depletion based on cost of timber lands and phosphate and sulphur deposits has been deducted from income in the Statement of Consolidated Income and also from the cost basis shown in the Consolidated Balance Sheet.

(c) Property, plant and equipment carried on the above bases do not indicate current values which could be determined only by current appraisals.

ASHLAND OIL & REFINING COMPANY
Consolidated Balance Sheet
Property, Plant and Equipment:

Cost, less accumulated depletion, depreciation, and amortization:	
Oil and gas properties and equipment	$ 45,678,226
Pipe line transportation facilities	16,868,663
Refining properties and equipment	49,772,788
Marine equipment	17,751,254
Marketing facilities	25,503,512
Other properties and equipment	7,334,896
	$162,909,339
Less accumulated depletion, depreciation, and amortization	92,777,333
	$ 70,132,006

Consolidation Income and Expense
Costs and expenses:

Provision for depletion, depreciation, and amortization:	
Depletion (including amortization of intangible drilling costs)	$ 1,940,304
Depreciation	11,803,269

FOOTE MINERAL COMPANY

Consolidated Balance Sheet

Plant and equipment, at cost less depreciation and amortization (Note 2):	
Land	$ 106,671
Buildings	1,631,960
Machinery and equipment	9,606,154
Construction in progress	399,041
	$11,743,826
Less accumulated depreciation and amortization	3,906,106
	$ 7,837,720

Note 2: Plant and Equipment—Plant and equipment at December 31, 1955 includes a substantial amount of facilities which are covered by Certificates of Necessity and from 70% to 90% of their cost is being amortized over a five-year period for accounting purposes as well as for income tax purposes. Provision for depreciation and amortization for 1955 includes amortization which is approximately $717,000 in excess of normal depreciation with respect to these facilities.

Review of Operations: Finance— . . . Depreciation and accelerated amortization amounted to $1,773,888 as compared with $1,136,313 in 1954. The trend over the past few years is shown on the chart. The Company's policy is to make these charges on the books of account as well as for income tax purposes, even though this policy has the effect of reducing reported earnings. The excess of accelerated amortization over normal depreciation was about $717,000 in 1955.

Percentage depletion is allowed as a deduction on the Company's Federal income tax returns to compensate for the depletion of the

TABLE 6: DEPLETION—ANNUAL CHARGE

Presentation in Income Statement:	1955	1954	1953	1950
Listed among other costs with single total amount for—				
Depletion (*Co. Nos. 46, 121, 196, 257, 428)	17	20	19	24
Depletion and depreciation (*Co. Nos. 280, 322, 453, 466, 535, 599)	30	31	30	35
Depletion, amortization, and depreciation (*Co. Nos. 39, 205, 343, 355, 421)	33	29	27	12
Depletion and amortization (*Co. Nos. 448, 502, 512, 523)	4	4	5	4
Segregated within income statement in note or schedule (*Co. Nos. 167, 284, 297, 407)	7	3	2	2
Presented at foot of income statement in note or schedule (*Co. Nos. 134, 207, 556)	13	14	14	14
Disclosed Elsewhere in Annual Report:				
In notes to financial statements (*Co. Nos. 183, 390, 404)	6	5	11	12
In letter to stockholders (*Co. No. 145)	1	1	—	1
Depletion not deducted from net income (*Co. Nos. 142, 330)	2	2	2	2
Number of Companies:				
Referring to				
Annual depletion charge	113	109	110	106
Accumulated depletion but not referring to annual depletion charge	6	8	9	8
Not referring to depletion	481	483	481	486
	600	600	600	600

*Refer to Company Appendix Section.

Company's ore deposits. This deduction, while substantial in 1955, is limited to 50% of the net profit from mining operations. The high start up costs incurred in 1955 thus had the effect of limiting the benefits received from this deduction. In spite of this limitation, percentage depletion provides considerable incentive to the exploration for new deposits of ores important to the Company. It also compensates for the inherent risks not only in exploration, but in developing new mines and extractive processes.

PANHANDLE OIL CORPORATION

Consolidated Balance Sheet

Property, Plant, and Equipment—at cost (Notes 3 and 4):

Oil and gas leases, wells, and equipment (Note 4)	$18,319,464
Refinery	2,836,453
Bulk and service stations, warehouses, and other equipment	1,379,083
Steel fabricating plants and equipment	527,502
Undeveloped leaseholds	769,438
	$23,831,940
Less—Reserves for depreciation and depletion	12,951,137
	$10,880,803
Drilling and exploratory work in progress	22,634
	$10,903,437

Consolidated Statement of Income

Operating Charges:

Depreciation	$ 674,997
Depletion	708,927

Note 3: It is the policy of the Company to capitalize all development costs in respect of producing wells and to write off intangible development costs in respect of non-productive wells. Depreciation and depletion of producing leases, intangible development costs and well equipment are computed by using the unit-of-production method based upon recoverable oil reserves as estimated by the Company's engineers. Depreciation of other units of depreciable property is provided on a straight-line method at rates based upon the estimated useful life of the property. For certain new properties acquired subsequent to January 1, 1954, the declining balance method of depreciation has been used.

Note 4: (Not Reproduced.)

PHELPS DODGE CORPORATION

Consolidated Balance Sheet

Property, Plant and Equipment:

Mining properties, water rights and lands—Note C	$215,521,300
Less allowance for depletion	168,691,922
	$ 46,829,378
Buildings, machinery and equipment—Note C	$190,518,845
Less allowance for depreciation	100,389,617
	$ 90,129,228
Total property, plant and equipment	$136,958,606

Statement of Consolidated Income

Consolidated Net Income, without deduction for depletion of mines	$73,804,099
Deduction for depletion of mines—Note G	1,484,875
Consolidated Net Income	$72,319,224

Note C: Basis of Valuation of Property, Plant and Equipment—Mining properties are shown in the Consolidated Balance Sheet at book values, the principal properties included therein being stated on the following general bases: Mining properties acquired prior to March 1, 1913 by the Corporation or its subsidiaries and mining properties acquired through the acquisition of affiliated companies in 1917 and from The Arizona Copper Company, Ltd. in 1921 are carried on the basis of U. S. Treasury Department valuations as of March 1, 1913 determined for depletion purposes in connection with Federal income taxes; and mining properties acquired from Calumet and Arizona Mining Company in 1931 are carried on the basis of engineers' valuations as of the date of acquisition.

Buildings, machinery and equipment are carried generally on the basis of cost to the Corporation or its subsidiaries or, in the case of certain properties acquired by the issuance of capital stock, at cost to the companies from which acquired.

The book values of mining properties, etc., and plant and equipment do not necessarily indicate present-day values which could be established only by current appraisals, taking into account factors which vary from time to time, such as price of metals, rate of production, cost of labor, building materials, supplies, etc.

Note G: Depletion Policy—The deduction for depletion of metal mines owned by the Corporation has been computed on the basis of an over-all unit rate applied to the pounds of copper sold from the Corporation's own production. It is believed that the over-all rate is sufficient in amount to provide for the amortization of the net book value of mines on or before the exhaustion of the mines.

The Corporation makes no representation that the deduction represents the depletion actually sustained or the decline, if any, in mine values attributable to the year's operations (which amounts are not susceptible to determination); or that it represents anything other than a general provision for the amortization of the remaining book values of mines. Depletion used in estimating income taxes have been computed on a statutory basis and differs from the amount shown in these accounts.

EDWARD HINES LUMBER CO.
Consolidated Balance Sheet
Property, Plant and Equipment—on the basis of cost:

Timber, less depletion—Note B	$2,223,818

Statement of Consolidated Profit and Loss
Costs and Expenses:

Provision for depreciation and depletion	$1,962,612

Note B: Timber, Less Depletion—Includes timber on owned lands and paid-for rights to cut timber on land owned by others. In addition, the companies have cutting rights to substantial timber footages by reason of contracts with the United States Forest Service, under which contracts the timber is paid for when cut.

NORTH AMERICAN CEMENT CORPORATION
Comparative Statements of Income and Earned Surplus

Depreciation and Depletion	$886,581

Note 1: For both the years 1955 and 1954, the company, for federal income tax purposes, has taken deductions of percentage depletion on limestone quarried, as permitted by the Internal Revenue Code, the amounts of which are substantially in excess of the amounts of depletion taken on the books for those years.

DEPRECIATION

Annual Charge

All of the 600 companies disclosed depreciation in their annual reports for 1955. However, 25 companies made this disclosure only to the extent that the report showed accumulated depreciation in the balance sheet or supplementary schedule. Among the remaining companies, 102 reports indicated the annual charge for depreciation in either the notes to financial statements or the letter to the stockholders. The other 473 companies presented the annual charge for depreciation in the income statement listed among other costs or expenses or mentioned by note.

Table 7 summarizes the manner in which the annual charge for depreciation is treated in the financial statements and elsewhere in the reports of the survey companies for the year 1950 and years 1953 through 1955.

Method

The Internal Revenue Code of 1954 permits corporate taxpayers to use as alternatives to straight-line depreciation other methods of depreciation such as:

1. Double declining balance depreciation
2. The sum of the digits method, or
3. Any other consistent depreciation method which would not give an aggregate depreciation write-off at the end of the first 2/3rds of the useful life of the property any larger than under the double declining balance method.

The taxpayer may use different methods, provided he is consistent, for different assets or classes of assets. The alternative methods apply to additions after December 31, 1953.

In the 1954 annual reports many companies disclosed the fact that new methods of depreciation had been adopted in accordance with the new provisions of the tax code. In the 1955 annual reports relatively few companies provided such disclosure although many of them undoubtedly have adopted such new methods.

In October, 1954, the Committee on Accounting Procedure of the American Institute of Accountants issued *Accounting Research Bulletin No. 44—Declining Balance Depreciation* which discusses the problems to be considered in accounting for such changes in methods. For convenient reference, Bulletin No. 44 has been reproduced in its entirety in the Appendix of Recent Accounting Bulletins (Refer to the Table of Contents for page number).

In the 1955 annual reports 48 of the survey companies stated that they used the "straight-line" method of depreciation on assets prior to January 1, 1954 or on assets acquired to a date subsequent to January 1, 1954 and disclosed the other methods on subsequent additions as follows:

Declining balance method (*Co. Nos. 31, 137, 220, 335, 352) (**1)	23
Sum of the years digits method (*Co. Nos. 115, 129, 238, 375, 450) (**6)	19
Declining balance and sum of the years digits methods (*Co. No. 207)	1
Accelerated depreciation methods (*Co. Nos. 47, 64, 155, 278, 490) (**3)	5
Total	48

An additional 34 companies did not reveal the method of depreciation used on assets prior to January 1, 1954, but disclosed the new methods adopted for subsequent additions as follows:

Declining balance method (*Co. Nos. 7, 62, 322, 495, 527) (**3)	9
Sum of the years digits method (*Co. Nos. 42, 105, 263, 390, 529) (**5)	18
Accelerated depreciation method (*Co. Nos. 222, 336, 344, 362, 396) (**5)	7
Total	34

In the reports of 24 survey companies, the method of depreciation was given simply as follows:

Straight line method (*Co. Nos. 34, 108, 162, 301, 568)	11
Accelerated depreciation method (*Co. No. 570)	1

*Refer to Company Appendix Section.

TABLE 7: DEPRECIATION—ANNUAL CHARGE

Presentation in Income Statement	1955	1954	1953	1950
Listed among other costs with single total amount for—				
Depreciation (*Co. Nos. 80, 101, 210, 429, 498, 515)	158	162	173	237
Depreciation and amortization (*Co. Nos. 55, 140, 315, 365, 510)	117	123	126	68
Depreciation, amortization, and depletion (*Co. Nos. 160, 205, 276, 409, 508)	30	28	27	12
Depreciation and depletion (*Co. Nos. 58, 272, 308, 405, 551)	32	29	30	35
Depreciation and unrelated costs (*Co. Nos. 51, 376)	2	1	2	2
Segregated within income statement in note or schedule (*Co. Nos. 5, 164, 258, 307, 387, 412, 577)	43	43	24	18
Presented at foot of income statement in note or schedule (*Co. Nos. 7, 136, 295, 331, 397, 419, 556)	91	95	100	114
	473	481	482	486
Disclosed Elsewhere in Annual Report:				
In notes to financial statements or in other certified portion of report (*Co. Nos. 79, 183, 213, 309, 423)	88	79	80	66
In letter to stockholders (*Co. Nos. 145, 278, 345, 414, 470)	14	16	11	17
Number of Companies Referring to				
Annual depreciation charge	575	576	573	569
Accumulated depreciation but not referring to annual depreciation charge	25	24	27	31
	600	600	600	600

*Refer to Company Appendix Section.

Production method (unit of production) (*Co. Nos. 463, 509)	2
Straight line and production methods (*Co. Nos. 58, 61, 535, 541, 545, 552)	6
Various other methods (*Co. Nos. 114, 393, 504, 591)	4
Total	24

* Refer to Company Appendix Section.
**Number of companies using alternative methods for tax purposes only.

As enumerated above, the annual reports of 106 survey companies referred to the method of depreciation used. Of the remaining companies, 21 referred only to the basis upon which the annual charge was computed rather than the method used and 483 companies made no reference to either the basis or method of depreciation although annual depreciation was evident.

Examples of various methods used have been selected from 1955 annual reports and are given below:

Straight Line

AMERICAN HIDE AND LEATHER COMPANY
Consolidated Balance Sheet

Fixed Assets—at appraised values as at June 30, 1935, plus subsequent additions at cost (Note 2):

Land and water rights	$ 122,949
Buildings	2,799,642
Machinery and equipment	3,424,372
Belting, small tools, etc.	402,981
Furniture and fixtures	87,435
Automotive equipment	17,376
	$6,854,755
Less—Depreciation	3,412,055
	3,442,700
	$8,359,269

Note 2: Bank Loan, Pledged Collateral, Etc.—At June 30, 1955 consolidated accounts receivable aggregating $836,900, all of the consolidated inventories, and approximately $250,000 of the parent company's cash were pledged as collateral to the bank loan. The capital stock of the subsidiary company and the intercompany account balance owing by the subsidiary company to the parent company were also pledged as general collateral. Such interest in the subsidiary is carried on the books of the parent company at the book value of underlying net assets, $2,830,394, represented by the recently closed Ballston Spa tannery and its inventories, less current liabilities in excess of cash, etc. The company has further agreed to reduce the bank loan by applying substantially all of the proceeds of sale of the Ballston Spa inventories and, if the tannery is sold, the proceeds from its sale. The Ballston Spa tannery inventories are stated on the basis of estimated realizable value through sale in the ordinary course of business. No provision has been made in the accompanying statements for loss, if any, which might be realized from the sale of the tannery. The management is of the opinion that the tannery is worth more than the amount at which it is carried on the books but it is impossible to determine at the present time within reasonable limits what the property could be sold for.

While the loan is outstanding, neither the parent company nor the subsidiary company may redeem or purchase any shares of their capital stock or declare or pay any dividends on their capital stock or make any other distribution of their assets to stockholders.

Note 7: Policies Followed with Respect to Depreciation, Maintenance, Etc.—Provision for depreciation has been made on a straight-line basis computed on the book balances (appraised replacement values as at June 30, 1935 plus subsequent additions at cost) of the properties in use. The principal rates used are as follows:

Buildings	2½%
Machinery and equipment	5 %
Furniture and fixtures	10 %
Automobiles and trucks	25 %

No depreciation has been provided on belting, small tools and certain equipment with an aggregate gross book value of $318,107 and an estimated sound value of $284,544 at June 30, 1955. It is the companies' policy to charge replacements of such items against income as maintenance and repair charges.

It is the companies' policy to capitalize as fixed assets the cost of new additions to the properties, betterments, and the cost of complete replacements of items which have been retired or otherwise disposed of (except belting, small tools and certain equipment, mentioned above). Renewals and partial replacements which extend the life of the assets are charged to the accumulated depreciation accounts. Maintenance, ordinary repairs and replacements of belting, small tools and certain equipment, etc. are charged to expense.

Accumulated depreciation accounts are adjusted at the time properties are retired or otherwise disposed of by the elimination of the accumulated depreciation applicable thereto. Gains or losses resulting from such retirements or disposals are credited or charged to income.

Sum of the Years Digits

CATERPILLAR TRACTOR CO.
Consolidated Financial Position

Buildings, machinery and equipment—balance of original cost allocable to future operations (Statement 7)	$126,652,943

Statement 7: Consolidated Buildings, Machinery and Equipment at December 31—

Original cost:	
Buildings	$ 71,855,570
Machinery and equipment	115,434,322
	$187,289,892
Deduct: Portion of original cost allocated to operations to date shown:	
Buildings	$ 17,739,880
Machinery and equipment	42,897,069
	$ 60,636,949
Balance of original cost not allocated to operations to date shown (statement 6):	
Buildings	$ 54,115,690
Machinery and equipment	72,537,253
	$126,652,943

Note: Whenever the cost of any unit of buildings, machinery and equipment has been fully allocated to operations, such cost is eliminated from the accounts.

Note 2: Basis of Allocating Cost of Facilities to Operations—The generally accepted accounting principle followed with respect to buildings, machinery and equipment is the systematic allocation to each year's operations of a portion of the original cost of these facilities. The plant assets currently in use by the Company were, however, acquired over many years at cost levels which were lower than the levels of current costs. The portion of the original cost of these assets allocated to 1955 and used in determining profit was therefore substantially lower than if a provision had been made on the basis of current replacement cost levels.

The portion of original cost of buildings, machinery and equipment allocated to operations (depreciation and amortization) was $18,463,259 in 1955. This includes depreciation of $8,993,087 on certain assets computed at straight line rates, depreciation of $3,070,786 computed at "sum-of-the-years-digits" rates, and accelerated amortization of $6,399,386 on assets for which Necessity Certificates have been issued by the United States Government. Amortization in excess of depreciation computed on the bases applied to assets not covered by Necessity Certificates amounted to approximately $4,500,000 in 1955 as compared with $4,600,000 in 1954.

Declining Balance

THE PARKER APPLIANCE COMPANY
Consolidated Balance Sheet

Plant and equipment, at cost (Notes 3 and 4):	
Land and improvements	$ 768,077
Buildings and building equipment	3,197,469
Machinery and equipment	4,334,824
	$8,300,370
Less, Allowance for depreciation and amortization	$4,090,683

Note 3: Accelerated amortization under Certificates of Necessity has been approved with respect to plant and equipment aggregating $1,555,514, the unamortized balance of which was $336,964 at June 30, 1955. Plant properties include $435,046 depreciated cost of emergency facilities which were fully amortized in prior years for federal income tax purposes.

Note 4: Depreciation and amortization charged to costs and expenses for the year ended June 30, 1955 amounted to $772,578, including $36,952 depreciation of emergency facilities fully amortized in prior years for federal income tax purposes.

The Company has changed its depreciation policy with respect to plant and equipment acquired since January 1, 1954 to provide for depreciation on certain assets on the declining balance method as permitted by the Internal Revenue Code of 1954. The effect of this change was to increase depreciation charged to operations in 1955 in the amount of $59,756.

SUNDSTRAND MACHINE TOOL CO.
Consolidated Statement of Financial Condition

Fixed Assets:	
Land, buildings and improvements—at cost	$ 6,375,803
Machinery and equipment—at cost	6,813,243
	$13,189,046
Less depreciation and amortization (note B)	3,686,902
	$ 9,502,144

Note B: Depreciation and Amortization—Certified portions of assets acquired under certificates of necessity are amortized for Federal income tax purposes over sixty-month periods; depreciation for financial statement purposes is based upon the economic lives of the various asset groups and is applied on either the straight-line method or, on certain new assets acquired after January 1, 1954, the declining-balance method.

At December 31, 1955 the accumulated excess of amortization of emergency facilities over depreciation for financial statement purposes amounted to approximately $419,000 and the related deferred Federal taxes on income amounted to approximately $210,000.

WARREN BROTHERS COMPANY
Consolidated Balance Sheet

Fixed Assets (substantially at cost):	
Land and buildings	$ 1,242,992
Machinery, equipment, automobiles and trucks	13,358,489
	$14,601,481
Less—Depreciation	9,174,273
	$ 5,427,208

Consolidated Statement of Income

Costs and operating expenses:	
Depreciation of fixed assets (Note 7)	$ 1,927,905

Note 7: Depreciation—The Company and its United States subsidiary companies have continued the policy adopted in 1954 of providing for depreciation of fixed assets acquired since January 1, 1954 on the declining balance method. The effect of this change from the straight line method has been to increase the 1955 charge to income for depreciation by approximately $300,000 ($160,000 in 1954) and to decrease the net income for 1955 by $138,000 ($74,000 in 1954).

THE WOOSTER RUBBER COMPANY
Consolidated Balance Sheet

Property, plant and equipment, at cost less accumulated depreciation and amortization (Note 2):	
Land	$ 56,773
Buildings, machinery and equipment:	
Buildings, building equipment and land improvements	1,451,416
Machinery and equipment	2,099,453
Molds	588,401
	$4,139,270
Less accumulated depreciation	1,238,064
	$2,901,206
Unamortized leasehold improvements	5,580
Construction in progress	113,910
Property, plant and equipment, net	$3,077,469

Statement of Consolidated Profit and Loss

Provision for depreciation and amortization (Note 2)	$ 347,924

Note 2: Depreciation on new equipment acquired by the parent company since January 1, 1954 has been computed at accelerated rates (declining balance method, an elective provided by the Internal Revenue Code of 1954); however, this change in depreciation policy has had no material effect on results of operations.

Armour and Company and Domestic Subsidiaries

Consolidated statement of earnings and earnings employed in the business

		FIFTY-TWO WEEKS *ended*	
		Oct. 29, 1955	Oct. 30, 1954
Income	Sales, including service revenues	$ 1,967,709,937	$ 2,056,149,407
	Dividends from foreign subsidiaries	49,539	382,065
	Other income	1,189,040	1,596,988
	Total income	**$1,968,948,516**	**$2,058,128,460**
Costs	Cost of products, supplies and services	$ 1,795,661,962	$ 1,903,679,845
	Selling and administrative expenses	110,611,659	111,349,642
	Depreciation	13,065,263	13,041,379
	Contributions to employes' pension funds	5,692,653	6,086,086
	Interest expense:		
	Current debt	2,587,423	2,907,618
	Long term debt	6,998,107	4,134,329
	Miscellaneous deductions	1,929,490	1,932,774
	Taxes (other than income taxes)	13,161,763	12,323,747
	Provision for Federal income taxes	8,754,000	1,275,000
	Provision for other income taxes	378,582	220,065
	Total costs	**$1,958,840,902**	**$2,056,950,485**
Earnings	Domestic companies	**$ 10,107,614**	**$ 1,177,975**
	Deficit of foreign companies—incurred in 1953, restored by earnings in 1954	—	379,117
	Net earnings for the year	**$ 10,107,614**	**$ 1,557,092**
	Adjustment of reserve for Federal income taxes as a result of final settlement of 1941-1945 liability	—	3,507,000
	Net earnings and special credit	**$ 10,107,614**	**$ 5,064,092**
Earnings employed in the business	At beginning of the year	134,079,440	129,015,348
	Excess of principal amount of 5% Debentures issued over stated value of $6 Preferred stock redeemed	(10,000,000)	—
	At end of the year	**$ 134,187,054**	**$ 134,079,440**

(*See Notes to Financial Statements*)

Straight Line & Unit of Production

TEXAS GULF SULPHUR COMPANY
Balance Sheet

Property, Plant and Equipment:	
Plants, Building, Machinery and Equipment, at cost	$34,876,165
Less Accumulated Depreciation (Note 3)	18,278,382
	$16,597,783

Note 3: Depreciation and Amortization Policies—The company's policy with respect to depreciation and amortization of property, plant and equipment is, in general, to charge income over the estimated lives of such assets by the application of either the unit of production or the straight line method. In arriving at rates under the unit of production method commercially recoverable sulphur and oil reserves are estimated by the company's geologists and engineers; such estimates are revised from time to time as data become available to warrant revision. Under the straight line method, the annual rates applied to the cost of the assets have been estimated to take into consideration wear and tear, deterioration from natural causes and normal obsolescence; such rates are revised from time to time to conform with the estimated remaining useful lives of the assets. Intangible oil drilling costs are charged to expense as incurred.

Depreciation and amortization charges for the year 1955 are as follows:

Charged to production	$2,797,104
Charged directly to expenses	596,228
	$3,393,332

Accelerated Depreciation Methods for Tax Purposes Only

GENERAL GAS CORPORATION
Consolidated Balance Sheet

Property—At cost	$9,052,982
Less reserves for depreciation (Note 3)	2,718,241
Property—Net book value	$6,334,741

Note 3: The Company has elected to use, for income tax purposes only, the sum-of-the-years digits method of computing depreciation on assets acquired after January 1, 1954, as permitted under the Internal Revenue Code of 1954. A portion of the Company's plant and equipment is being amortized over a five year period under certificates of necessity. Formerly amortization was claimed for both tax and accounting purposes; however in March 1954 the Company adopted normal rates of depreciation for accounting purposes, while continuing amortization for tax purposes. As a result, depreciation and amortization for tax purposes is approximately $165,000 more than depreciation claimed for book purposes.

NATIONAL DAIRY PRODUCTS CORPORATION
Consolidated Balance Sheet

Property, Plant and Equipment (Stated substantially at cost):	
Land	$ 14,331,658
Buildings	122,552,028
Machinery and equipment	240,677,665
	$377,561,351
Less—Reserve for depreciation	172,033,286
	$205,528,065

Consolidated Profit and Loss
In note at foot of statement—
The provision for depreciation charged to costs and expenses amounted in 1955 to $24,448,638.

Notes to Consolidated Financial Statements: Federal and Canadian Income Taxes—The Company, for income tax reporting only, has adopted the declining-balance method of computing depreciation (involving increased rates of depreciation) on the major classes of its buildings, machinery and equipment in the United States acquired after December 31, 1953, as permitted by the U. S. Internal Revenue Code of 1954, and on all such assets in Canada whenever acquired as permitted under Canadian tax laws. For all other purposes, including the financial statements, the straight-line method is being continued. The reduction in Federal and Canadian income taxes for the year 1955 arising from the additional deduction for depreciation so allowable for income tax reporting is estimated to be $2,850,000. Of this amount, $2,500,000, representing the tax reduction applicable to regularly-recurring additions and replacements of machinery and equipment, as estimated by the management, is reflected as an addition to 1955 earnings through a reduction in the provision for 1955 Federal and Canadian taxes on income. The balance of $350,000 of such tax reduction, which is attributable to additional depreciation for tax reporting on machinery and equipment additions in excess of regularly-recurring replacements, and on buildings, has been deferred and is included in the "Provision for Federal and Canadian taxes on income" in the accompanying balance sheet.

COLONIAL STORES INCORPORATED
Statement of Financial Position

Property, plant and equipment, at cost	$36,287,380
Less accumulated allowances for depreciation and amortization	15,311,252
	$20,976,128
Noncurrent Liabilities:	
Deferred Federal taxes on income (Note 3)	$ 300,000
Statement of Profit and Loss	
Allowances for depreciation and amortization of property, plant and equipment	$ 3,070,601

Note 3: Deferred Federal Taxes on Income—As permitted by the Internal Revenue Code of 1954, the company has adopted alternative methods of depreciation for income tax purposes with respect to additions to property, plant and equipment for the years 1954 and 1955, but has continued to use the straight-line method for general accounting purposes. The company has charged income and credited "deferred Federal taxes on income" with an amount equivalent to 50% (the estimated future tax effect) of the excess of depreciation claimed for tax purposes over that charged in the accounts. It is intended that appropriate portions of this provision ($238,000 in the current year) will be restored to income in years when depreciation based on the alternative methods will be less than that computed on the straight-line method.

PENN FRUIT CO., INC.
Consolidated Balance Sheet

Plant and Equipment (At Cost):	
Land	$ 669,936
Buildings	267,970
Furniture and equipment	5,619,338
Transportation equipment	210,183
Improvements to leased premises	4,347,948
	$11,115,375
Less—Accumulated allowances for depreciation and amortization	(2,574,373)
	$ 8,541,002

Note 4: Depreciation—The Company and one of its wholly-owned subsidiaries have used for income tax purposes the declining-balance method of computing depreciation at 200% of the straight-line rates on fixed asset additions during the current fiscal year, as permitted by the 1954 Internal Revenue Code. Depreciation charges included in the 1955 consolidated statement of earnings have been computed on the straight-line basis.

Extraordinary Depreciation

Several companies indicated in their 1955 reports that they followed the policy of providing accelerated depreciation on *assets acquired in prior years.* Two companies disclosed such a charge in their income statements for the year (*Co. Nos. 66, 235). One additional company indicated in notes to the financial statements that a provision for accelerated depreciation had been included in the accounts (*Co. No. 444). Two companies (*Co. Nos. 547, 570) which had previously followed a policy of recording extraordinary depreciation did not indicate that such policy had been revised and, accordingly, it has been assumed that they are continuing that practice.

Lukens Steel Co., in a note to the statement of Income and Earned Surplus, stated that the policy of providing for accelerated depreciation was discontinued at the beginning of the fiscal year 1955:

"*Depreciation:* At the beginning of the fiscal year ended October 22, 1955, the company discontinued the policy which was adopted effective with the fiscal year 1947 under which accelerated depreciation was provided on the cost of property additions in the early years of their lives. This depreciation, which was not deductible for income tax purposes, amounted to $681,020 in the fiscal year ended October 23, 1954.

"The company has recorded in its accounts depreciation on the cost of facilities covered by Certificates of Necessity over their estimated service lives in accordance with its customary depreciation policies. This depreciation is substantially less than the amortization deductible over 60-month periods ending principally in 1958 and 1959, as permitted by the Internal Revenue Code.

"For 1954 the total depreciation provided in the accounts was approximately the same as the depreciation and amortization deducted for tax purposes. For 1955, with the discontinuance of the accelerated depreciation policy, depreciation and amortization claimed for income tax purposes was approximately $1,000,000 more than the depreciation recorded in the accounts. The corresponding amounts for the ten and fifty-week periods ended December 31, 1955, are $195,000 and $990,000 respectively. Additional provisions of $664,000 were made to December 31, 1955, by charges against earnings for increased income taxes to be paid in future years following the expiration of the 60-month amortization periods when amortization is no longer deductible."

Cannon Mills Company revealed in a note to the Summary of Consolidated Income and Earned Surplus that the provision for accelerated depreciation and obsolescence was discontinued for the year 1955.

Note: For the years 1951 through 1954 the Company's annual provisions for depreciation and obsolescence included a provision for accelerated depreciation and obsolescence on machinery and equipment averaging $647,000 annually, which additional provision was not deducted in computing the accrual for Federal and State taxes on income for those years. For the year 1955 the provision for accelerated depreciation and obsolescence was discontinued. For that year the aggregate provision made (partially on a straight-line basis and partially on the sum-of-the-years digits method) amounted to $2,442,798.

AMORTIZATION OF EMERGENCY FACILITIES UNDER CERTIFICATES OF NECESSITY

The review of the 1955 annual reports revealed that 142 survey companies referred to the amortization of emergency facilities under certificates of necessity. Table 8 discloses that 102 of these companies deducted accelerated amortization for both tax and accounting purposes. An additional 35 companies deducted the accelerated amortization for tax purposes only, and accordingly, provided for the resulting deferred tax benefit. Five companies deducted the accelerated amortization for tax purposes only, but failed to state whether the resulting tax benefit had been recognized in the accounts.

There are undoubtedly many companies which do have emergency facilities under certificates of necessity but fail to disclose information regarding either the total cost of the facilities or the amount of accelerated amortization claimed for accounting or tax purposes.

Several companies disclosed in their 1955 reports the

*Refer to Company Appendix Section.

TABLE 8: ACCELERATED AMORTIZATION UNDER CERTIFICATES OF NECESSITY

Accelerated Amortization	1955	1954	1953
Deducted for Both Book and Tax Purposes, With *Charge* for Accelerated Amortization of Emergency Facilities —			
Separately set forth in:			
Statement of income (*Co. Nos. 8, 12, 30, 92, 150, 260)	20	20	25
Notes to statements (*Co. Nos. 130, 186, 194, 216, 227, 249, 275, 570)	36	37	38
Letter to stockholders (*Co. Nos. 96, 252, 382, 408, 454, 589)	21	19	21
Schedule of fixed assets (*Co. Nos. 282, 414, 500)	3	6	8
Combined with normal depreciation on regular facilities, set forth in:			
Statement of income (*Co. Nos. 14, 459, 523)	7	3	3
Notes to statements (*Co. Nos. 79, 135, 419, 490, 552)	13	24	21
Letter to stockholders (*Co. No. 415)	1	8	11
Schedule of fixed assets (*Co. No. 544)	1	1	3
Total	102	118	130
Deducted for Tax Purposes Only, With no recognition of deferred tax benefit in accounts—			
Referred to in:			
Notes to financial statements (*Co. Nos. 11, 332, 444, 457)	4	9	2
Letter to stockholders (*Co. No. 539)	1	1	—
Total	5	10	2
Deducted for Tax Purposes Only, with *Charge* for Deferral of Tax Benefit Under Certificates of Necessity—			
Set forth in:			
Statement of income or balance sheet (*Co. Nos. 20, 83, 270, 390, 455, 553)	17	11	9
Notes to statements (*Co. Nos. 62, 156, 222, 291, 357, 369)	15	11	10
Letter to stockholders (*Co. Nos. 407, 453)	3	2	2
Total	35	24	21
Number of Companies Referring to			
Certificates of necessity and amortization of emergency facilities	142	152	153
Emergency facilities not completed	—	—	5
Certificates of necessity referred to in letter to stockholders or in notes but not referred to in statements (*Co. Nos. 310, 364)	2	1	1
Not referring to Certificates of necessity)	456	447	441
	600	600	600

*Refer to Company Appendix Section.

existence of fully amortized emergency facilities either in the notes to financial statements (*Co. Nos. 72, 79, 84, 330, 364, 450) or in the balance sheet (*Co. Nos. 321, 361, 403).

The Committee on Accounting Procedure of the American Institute of Accountants in 1953 issued the *Restatement and Revision of Accounting Research Bulletins* which discusses in detail, in Chapter 9, Section C, the problems involved in accounting for such facilities. The committee states the opinion that there is nothing inherent in the nature of emergency facilities which requires the depreciation or amortization of their cost for financial accounting purposes over either a shorter or longer period than would be proper if no certificate had been issued. To the extent that it is reasonable to expect the useful economic life of a facility to end with the close of the amortization period the cost of the facility is a proper cost of operation during that period. In many cases the purposes for which emergency facilities are acquired result in major uncertainties as to the usefulness of the facilities subsequent to the amortization period and consideration of all factors will indicate the need for recording depreciation on such facilities in the accounts in conformity with the amortization deductions allowable for income tax purposes.

In those instances in which the facilities are reasonably expected to have a further utility extending beyond the 60-month amortization period, the longer economic life should be used in the computation of depreciation when it is materially different from the amortization period permitted for tax purposes.

Recognition of Income Tax Effects

In some cases, the amount of depreciation charged in the accounts on that portion of the cost of the facilities for which certificates of necessity have been obtained is materially less than the amount of amortization deducted for income tax purposes and the amount of income taxes payable annually during the amortization period may be less than it would be on the basis of the income reflected in the financial statements. In such cases, after the close of the amortization period the income taxes will exceed the amount that would be appropriate on the basis of the income reported in the statements. Accordingly, the Committee on Accounting Procedure has recommended that during the amortization period, where this difference is material, a charge should be made in the income statement to recognize the income tax to be paid in the future on the amount by which amortization for income tax purposes exceeds the depreciation that would be allowable if certificates of necessity had not been issued.

*Refer to Company Appendix Section.

Amortization of Emergency Facilities Deducted for Tax Purposes Only

ALUMINUM COMPANY OF AMERICA
Consolidated Balance Sheet

Properties, Plants and Facilities, at Cost:	
Land and land rights, including mines	$ 29,824,465
Structures, machinery, equipment and other facilities	1,115,404,676
	$1,145,229,141
Less, accumulated allowances for amortization, depletion and depreciation	523,728,154
	$621,500,987
Construction work in progress	$ 41,909,335
Current Liabilities:	
Provision for taxes, including taxes on income, less U. S. Treasury Certificates of Indebtedness: $60,000,000	$ 25,068,773
Noncurrent Liabilities:	
Reserve for Future United States Taxes on Income	$ 51,242,931

Statement of Consolidated Income and Retained Earnings

Income before United States and foreign taxes on income	$ 176,850,808
Provision for United States and foreign taxes on income:	
Current	71,700,700
Future	17,550,000

Note A: Change in Accounting Policy in Respect to Computing Depreciation—The Company and its wholly owned domestic subsidiaries, for tax purposes, elected to amortize over a period of sixty months that portion of the cost of facilities constructed under the 1951 expansion program covered by Certificates of Necessity. Prior to November 30, 1955, such allowances were also recorded in the accounts, while the portion of the cost which was not covered by necessity certificates, as well as the remaining book amounts of all other properties, plants and facilities, was depreciated in the accounts at annual rates based upon the estimated economic useful lives of the assets. During the last half of 1955, this accounting policy was re-examined and, on December 22, 1955, the Board of Directors authorized a change, retroactive to and including the calendar year 1951 (the earliest year that any amortization was recorded), whereby, for accounting purposes, the certified portion of the cost of facilities constructed under the program would be depreciated at the same annual rates as noncertified assets. Also, an appropriate reserve has been provided for future taxes on income, thereby recognizing the taxes which will be payable when recorded depreciation will exceed the amount deductible for tax purposes. The accompanying consolidated financial statements have been adjusted to reflect the change in accounting policy.

The following summary reconciles the net income as previously reported with the net income as restated on this basis:

Years	Net Income, As Reported	Excess of Amortization Over Depreciation	Adjustment For Future Taxes on Income	Net Income, As Restated
1954	$46,471,470	$31,941,960	$16,538,275	$61,875,155
1953	48,848,094	24,131,730	12,484,609	60,495,215
1952	43,527,142	8,015,925	4,180,579	47,362,488
1951	39,301,308	1,117,442	566,456	39,852,294

Amounts shown above are after adjustments for amortization applicable to certified assets retired during the years and other adjustments.

BAXTER LABORATORIES, INC.
Consolidated Balance Sheet

Property, Plant and Equipment:	
Buildings, improvements, machinery and equipment—at cost	$5,950,509
Less accumulated depreciation (Note B)	1,852,512
	$4,097,997
Land—at cost	126,974
	$4,224,971
Above Capital:	
Deferred taxes on income (Note B)	$ 221,200

Note B: Defense Facilities—In 1954 the company and its subsidiaries discontinued recording amortization of defense facilities in excess of normal depreciation in the financial statements. Accelerated amortization, which is being continued for income tax purposes, amounted to $134,929 for 1955 and $133,878 for 1954. Related charges against earnings of $69,400 and $69,500 have been made in the respective years to provide for income taxes in future years when normal depreciation on defense facilities will exceed amounts deductible for tax purposes. The effect of this change in policy has been to increase net earnings by $65,529 in 1955 and $64,378 in 1954.

In 1954 prior years' excess amortization in the amount of $158,287 was deducted from accumulated depreciation, and the related deferred income taxes of $82,300 have been set up as a liability; the difference of $75,987 was added directly to earnings retained in the business.

FOOD MACHINERY AND CHEMICAL CORPORATION

Consolidated Balance Sheet

Property, Plant and Equipment, at cost:

Land and improvements	$ 3,660,873
Mines and development	2,462,978
Buildings	36,020,480
Machinery and equipment	103,240,817
Machinery leased to others	12,801,348
Construction in progress	3,460,723
	$161,647,219
Less depreciation, depletion and amortization	65,419,576
	$96,227,643

Current Liabilities:

Provision for Federal and foreign taxes on income and renegotiation	$ 14,674,998

Reserves:

Deferred Federal income taxes	$ 2,872,521

Consolidated Income

Operating Costs and Expenses:

Depreciation, depletion and amortization of property, plant and equipment	$ 9,883,800
Provision for income taxes and renegotiation:	
Federal income taxes and renegotiation	$ 13,948,418
Federal income taxes deferred	879,521
Foreign income taxes	197,061

Note: Federal Taxes on Income—The Corporation and its subsidiaries have obtained Certificates of Necessity for certain facilities aggregating $37,521,919, constructed since 1950 and now in operation. In its accounts the Corporation has charged only normal depreciation with respect to $34,425,318 of such facilities but in its tax returns has elected to amortize the certified portion thereof over a sixty-month period. For the year 1955 the excess of the tax amortization over normal depreciation on these facilities amounts to approximately $1,765,455. Since deduction of this excess in current tax returns will result in book provisions for normal depreciation on the certified portion of the facilities being unavailable as tax deductions in years following the amortization period, the Corporation has increased its tax provision for 1955 by $879,521 (an amount substantially equivalent to the estimated future tax effect occasioned by such book provisions being unavailable for tax deductions) and has credited this amount to a reserve for deferred Federal income taxes. It is intended that this policy will be continued throughout the amortization period and that appropriate portions of the reserve will be restored to income in the years following the amortization period.

The Corporation is amortizing over a sixty-month period $3,096,601 of facilities which may not be adaptable to post-emergency use. The excess of the recorded amortization over normal depreciation on these facilities in 1955 amounts to approximately $319,321.

HEYDEN CHEMICAL CORPORATION

Comparative Consolidated Balance Sheet

Plant and equipment, at cost (Note 2):

Land	$ 712,227
Buildings, machinery and equipment	22,777,325
	$23,489,552
Less Reserves for depreciation and amortization	9,956,739
	$13,532,813

Noncurrent Liabilities:

Deferred federal income taxes (Note 4)	$ 293,825

Note 4: At the beginning of 1955 the estimated remaining useful lives of certain facilities acquired in prior years under Certificates of Necessity were revised. The undepreciated cost of these facilities at December 31, 1954 is being charged against income at normal rates of depreciation rather than over a five year period as in 1954 and prior years. Amortization on a five year basis will be continued for tax purposes. However, during the period of amortization for tax purposes, a reserve will be accumulated by charges to income equal to the estimated tax on the amount of amortization in excess of normal depreciation, to provide for the tax that would otherwise have to be charged against income of future years. As a result of this change net income for the year 1955 was increased by $124,579.

Under Certificates of Necessity issued during World War II, the Corporation had fully amortized certain other facilities by September 30, 1945. As such facilities were of continuing usefulness, they were reinstated on the books at September 30, 1945 at original cost less normal depreciation. Thereafter the income statement has been charged with normal depreciation which has not been deductible for tax purposes. As at December 31, 1954 the undepreciated net book value of these facilities, nondeductible for tax purposes, amounted to $398,430.99. Consistent with the accounting change outlined in the preceding paragraph, as at January 1, 1955, a deferred income tax reserve was created out of earned surplus equal in amount to the estimated future income tax on the non-deductible depreciation on these facilities. As a result of this change net income for the year 1955 was increased by $48,320.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Consolidated Balance Sheet

Fixed Assets, at Cost:

Land	$ 893,068
Mineral properties, including leases, permits, and development costs	24,890,585
Buildings, machinery, and equipment, etc.	89,792,708
Less:	
Accumulated depreciation	(31,615,289)
Accumulated depletion	(7,758,867)
	$76,202,205

Noncurrent Liabilities:

Reserve—Deferred Federal Income Taxes	$ 1,845,000

Statement of Consolidated Earnings

Operating Costs and Expenses:

Depreciation and amortization	$ 6,353,707
Income Taxes:	
Federal income taxes (no excess profits tax)	$ 130,000
Other income taxes	55,000
Deferred Federal income taxes	890,000

Financial Review: The provisions for normal depreciation, amortization and depletion totaled $6,839,593, . . .

All of the facilities to be constructed by the Corporation under Federal Certificates of Necessity, presently issued, have been completed. The aggregate cost of the additions covered by such certificates is approximately $20,900,000. The Corporation has elected, for income tax purposes, to amortize the certified portion of these facilities over a sixty month period, as permitted under the Internal Revenue Code, but is charging to its accounts only normal depreciation.

Accelerated amortization was taken on the Bonnie Plant beginning July 1, 1953, on the Magnesium-Oxide and Hydrochloric Acid Plant beginning July 1, 1954, on the Niagara Falls facilities beginning January 1, 1955, and on two relatively minor facilities on other dates. The amount of such deductions, constituting the excess of the accelerated amortization over normal depreciation as charged on the Corporation books, totaled $1,713,000 for the fiscal year, and $3,550,000 for the two years ended June 30, 1955. This acceleration of tax deductions will result in the unavailability as a tax deduction of the full normal depreciation in the years following the five-year period of rapid amortization. The Corporation, therefore, has adopted the policy of providing a reserve for deferred Federal income taxes in an amount equivalent to the current income tax reduction. Credits to this reserve account, representing the current fiscal year tax reduction, were $890,000 and for the two years to June 30, 1955 were $1,845,000. It is intended, in the years following the five year amortization period, that appropriate portions of the reserve will be restored to income in annual amounts sufficient to maintain net earnings as if full normal depreciation were then available for tax purposes.

CHAS. PFIZER & CO., INC.
Statement of Consolidated Financial Position
Fixed assets, at cost—Note 3:

Buildings, machinery and equipment	$71,232,121
Less reserves for depreciation	34,328,063
	$36,904,058
Land	1,230,435
Fixed assets, net	$38,134,493

Note 3: The Company has consistently followed the practice, with respect to depreciation of buildings, machinery and equipment, of systematically allocating to each year's operations a portion of the original cost of these facilities, which depreciation has been in excess of that allowable for federal income tax purposes. Emergency facilities constructed under Certificates of Necessity are being amortized over a 60-month period for federal income tax purposes to the extent of approximately 61% of the cost of such facilities.

The Company has adopted for income tax purposes, but not for financial statement purposes, the Sum-of-the-years Digits method, permitted under the 1954 Internal Revenue Code, in computing depreciation on all additions of new depreciable property made subsequent to January 1, 1954.

The total depreciation allocated to current operations in the accompanying financial statements is in excess of depreciation and accelerated amortization of emergency facilities allowable and currently deducted for federal income tax purposes; therefore no adjustment is considered necessary in the statement of earnings for the reduction, due to accelerated amortization of emergency facilities and the use of the Sum-of-the-years Digits method, in current income taxes and the deferment of such tax reduction to operations in future years.

The statement of consolidated earnings includes provision for depreciation in the amounts of $5,484,446 and $5,046,458 for the years ended December 31, 1955 and 1954, respectively.

Amortization of Emergency Facilities Deducted for Both Accounting and Tax Purposes

EASTMAN KODAK COMPANY
Statement of Financial Condition
Properties:

Buildings, machinery, and equipment, at cost	$511,572,680
Less: Reserve for depreciation	268,972,021
Net Balance of depreciable assets	$242,600,659
Land, at cost	6,530,438
Net properties	$249,131,097

Statement of Earnings

Depreciation of properties and equipment	$ 33,666,428

Note: Properties and Reserve for Depreciation—Properties were valued at cost and depreciation was calculated on cost.

Changes in property and reserve accounts in 1955 were:

	Properties	Reserves
Balance at December 26, 1954	$483,076,780	$242,962,042
Additions	45,537,097	33,666,428
	$528,613,877	$276,628,470
Dismantlements, etc.	10,510,759	7,656,449
Balance at December 25, 1955	$518,103,118	$268,972,021

At December 25, 1955, part of the cost of certain facilities to the extent of $24,919,427 was covered by certificates of necessity issued by the government, which permit amortization of the cost over a five-year period for tax purposes. In its accounts, the company is also writing off these costs over a five-year period in the same manner. This resulted in charging costs and expenses $2,479,563 more than would have been written off had the company's usual depreciation rates been applied.

WESTINGHOUSE ELECTRIC CORPORATION
Consolidated Statement of Financial Position
Noncurrent Assets:

Land, buildings and machinery (reduced for wear of facilities at December 31, 1955 by $276,464,231)	$311,122,514

Consolidated Statements of Operations and Income Retained in the Business
Costs Applicable to Income:

Wear of facilities (depreciation and amortization)	$ 43,105,768

Financial Review: . . . By the end of 1955, the Company had received Government certificates of necessity, and amendments to these certificates, permitting five-year amortization of facilities in the amount of $94,962,000, against an estimated cost of $160,794,000 for these same facilities. The portion of the cost of these facilities being amortized over five years for tax purposes is being similarly amortized for financial accounting purposes. In 1955, the Company's rapid amortization of $14,986,000 exceeded normal depreciation by $11,125,000.

TABLE 9: HIGHER PLANT REPLACEMENT COSTS

Presentation in Report	1955	1954	1953
A. Income statement, separate last section	—	1	1
B. Charge to Retained Earnings	2	1	3
	2	2	4
C. Credit to Retained Earnings	—	4	4
D. Credit to Reserve for Depreciation	—	1	—
	—	5	4
Number of Companies with Reserves for Higher Plant Replacement Costs			
At beginning of year	10	15	19
Established during year	—	—	—
Eliminated during year	—	(5)	(4)
E. At end of year	10	10	15
No reserves for higher plant replacement costs	590	590	585
	600	600	600

Refer to Company Appendix Section—B: Co. Nos. 108, 572; E: Nos. 78, 108, 169, 268, 334, 401, 490, 528, 538, 572.

HIGHER PLANT REPLACEMENT COSTS

In 1952 the survey revealed that 19 companies disclosed reserves for higher plant replacement costs. Since that time, the annual reports of the respective companies have indicated a gradual decline in the use of such reserves. The current survey reveals that only ten companies disclosed such reserves at the end of their current fiscal years (see Table 9). The reserves included in the accounts of eight companies were unchanged since the previous year. Two companies (*Co. Nos. 108, 572) increased the amounts in the reserves through charges to retained earnings. In their 1954 reports five companies (*Co. Nos. 133, 289, 453, 491, 562) indicated that they had eliminated such reserves.

CHARITABLE FOUNDATIONS

Various companies included in the survey have established nonprofit, charitable foundations to serve as a medium for making donations to charitable, educational, or other similar organizations. Several of the survey companies made reference in their 1955 reports to such foundations. Two of the foundations were

*Refer to Company Appendix Section.

created during 1955 (*Co. Nos. 525, 558) and seventeen of the foundations were incorporated in prior years (*Co. Nos. 127, 167, 182, 253, 256, 308, 370, 409, 471).

United Drill and Tool Corporation commented on the establishment of "United Drill Foundation," as follows:

United Drill Foundation: In December, 1955 your Directors authorized the creation, under the laws of Illinois, of a corporation not-for-profit, the name of which is United Drill Foundation. The stated objects of the Foundation are the conventional charitable, educational, scientific, religious and public welfare purposes. The move follows the pattern which has been adopted in recent years by a growing number of representative American corporations. Your Directors believe that it will help to coordinate and centralize your company's contributions to such purposes which for many years have been carried out somewhat unsystematically. The Directors authorized your company to make a contribution of $50,000 to the United Drill Foundation, which was paid in December 1955.

FEDERAL INCOME TAXES—Current Estimate

There were 567 of the 600 companies included in the survey that showed estimated Federal income taxes for 1955 in their annual reports. Of these companies 136 included the estimates among other costs, while 431 companies presented such estimates in a separate last section of their income statements. Current estimates for state, foreign, and other income taxes were shown by 309 of the 600 companies. Table 10 summarizes the income statement presentation of the current estimates for Federal, state, foreign, and other income taxes as disclosed in the 1955 annual reports of the survey companies.

TABLE 10: CURRENT ESTIMATE FOR FEDERAL AND OTHER INCOME TAXES

Income Statement Designation	Listed among other costs	Set forth in last section	1955 Total
Federal Income Tax Estimate—			
Shown with single total amount for:			
"Federal income taxes"	82	267	349
"Federal income" and various other income taxes or non-tax items	47	141	188
"Income taxes" not further designated	7	23	30
Total	136	431	567
Not shown or not required:			
No provision for income taxes although income statement shows profit			4
Operating loss carry-forward eliminates estimate			16
Operating loss shown in statement			11
No income statement presented			2
Total			33
			600
Other Income Tax Estimates—			
Shown with single total amount for:			
"State income taxes"	13	62	75
"State income" and other income taxes	20	53	73
"State and foreign income taxes"	4	9	13
"Foreign income taxes"	9	28	37
Various other	31	80	111
	77	232	309

Examples—Federal Income Taxes—Current Estimate

Representative examples of the presentation in the income statement of the current estimate for income taxes selected from the 1955 reports of the companies reviewed are given below:

ALUMINUM GOODS MANUFACTURING COMPANY
Statement of Income and Retained Earnings

Income before provision for taxes on income	$5,539,347
Provision for Federal and State taxes on above income	3,050,476
Income for the year	$2,488,871
Reduction in current income tax liability by deduction of past service annuity premiums and adjustment for net Federal income tax settlements for prior years	249,497
Net income for the year	$2,738,368

BURRUS MILLS, INCORPORATED
Statement of Consolidated Income
Provision for Income Taxes:

Federal	$810,000
State	9,500
Cuban (Note 3)	18,439
	$837,939

Note 3: Under certain Cuban regulations applicable to the Cuban subsidiaries they are permitted to amortize their investments in buildings and equipment for Cuban income tax purposes over a period of five years beginning after two years of operations. The regular provision for depreciation of such facilities has been increased by the amount of the income tax reduction, $99,134.35, resulting from such amortization.

The income tax returns for the Cuban subsidiaries have not been examined by the taxing authorities and the management is of the opinion that additional assessments, if any, that may result from the examination of current and prior years returns (operations of the subsidiaries commenced in 1952) will not be substantial.

CUTTER LABORATORIES
Consolidated Balance Sheet

Current Assets:	
Refundable federal income taxes, estimated	$ 765,000
Current Liabilities:	
Estimated federal income taxes	$ 66,874
Noncurrent Liabilities:	
Federal income taxes deferred to future years (Note 1)	$ 85,000

Consolidated Statement of Earnings

Undesignated total	($1,209,219)
Provision for estimated federal income taxes (in 1955 for subsidiary companies)	(55,000)
Estimated refundable federal income taxes of parent company, less $85,000 for taxes deferred to future years (Note 1)	680,000
Earnings or (loss) for the year (Notes 1 and 6)	($ 584,219)

Note 1: Property, Plant and Equipment—Prior to 1955, deprecia-

*Refer to Company Appendix Section.

tion provided on the certified portion of facilities acquired under certificates of necessity was equivalent to the amortization deductible for federal income tax purposes, in accordance with management's estimate of the probable useful lives of these properties. Commencing January 1, 1955, depreciation on these facilities has been provided on the basis of revised estimates of their remaining economic lives. Since the Company will continue to claim allowable amortization as a deduction in computing federal income taxes, a provision of $85,000 has been made from earnings for the increased income taxes to be paid in future years when amortization is no longer deductible. As a result of this change, the loss for 1955 is $77,000 less than it would have been had depreciation been computed on the method used prior to January 1, 1955.

Note 6: Reproduced under example, Cutter Laboratories, Section 2, *Capital Stock.*

MICHIGAN CHEMICAL CORPORATION
Comparative Statements of Income

Allowances or (credits) for federal income taxes (Note F):	
Allowances for the year	$26,000
Credits arising from carry-forward or carry-back of operating losses	(26,000)

Note F: Under the Internal Revenue Code, the company is permitted to deduct percentage depletion allowances which are not included as deductions in its financial statements. The allowances or credits for federal income taxes, as reported in the financial statements, are computed based upon taxable income or losses which include such deductions where appropriate. Percentage depletion deductions aggregated $127,721.10 in the tax return for 1954, and will approximate $250,000 for 1955.

NEWMONT MINING CORPORATION
Statement of Income

Income before Income Taxes	$12,833,147
Income Taxes:	
Provision for Federal Income Tax and Foreign Income Taxes (Note 2)	1,037,483
Net Income for Year	$11,795,664

Note 2: The provision for Federal Income Taxes has been computed on a consolidated basis which includes net taxable losses of domestic subsidiaries 80% or more owned.

IRONRITE, INC.
Consolidated Statement of Operations

Earnings Before Income Taxes		$730,761
Federal taxes on income—estimated:		
Taxes based on income of the year		$390,000
Less reduction in taxes resulting from carry-over of operating loss of former subsidiary		60,000
		$330,000
Net Earning		$400,761

TABLE 11: INCOME TAX ADJUSTMENTS AND ALLOCATION—1955

	Presentation in Report*								
	A: Income								
	Income Statement				Shown Elsewhere:				
	Among other Costs:		In last Section:					B:	
Nature of Income Tax Adjustments	With tax estimate	Special item	With tax estimate	Special item	In footnotes	In letter to stockholders	Income Total	Retained Earnings	1955 Total Items
Prior year tax accrual adjustment	—	6	4	8	6	2	26	8	34
Additional tax assessment or payment	—	1	—	—	3	—	4	4	8
Refunds under Sections 721, 722, etc.	—	—	2	10	1	—	13	2	15
Carry-back: Unused excess profits credit	—	—	1	—	—	—	1	—	1
Carry-back: Operating loss	—	1	2	11	1	—	15	1	16
Carry-forward: Operating loss	—	—	—	1	3	—	4	—	4
Prior year tax adjustments not identified	1	5	10	15	4	—	35	7	42
Deferment of income tax benefit	—	—	6	23	13***	2	44	1	45
Interest received on tax refund	—	1	—	1	—	—	2	1	3
Tax adjustment—other items	—	—	—	—	—	—	—	1	1
Adjustments—Total	1	14	25	69	31***	4	144	25	169
Allocation of Current Income Taxes, with:									
Extraordinary item shown net of related tax	—	22	—	—	—	—	22	6	28
Extraordinary item shown in full amount	—	10	—	—	4	—	14	2	16
Only tax effect of extraordinary item shown	—	1	—	—	1	1	3	4	7
Allocation—Total	—	33	—	—	5	1	39	12	51
Total	1	47	25	69	36***	5	183	37	220

Number of Companies Presenting Special:	
Income tax adjustment items	58
Income tax adjustment items and non-recurring extraordinary items	79
Non-recurring extraordinary items**	190
Total	327
Number of Companies not presenting special items	273
	600

* See Table 12 for Percentage of Materiality.
** See Tables 13 and 14 for Extraordinary Items.
***Two items were disclosed parenthetically in the balance sheet.

ADJUSTMENTS FOR PRIOR YEAR INCOME TAXES

The *Restatement and Revision of Accounting Research Bulletins,* issued by the Committee on Accounting Procedure of the American Institute of Accountants, in discussing adjustments of provisions for income taxes of prior periods, states that such adjustments, as well as any refunds and any assessments of additional amounts, "should be included in the income statement unless they are so material as to have a distorting effect on net income; in such event they may be charged or credited to surplus with indication as to the period to which they relate" (Chapter 10, Section B, Paragraph 15).

Presentation of Income Tax Adjustments

There were 137 of the 600 survey companies that presented a total of 169 income tax adjustment items in their 1955 annual reports; of these, 124 items referred to adjustments of prior year taxes, whereas 45 items represented the deferment of current income tax benefit to future years, due to accelerated amortization of emergency facilities under certificates of necessity, new depreciation methods, etc. (Full analysis and discussion of the accounting treatment of accelerated amortization can be found in Section 3, Table 8.) Table 11 summarizes the various methods of presentation of tax adjustments as shown in the annual reports of the survey companies. Out of 169 income tax adjustments, 109 items were set forth in the income statement; 35 items were disclosed either in footnotes, president's letter to the stockholders, or parenthetically in the balance sheet; the remaining 25 items were shown in the statement of retained earnings. The income account was utilized for 144 income tax adjustments by 120 companies, and the retained earnings account for 25 items by 21 companies. A combination of such accounts was used by 4 of the survey companies in recording their income tax adjustments. The report presentation of income tax adjustments reflected in the income account is illustrated in the examples which follow. These

TABLE 12: INCOME TAX ADJUSTMENTS AND ALLOCATION—1955

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							1955
Nature of Income Tax Adjustments	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	Total Items
Prior year tax accrual adjustments	12	4	1	2	2	5	26	2	1	2	3	—	—	8	34
Additional tax assessment or payment	2	—	—	—	—	2	4	2	—	—	2	—	—	4	8
Refunds under Sections 721, 722, etc.	5	2	1	3	2	—	13	—	—	1	1	—	—	2	15
Carry-back: Unused excess profits credit	—	—	—	—	1	—	1	—	—	—	—	—	—	—	1
Carry-back: Operating loss	3	1	2	2	7	—	15	1	—	—	—	—	—	1	16
Carry-forward: Operating loss	—	—	—	2	—	2	4	—	—	—	—	—	—	—	4
Tax adjustments not identified	18	5	6	2	1	3	35	2	2	2	—	1	—	7	42
Deferment of income tax benefit	12	8	6	9	1	8	44	—	—	1	—	—	—	1	45
Interest received on tax refund	1	—	—	1	—	—	2	—	—	—	—	—	1	1	3
Tax adjustment—other items	—	—	—	—	—	—	—	—	1	—	—	—	—	1	1
Adjustments—Total	53	20	16	21	14	20	144	7	4	6	6	1	1	25	169
Allocation of Current Income Taxes, with:															
Extraordinary item shown net of related tax	6	6	2	1	—	7	22	—	2	—	1	1	2	6	28
Extraordinary item shown in full amount	4	3	1	1	1	4	14	—	2	—	—	—	—	2	16
Only tax effect of extraordinary item shown	—	1	—	1	1	—	3	1	—	—	—	3	—	4	7
Allocation—Total	10	10	3	3	2	11	39	1	4	—	1	4	2	12	51
Total	63	29	19	25	16	31	183	8	8	6	7	5	3	37	220

	Accounts Adjusted for Special Items:			
Number of Companies, adjusting accounts:	Income	Income & Retained Earnings	Retained Earnings	1955 Total
For prior years income tax adjustments	116	4	17	137

Number of Companies Presenting Special:	
Income tax adjustment items	58
Income tax adjustment items and non-recurring extraordinary items	79
Non-recurring extraordinary items	190
Total	327
Number of Companies not presenting special items	273
	600

*Ratio of item to 1955 income adjusted for income tax adjustments and extraordinary items.
See Table 11 for Presentation of Income Tax Adjustments. See Tables 13 and 14 for Extraordinary Items.
N—Percentage of materiality not determinable.

illustrations refer to prior years' income taxes, assessments, refunds, carry-backs and carry-forwards of losses, and the allocation of income taxes.

Examples of similar adjustments reflected by the survey companies in their surplus accounts during 1955 are set forth in Section 4 under "Appropriation of Retained Earnings—Tax Purposes," "Nonrecurring Losses and Gains," and "Prior Year Adjustments—Taxes."

Materiality of Income Tax Adjustments

With regard to the income tax adjustments presented by 137 of the 600 survey companies in their 1955 reports, the percentage of materiality and the accounts adjusted for such items are summarized in Table 12. The percentage of materiality of income tax adjustments was determined by the ratio of such items to 1955 net income, computed without regard for either income tax adjustments or extraordinary items. Table 12 shows that 84 of such adjustments did not exceed a materiality percentage of 10 %; 22 items were within an 11-20% range of materiality; 27 items varied from 21-50%; and only 15 items exceeded 50% of materiality. In the case of 21 of the 169 adjustments for prior year income taxes and deferments of current income tax benefit, the reports did not contain sufficient information for determination of the materiality.

Examples—
Adjustments for Prior Year Income Taxes

The following examples, taken from the 1955 reports, illustrate the presentation and treatment of adjustments in connection with prior income taxes:

CONSOLIDATED FOODS CORPORATION
Consolidated Statement of Income

Income before federal taxes on income	$4,494,703
Provision for federal taxes on income (Note 2)	1,915,885
Net income for the year	$2,578,818

Note 2: Federal Taxes on Income—The accrual for federal income taxes of the current year as shown by the balance sheet, $2,041,262, exceeds by $125,377, the provision for federal taxes on income shown in the statement of income. This difference results from a charge of $207,001 of such taxes against profits realized on disposals of fixed assets, plus adjustments of prior years totaling $8,698 and less $90,322 of tax benefits from earned surplus charges representing losses incurred in the operation and liquidation of certain properties disposed of during the year.

A subsidiary of the Corporation is using a stepped-up property basis for computing depreciation and profit or loss on the sale of property. This stepped-up property basis which has not as yet been passed on by the Internal Revenue Service results from the subsidiary's purchase of stock of its predecessor company and the subsequent liquidation of the predecessor. The reduction of tax to June 30, 1955, by reason of using this stepped-up basis, amounted to $333,500.

Federal income tax returns of the parent corporation for the fiscal years ended through 1952 have been examined. Agreement has been reached with respect to differences resulting from such examinations except those concerned with a proposed reduction of allowances for long term lease rentals for the fiscal years ended in 1948 through 1952, which have been protested.

The liability for additional federal income taxes for 1955 and prior years which may result from the final interpretation of tax laws and regulations is not presently determinable. The reserve provided for prior years' federal income taxes at June 30, 1955, amounted to $347,281.

CUBAN ATLANTIC SUGAR COMPANY
Statement of Profit and Loss

Profit before provision for Taxes on Income		$4,066,034
Provision for Taxes on Income (Note G):		
Cuban (including adjustments relating to prior years 1955—$165,394)	$1,296,042	
U. S. (less prior years adjustments 1955—$480,194 Note F)	317,465	
		$ 978,577
Net Income before Extraordinary Item		$3,087,457

Note F: U. S. Taxes on Income (prior years adjustments)—The major part of the amount of $480,194 arises from the fact that certain claims for recognition of foreign tax credits in prior years were resolved in the Company's favor in 1955.

Note G: Earned Surplus—About two-thirds of the balance of unappropriated consolidated earned surplus at September 30, 1955 is earned surplus of subsidiary companies operating in Cuba and any dividends declared therefrom will be reduced by Cuban taxes required to be paid in connection with such dividends and by any United States taxes that may arise as a result of the receipt thereof.

DETROIT HARVESTER COMPANY
Statement of Consolidated Profit and Loss

Net profit	$582,700
Special charge—additional income tax for year 1954—Note 2	100,000
Net profit (after special charge in 1955)	$482,700

Note 2: Additional income tax of $100,000 for the year 1954 resulted from a decision in 1955 to file separate instead of consolidated tax returns in anticipation of greater benefits to be obtained through operation of the loss carry-over provisions of the Internal Revenue Code. Under these provisions approximately $330,000 prior years losses of a subsidiary company may be applied in reduction of taxable income of ensuing years.

KOPPERS COMPANY, INC.
Statement of Consolidated Financial Condition
Current Liabilities:

Estimated Federal income taxes and renegotiation (Note 3)	$10,576,343

Statement of Consolidated Income

Income before extraordinary item shown below	$ 9,914,877
Add: Adjustment of prior years' provisions for Federal income taxes (Note 3)	500,000
Net income for the year	$10,414,877

Note 3: Federal Income Taxes and Renegotiation—The Companies' liabilities for Federal income taxes and renegotiation have been settled for years prior to 1954. The accumulated provisions for estimated Federal income taxes and renegotiation reflected in the statement of financial condition at December 31, 1955 are believed to be adequate for such purposes.

Because of capital losses in prior years, the $1,354,812 of net gains included in other income is not subject to Federal income taxes.

Tax Assessments, Refunds and Refundable Taxes

AINSWORTH MANUFACTURING CORPORATION
Summary of Income

Income for the year before provision for Federal taxes on income	$778,427
Provision for Federal taxes on income	347,808
Net Income for the year	$430,619
Special credit—Net reduction of prior years' Federal income and excess profits taxes, and related adjustments, resulting from allowance of a constructive excess profits credit under section 722 of the Internal Revenue Code (Note 4)	62,671
Net income and special credit	$493,260

Note 4: The Tax Court of the United States has rendered a decision in a suit by the Corporation for allowance of a constructive ex-

cess profits credit under the World War II excess profits tax law. As a result of the decision the Corporation became entitled to refunds of excess profits tax less related increases in income tax. The amount refundable, plus interest, has been received. As of December 31, 1954 the minimum amount estimated to be refundable at that time was reflected in income of the year and, upon final determination in 1955, $62,671, representing the remainder of the tax refunds, plus interest and less related legal fees, and plus the current net Federal income tax reduction caused by the deductibility of the legal fees and taxability of the interest is reflected as a special credit to income for the year ended December 31, 1955. The liability for Federal income tax for the year ended December 31, 1955, as shown in the accompanying balance sheet, reflects the reduction in taxes of the current year because of the above-mentioned items.

CALIFORNIA PACKING CORPORATION
Statement of Financial Position

Details of Items in Accounts:

Other Assets:	
Estimated refundable Federal taxes on income arising from replacement of inventories (Notes B and C)	$ 85,892
Statement of Earnings	
Earnings for year before special credits	$6,586,175
Special Credits:	
Arising from refund of Federal taxes on income for prior years (Note C)	$1,422,920

Note B: Refundable Taxes from Replacement of Inventories—Claims for Federal taxes on income refundable, based on replacement in the two years ended February 29, 1952 of "last-in, first-out" inventories which were liquidated because of war conditions, amount to $129,277 and interim allowances of $43,385 have been received thereon; all of the refunds claimed are subject to final review by the Treasury Department.

Note C: Taxes—The Corporation's Federal income and excess profits tax returns have been examined through the years ended February 29, 1952 and agreement has been reached with the local office of the Internal Revenue Service as to the additional liabilities, or refunds allowable, for all years then ended; agreements relating to the two years ended February 29, 1952 are subject to review by the Treasury Department. It is the opinion of officials of the Corporation that reasonable reserves for taxes on income have been provided for all years.

In 1954 the liability for the nine years ended February 28, 1950 was determined (excepting as to the claims referred to in Note B) and the Corporation received a refund based principally on the allowance of claims relating to items entering into the computation of excess profits net income and credit which were not determinable when the returns were filed. The refund, including interest, totaled $2,507,911 of which $694,991 had been recorded as a claim receivable and credited to earnings in prior years; the remainder (less provision of $390,000 for Federal income taxes on the interest received) has been included as a special credit of $1,422,920 on the accompanying consolidated statement of earnings.

J. P. STEVENS & CO., INC.
Consolidated Statement of Income

Net income before state and Federal taxes based on income	$19,274,130
Provision for state and Federal taxes based on income:	
State taxes (including franchise taxes) based on income	$ 865,000
Federal income taxes—Note D	9,885,000
	$10,750,000
Net income	$ 8,524,130

Note D: Taxes—The accompanying financial statements are subject to final determination of Federal, state and local taxes.

Following further review of the Company's Federal income tax returns by the Internal Revenue Service during the year ended October 29, 1955, final settlement of Federal income taxes for years to October 31, 1951 resulted in total additional assessments of $926,464. Of this amount $351,638 represents that portion of such assessments which exceeds the amount previously agreed upon and provided for in the preceding year and which is included in the current year's provision for Federal income taxes.

THE UNITED PIECE DYE WORKS
Statement of Financial Condition

Current Assets:	
Refundable federal taxes on income of prior years	$ 72,342
Current Liabilities:	
Federal taxes on income and contingencies (Note 2)	$499,020
Statement of Earnings	
Earnings before federal taxes on income	$910,750
Federal taxes on income, less, in 1955, refunds of $72,342 due on prior years' taxes	370,000
Net Earnings	$540,750

Note 2: Federal Taxes on Income and Contingencies—The Internal Revenue Service has completed an examination of the federal income tax returns of the Corporation for the years 1950, 1951 and 1952. Although the final report on this examination has not yet been received, it is expected that such report will show a refund of $72,342, plus interest, for those years.

The liability for additional assessments, if any, for subsequent years, is not presently ascertainable; however, it is estimated that the reserve for contingencies is ample to cover any liability in this respect.

Carry-Back and Carry-Forward of Operating Losses

Tables 11 and 12 summarize the number, report presentation, and materiality of carry-backs and carry-forwards of operating losses, as disclosed in the 1955 reports of the survey companies. For an extensive discussion of the acceptable accounting treatment of claims for refund of income taxes based on the carry-back of losses, refer to the *Restatement and Revision of Accounting Research Bulletins* (Chapter 10, Section B) issued by the Committee on Accounting Procedure of the American Institute of Accountants.

The following representative examples of carry-backs and carry-forwards of operating losses have been selected from the 1955 reports of the survey companies.

Carry-Back of Operating Loss

CHECKER CAB MANUFACTURING CORPORATION
Balance Sheet

Current Assets:	
Refundable federal taxes on income—estimated	$ 662,157
Statement of Consolidated Income and Earned Surplus	
(Undesignated total)	($1,617,988)
Refundable federal income taxes of prior years arising from carry-back of loss—estimated	649,733
Net Loss	($968,255)

O'SULLIVAN RUBBER CORPORATION
Balance Sheet

Current Assets:	
Recoverable Federal Income Taxes (Note 8)	$13,528
Profit and Loss Statement	
Profit or (Loss) before Income Taxes	($39,770)
Provisions for Federal and State Income Taxes (Note 8)	(13,528)
Net Loss	$26,242

Note 8: The net loss sustained during 1955 has been reduced by $13,527.98 representing Federal income taxes refundable under carry-back provisions of the Internal Revenue Code. Federal income and excess profits tax returns for all years prior to and including the calendar year 1953 have been examined by the Department of Internal Revenue and the liabilities for these taxes have been paid.

Carry-Forward of Operating Loss

CUDAHY PACKING COMPANY
Consolidated Income Statement

Cost and Expenses:	
Provision for Federal income taxes (See Note)	—
Net income for the year, including the elimination of Federal income taxes of $1,300,000 (See Note)	$2,702,755
Earned Surplus:	
Balance at October 30, 1954	—
Net income for the year, including the elimination of Federal income taxes of $1,300,000	$2,702,755
Balance at October 29, 1955 (Since October 30, 1954)	$2,702,755

Note: By reason of prior years' losses Federal income taxes for 1955 were eliminated. Net income for 1955 after Federal income taxes computed without benefit of loss carry-forwards amounts to $1,402,755. Substantial loss carry-forwards remain for tax purposes in future years.

PARK & TILFORD DISTILLERS CORPORATION
Consolidated Profit and Loss

Net profit before Federal taxes on income	$326,889
Less Federal income tax applicable to above income	168,000
Net profit for the year	$158,889
Special credit—Federal income tax reduction resulting from carry-forward of 1954 operating loss (Note 6)	$100,000
Net profit and the above special credit for 1955	$258,889
Consolidated Earned Surplus	
Add—Net profit for the year and Federal Income tax reduction resulting from carry-forward of 1954 operating loss	$258,889

Note 6: Federal Income taxes—Federal income tax returns of the Company and its subsidiaries have been reviewed by the Treasury Department through December 31, 1953. In the opinion of the Company and its counsel adequate provision has been made in the accounts to cover tax matters pending with respect to 1955 and prior years. As of December 31, 1955 there was a net operating loss carry-forward of approximately $1,000,000 available against taxable income of the parent company through 1959.

ALLOCATION OF INCOME TAXES

The problem of allocation of income taxes arises in those cases where there are material and extraordinary differences between the taxable income upon which such income taxes are computed and the income for the period determined in accordance with generally accepted accounting principles. For a comprehensive discussion of the allocation of income taxes and the method of applying the allocation principle, see the *Restatement and Revision of Accounting Research Bulletins* (Chapter 10, Section B) issued by the Committee on Accounting Procedure of the American Institute of Accountants and also *Accounting Series, Release No. 53,* published by the Securities and Exchange Commission.

Allocation for Extraordinary Items

Table 11 shows that there were 51 items of income tax allocation for extraordinary items disclosed by the survey companies in their 1955 annual reports. In 28 of the instances the extraordinary item giving rise to the allocation was presented "net of the related tax effect." The percentage of materiality (Table 12) was not determinable for 9 of these cases. The extraordinary item was shown "in full amount" in 16 cases indicating a tax allocation, but only 12 of these cases disclosed the amount of "the related tax effect." In the remaining 7 instances, the amount of the extraordinary item was not clearly determinable in the 1955 reports, and the current year entry showed only "the related tax effect" thereof. During 1955, the income account and the retained earnings account were utilized to reflect 39 and 12 income tax allocations respectively.

ARCHER-DANIELS-MIDLAND COMPANY
Balance Sheet

Current Liabilities:	
Federal and state taxes on income—estimated:	
Provision for current fiscal period, unpaid installments for 1954, and provision for prior years	$ 4,059,098
Reserve for anticipated replacements of inventories, less related income tax reductions	974,000
Statement of Consolidated Profit and Loss	
Undesignated total	$12,066,593
Provision for federal, state, and Canadian taxes on income for the current year—estimated	$ 5,936,705
Add income tax adjustment resulting from decrease in reserve for replacement of inventories	380,000
	6,316,705
Net Profit for the Year	$ 5,749,888

THE ATLANTIC REFINING COMPANY
Consolidated Income Statement

Income before U. S. Federal income tax and special credit	$35,881,073
U. S. Federal income tax (excluding amount applicable to special credit)	3,736,389
Income before special credit	$32,144,684
Special credits:	
Income from sale of Eastern Hemisphere subsidiaries (after deducting U. S. Federal income tax 1955—$2,113,998)	$ 6,201,553
Income from sale of a foreign investment (after deducting U. S. Federal income tax of $329,185)	1,117,931
Total special credits	$ 7,319,484
Net income for the period	$39,464,168
Summary of Taxes paid or accrued:	
U. S. Federal Income tax (including tax on special credits: 1955—$2,443,183)	$ 6,179,572

BARBER OIL CORPORATION
Consolidated Statement of Income

Income before income tax credit and investment profit below	$ 323,146
Federal income tax credit:	
Carry-back refund claim of domestic subsidiary	$ 103,500

Diamond Alkali Company

Historical Profit and Loss Information

Statement of Consolidated Net Income for Ten Years

(In thousands of dollars, except per share of common stock and book value of common stock)

	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946
Sales of products	$110,292	$ 93,506	$ 86,734	$ 76,674	$ 80,749	$ 55,703	$ 48,431	$ 51,230	$ 40,220	$ 32,203
Other	539	340	510	684	358	252	238	386	853	544
	$110,831	$ 93,846	$ 87,244	$ 77,358	$ 81,107	$ 55,955	$ 48,669	$ 51,616	$ 41,073	$ 32,747
Cost of products sold	$ 73,627	$ 67,567	$ 62,045	$ 55.431	$ 51,454	$ 38,134	$ 35,433	$ 36,162	$ 27,886	$ 23,112
Selling and administrative expenses	8,301	7,214	6,440	6,152	6,654	5,069	4,758	4,834	4,412	4,053
Provision for depreciation, amortization, etc.	8,858	7,095	6,262	4,002	3,518	3,184	2,877	2,229	1,601	1,446
Interest	1,051	901	781	452	309	325	291	175	20	1
Other deductions	875	677	496	660	174	45	464			
Provision for federal income taxes	9,676	4,863	5,281	5,199	12,324	4,368	1,804	2,935	2,600	1,578
Total	$102,388	$ 88,317	$ 81,305	$ 71,896	$ 74,433	$ 51,125	$ 45,627	$ 46,335	$ 36,519	$ 30,190
Net income	$ 8,443	$ 5,529	$ 5,939	$ 5,462	$ 6,674	$ 4,830	$ 3,042	$ 5,281	$ 4,554	$ 2,557
Per share of common stock (a)	$ 3.38	$ 2.21	$ 2.39	$ 2.18	$ 2.95	$ 2.22	$ 1.40	$ 2.43	$ 2.14	$ 1.20
Cash dividends on common	$ 3,404	$ 3,397	$ 3,395	$ 3,392	$ 2,695	$ 2,444	$ 2,172	$ 2,161	$ 2,125	$ 2,125
Shares outstanding parent company:										
Preferred	120,000	120,000	120,000	120,000	120,000					
Common	2,338,866	2,267,043	2,264,073	2,262,303	2,259,578	1,086,434	1,086,434	1,086,434	1,062,434	1,062,434
Book value of common (a)	$ 26.18	$ 24.98	$ 24.28	$ 23.39	$ 22.71	$ 21.17	$ 20.07	$ 19.67	$ 18.13	$ 16.99
Number of stockholders:										
Common stock	3,760	3,366	3,251	2,838	2,804	2,684	2,524	2,395	2,325	2,260
Preferred stock	685	661	674	797	551					

(a) After giving effect to 2 for 1 stock split in 1951

Less provision for current year, parent company	50,000
	53,500
Income before investment profit below	$ 376,646
Profit from liquidation of investment in American Republics Corporation	$18,880,761
Less applicable Federal income tax	4,720,000
	$14,160,761
Net income transferred to earned surplus	$14,537,407

MARSHALL-WELLS COMPANY
Consolidated Statement—Operations

Net earnings	$1,332,670
Special credit—net gain on property destroyed by fire, less applicable income taxes, $95,500	355,643
Net earnings and special credit	$1,688,313

EXTRAORDINARY ITEMS

Extraordinary items are extensively discussed in the *Restatement and Revision of Accounting Research Bulletins,* issued by the Committee on Accounting Procedure of the American Institute of Accountants. The committee states therein (Chapter 8) that the purpose of the chapter is to "recommend criteria for use in identifying material extraordinary charges and credits which may in some cases and should in other cases be excluded from the determination of net income and to recommend methods of presenting these charges and credits."

The 1955 annual reports of 269 of the 600 survey

TABLE 13: EXTRAORDINARY ITEMS—1955

	Presentation in Report*						
	A: Income						
	Income Statement:		Set Forth Elsewhere:				
Nature of Extraordinary Item	Listed Among Other Costs	Shown in Separate Last Section	Shown in Foot-notes	Shown in Letter to Stock-holders	Income Total	B: Retained Earnings	1955 Total Items
Disposal or sale of:							
Fixed assets	91	16	2	4	113	3(1)	116
Investments or securities	13	3	1	1	18	2	20
Subsidiary, affiliate, or division	9	6	—	7	22	6	28
Other assets	4	1	2	—	7	—	7
Change in valuation bases:							
Inventory writedown to market	2	—	2	2	6	1	7
"Lifo" liquidation or replacement	2	—	2	—	4	—	4
Inventory "base stock" adjustment	2	1	—	—	3	1	4
Change in investment valuation	6	3	—	—	9	1	10
Fixed assets conformed to "tax" basis	4	2	—	—	6	7(2)	13
Other fixed asset adjustments	1	2	2	—	5	2(1)	7
Miscellaneous adjustments	—	1	—	—	1	4	5
Expenses, losses, gains, etc.:							
Catastrophe—fire, flood, other	9	4	—	6	19	3	22
Foreign exchange adjustments	6	2	3	1	12	3(1)	15
Government contracts	2	2	2	1	7	1	8
Non-recurring plant expenses	4	2	—	8	14	—	14
Various other gains and losses	2	12	1	1	16	8(3)	24
Various prior years adjustments	12	11	4	5	32	26	58
Miscellaneous other items:							
General undetermined contingencies	—	2	1	—	3	10	13
Lump-sum intangible asset reduction	1	2	—	—	3	9(1)	12
Possible future inventory decline	1	1	—	2	4	4	8
Higher plant replacement cost or extraordinary depreciation	—	1	—	1	2	1	3
Total	171	74	22	39	306	92	398

Number of Companies Presenting Special:	
Non-recurring extraordinary items	190
Non-recurring extraordinary items and income tax adjustment items	79
Income tax adjustment items**	58
Total	327
Number of Companies not presenting special items	273
	600

* See Table 14 for Percentage of Materiality.
**See Tables 11 and 12.
(1) Includes one entry to capital surplus.
(2) Includes two entries to capital surplus.
(3) Includes three entries to capital surplus.

companies contained a total of 398 extraordinary items, exclusive of tax adjustments. The largest group thereof arose in connection with the disposal of assets. Other extraordinary items resulted from such varied transactions or events as changes in the valuation of inventories or fixed assets; flood or other catastrophes; foreign exchange devaluation; nonrecurring plant expenses; lump sum reduction of intangible assets; and numerous other causes.

Presentation of Extraordinary Items

The various methods of presentation of extraordinary items in the 1955 reports by the 269 survey companies disclosing such items are summarized in Table 13.

Of the 398 extraordinary items shown in 1955, over half thereof (245 items) were set forth in the statement of income; a number (61 items) were disclosed either in footnotes or in the letter to stockholders; and the balance (92 items) were shown in the statement of retained earnings or capital surplus. The presentation of extraordinary items in the 1955 annual reports is illustrated in the examples which follow.

Materiality of Extraordinary Items

With regard to the extraordinary items presented by 269 of the 600 survey companies in their 1955 annual reports, the percentage of materiality and the accounts adjusted for such items are summarized in Table 14. The percentage of materiality of extraordinary items was determined by the ratio of such items to 1955 earnings adjusted for both extraordinary items and prior income tax adjustment items. Table 14 shows that 221 of the extraordinary items did not exceed a materiality percentage of 10%; 59 items were within an 11-20%

TABLE 14: EXTRAORDINARY ITEMS—1955

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							1955
Nature of Extraordinary Items	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	Total Items
Disposal or sale of:															
Fixed assets	62	17	20	3	7	4	113	1(1)	—	—	2	—	—	3(1)	116
Investments or securities	11	2	1	3	1	—	18	1	—	—	1	—	—	2	20
Subsidiary affiliate or division	5	6	4	—	3	4	22	—	1	1	1	3	—	6	28
Other assets	3	2	—	—	1	1	7	—	—	—	—	—	—	—	7
Changes in valuation bases:															
Inventory write-down to market	2	—	—	1	2	1	6	—	1	—	—	—	—	1	7
"Lifo" liquidation or replacement	1	—	—	2	1	—	4	—	—	—	—	—	—	—	4
Inventory "base stock" adjustment	1	2	—	—	—	3	—	—	—	—	—	1	—	1	4
Change in investment valuation	7	—	1	1	—	—	9	—	—	—	1	—	—	1	10
Fixed assets conformed to tax basis	2	1	1	2	—	—	6	2(1)	3	1(1)	—	1	—	7(2)	13
Other fixed asset adjustments	1	1	—	1	2	—	5	1	—	—	1(1)	—	—	2(1)	7
Miscellaneous adjustments	—	—	—	1	—	—	1	1	1	1(1)	—	1	—	4(1)	5
Expenses, losses, gains, etc.:															
Catastrophe—fire, flood, other	4	3	4	1	4	3	19	—	—	—	—	1	2	3	22
Foreign exchange adjustments	7	2	—	—	—	3	12	2(1)	—	1	—	—	—	3(1)	15
Government contracts	1	2	2	—	1	1	7	1	—	—	—	—	—	1	8
Non-recurring plant expenses	1	2	2	1	4	4	14	—	—	—	—	—	—	—	14
Various other gains and losses	5	2	2	3	3	1	16	6(3)	—	1	1	—	—	8(3)	24
Various prior years adjustments	12	7	7	1	2	3	32	11(1)	5	3	6	1	—	26(1)	58
Miscellaneous other items:															
General undetermined contingencies	1	—	1	—	1	—	3	2	2	—	3	3	—	10	13
Lump-sum intangible asset reduction	2	—	1	—	—	—	3	1(1)	1	3	2	2	—	9(1)	12
Possible future inventory decline	1	—	2	—	1	—	4	—	—	—	1	3	—	4	8
Higher plant replacement cost or extraordinary depreciation	—	—	—	1	—	1	2	—	—	—	1	—	—	1	3
Total	129	49	48	21	33	26	306	29	14	11	20	16	2	92	398

	Accounts Adjusted for Special Items:				
Number of Companies, adjusting accounts:	Income	Income & Retained Earnings	Retained Earnings	Capital Surplus	1955 Total
For extraordinary items	194	28	38	9	269

Number of Companies Presenting Special:	
Non-recurring extraordinary items	190
Non-recurring extraordinary items and income tax adjustment items	79
Income tax adjustment items	58
Total	327
Number of Companies not presenting special items	273
	600

* Ratio of item to 1955 earnings adjusted for extraordinary items and income tax adjustments.
See Table 13 for Presentation of Extraordinary items. See Tables 11 and 12 for Income Tax Adjustments.
N—Percentage of materiality not determinable.
(1) Includes one entry to capital surplus.
(2) Includes two entries to capital surplus.
(3) Includes three entries to capital surplus

range of materiality; 41 items varied from 21-50%; and only 49 exceeded 50% of materiality. In the case of 28 of the 398 extraordinary items, the reports did not contain sufficient information for determination of the materiality thereof.

The income account was utilized for the recording of 306 extraordinary items (222 companies); the retained earnings account for 81 extraordinary items (66 companies); and the capital surplus account for 11 items (9 companies). A combination of such accounts was frequently employed by the survey companies in recording the extraordinary items.

Examples—Extraordinary Items

Illustrative examples showing the retained earnings and capital surplus accounts adjusted during 1954 for extraordinary items are set forth in Section 4 under "Excess of Cost of Investment in Subsidiary Over Book Amount of Its Net Assets," "Goodwill," "Appropriations of Retained Earnings," "Nonrecurring Losses and Gains," "Foreign Currency Adjustments," and "Prior Year Adjustments."

The use of the income account in connection with extraordinary items is illustrated in the following examples. These examples also show the 1954 report presentation of extraordinary items and their varied nature.

BRIGGS MANUFACTURING COMPANY
Statement of Income (Consolidated)

Net income before special items	$2,686,746
Special items:	
Final settlement of automotive and aircraft business, less Federal income tax of $230,000	209,260
Estimated loss on disposition in 1956 of Hamtramck plant, less reduction of $140,000 federal income tax	325,000
Net Income for the Year	$2,571,006

To the Stockholders: Earnings for the year were $2,571,006 after providing an amount of $325,000 to cover the estimated loss which the management believes may be incurred in connection with the eventual abandonment of the Company's Hamtramck plant upon completion of the new enameling plant now under construction.

ALLEN B. DU MONT LABORATORIES, INC.
Consolidated Statement of Earnings

Total gross income	$58,800,778
Costs and expenses:	
Loss on sale of plant formerly used in production, less capital gain tax reduction of $37,659 attributable thereto	$ 112,976
Other costs and expenses	59,704,613
Total costs and expenses	$59,817,589
Loss before broadcasting loss and Federal taxes on income	($1,016,811)
Loss from network and other broadcasting operations (Note 13)	2,859,416
Loss before Federal Taxes on income	($3,876,227)
Federal taxes on income	—
	($3,876,227)
Special credits:	
Adjustment of accumulated depreciation of machinery and equipment applicable to the years 1952 to 1954 inclusive, in accordance with bases proposed by Internal Revenue Service, less Federal income tax attributable thereto	$ 201,830
Net loss and special credits	($3,674,397)

Note 13: Loss from Network and Other Broadcasting Operations—As stated in note 1 heretofore, the spin-off of Du Mont Broadcasting Corporation (to which stations WABD and WTTG had been transferred) was consummated on December 2, 1955. Prior thereto, the Company discontinued the operation of the Du Mont Television Network, and the activities of Du Mont Broadcasting Corporation were almost entirely limited to the ownership and operation of the above stations. A summary of the losses sustained from broadcasting operations for the years 1954 and 1955 follows: (Ed. Note: 1954 figures omitted)

	1955
Net revenues	$ 7,577,404
Costs	10,436,820
Loss from network and other broadcasting operations (which includes the loss of $478,269 sustained by Du Mont Broadcasting Corporation up to the date of spin-off, December 2, 1955)	$ 2,859,416

ELASTIC STOP NUT CORPORATION OF AMERICA
Statement of Income

Balance—Operating Income	$2,667,893
Other Income and Deductions:	
Loss on assets discarded, less gain on sale of machinery and equipment	($38,174)
Judgment for unreimbursed costs under war contract terminated in 1945 with interest	211,154
Other Income	179,577
Total Other Income, net of deductions	$ 352,557
Total Operating and other income	$3,020,450

To the Stockholders: On July 12, 1955 the U. S. Court of Claims decided in favor of the company on its claim against the government for unrecovered costs on a prime contract, cancelled over ten years ago. The amount to be recovered is a non-recurring item in the current year's income statement.

THE GILLETTE COMPANY
Consolidated Statement of Income

Net income before special charges	$29,031,290
Special charge to amortize goodwill resulting from acquisition of the Paper Mate Companies (page 11)	652,897
Net income after special charges, transferred to United States earned surplus	$28,378,393

To the Stockholders: (Page 11)—Paper Mate's net worth at September 30, 1955, the date of acquisition was $7,588,735, including goodwill on the books of one of the acquired companies of $233,024. The balance of goodwill attributable to Paper Mate amounted to $7,601,742 representing the cost of acquisition and that portion of the Paper Mate purchase price applicable to the intangibles of a going business. Consistent with the Company's policy to carry goodwill of existing properties at a nominal value, Paper Mate intangibles are being amortized over a period of 36-months. The annual amounts required to write-off Paper Mate goodwill will be reflected in the consolidated statement of income and earned surplus as a special charge. A write-off representing a proportionate charge for the three months ended December 31, 1955, amounting to $652,897 has been made in the 1955 consolidated statements, leaving a balance of $7,181,869 to be amortized over the remaining 33-month period.

THE MIDLAND STEEL PRODUCTS COMPANY
Statement of Profit and Loss

Profit before Special Charge	$4,902,279
Special Charge:	
Provision for loss arising from abandonment of property and estimated moving expense	500,000
Net Profit	$4,402,279

OWENS-CORNING FIBERGLAS CORPORATION
Statement of Consolidated Income

Income before provision for taxes on income	$24,334,946
Provision for Federal and Canadian Taxes on Income, including $495,000 provided in 1955 for taxes applicable to prior years	13,390,000
Net Income	$10,944,946
Nonrecurring Income representing recovery of Federal excess profits taxes for the years 1941-1945, inclusive, in the amount of $1,356,000, less portion previously accrued	1,279,000
Net Income and Nonrecurring Item	$12,223,946

PHILADELPHIA AND READING CORPORATION
Summary of Consolidated Income and Earned Surplus

Loss Before Special Items	$1,387,006
Special Items:	
Loss and provision for loss on abandonment of mining properties, equipment and construction materials	$1,099,647
Loss on investment in and advances to Reading Briquet Company	337,499
Commuted pension gratuities	549,244
Reversal of reserve for mine fires (credit)	(258,318)
Total	$1,728,072
Net Loss and Special Items	$3,115,078

STAHL-MEYER, INC.
Statement of Consolidated Earnings

Earnings before special charge and Federal taxes on income	$217,225
Special charge—accrued vacation wages (Note 5)	58,165
Earnings before Federal taxes on income	$159,060

Note 5: Whereas in prior years vacation wages have been charged to earnings as paid, earned vacation wages, to be paid subsequent to October 28, 1955 have been accrued in the accompanying financial statements for 1955. This accrual is shown in the statement of consolidated earnings as a special charge.

UNITED ELASTIC CORPORATION
Consolidated Statement of Operations

Income before Federal taxes and special items	$3,362,184
Special items of (Expense) and Income:	
Rehabilitation of properties, expenses, and losses resulting from floods of August and October 1955	($499,397)
Proceeds of life insurance in excess of recorded cash value	32,263
Refund of federal and state taxes of prior years	13,607
Gain from sale of non-operating properties	50,861
	$ 96,731
Special items, net (expense) or income	($402,666)
Income before federal taxes	$2,959,518

To the Shareholders: Special Items on Income Statement—The special charge of $499,397 represents the cost of rehabilitating our properties, and other expenses and losses in Easthampton, Mass. This expense resulted from the heavy rainfalls and attendant flooding of August and October, 1955. The expense after the applicable federal tax deduction of $259,686 represents approximately fifty-nine cents per share on the outstanding capital stock.

It is the policy of the companies to carry insurance on the lives of officers and certain key personnel, with the companies as named beneficiaries. At December 31, 1955 the insurance under these policies totaled $1,443,752 with a cash surrender value of $419,805.

The amount of $32,263 represents the excess of the amount received from the insurance company, on the death in November 1955 of Mr. G. A. Cook, the esteemed treasurer and manager of our West Boylston subsidiary company, over the cash value of the policies carried on the books of that company.

Certain non-operating properties, including land and improvements thereto not required for operating purposes, were sold during the year 1955, mostly for cash. The resulting gain is shown as a special item on the income statement.

UNITED STATES HOFFMAN MACHINERY CORPORATION
Summary of Consolidated Income

Income prior to special charges and taxes	$4,681,677
Special charges:	
Loss on devaluation of Argentine peso	$ 120,069
Provision by subsidiary for renegotiation of contracts (net of tax credit)	150,000
Total special charges (Notes 1 and 10)	270,069
Income prior to provisions for income taxes	$4,411,608

Note 1: During 1955 the Corporation organized a subsidiary (Hoffman Machinery Credit Corporation) to engage in financing, and, in addition, acquired either directly or indirectly 80% of the outstanding capital stocks of fifteen companies and 100% of the outstanding capital stocks of two other companies, all of which, with minor exceptions, are engaged in the manufacture and/or sale of various products. Accordingly, the accounts of these subsidiaries have been included in the 1955 consolidated financial statements for the respective periods from dates of organization or acquisition (one each March 8, May 1, and July 1; six each September 1 and October 1; and three November 1).

For consolidation purposes foreign operations have been converted at parity of exchange for Canadian accounts, and at approximate rates of exchange in effect at the close of each year for Argentine accounts (property and related depreciation accounts at rates in effect during the periods in which the property was acquired). Because of a further devaluation of the Argentine peso in 1955, there has been included in income a loss of $120,069 resulting from conversion of the Argentine accounts into United States dollars at December 31, 1955. Argentine currency is subject to exchange withdrawal restrictions.

Note 10: The consolidated operations of the Corporation for 1955 include certain sales, the profits of which are subject to the Renegotiation Act of 1951. Inasmuch as the results for 1955 include the operations of the new subsidiaries since dates of acquisition, it is not practicable at this time to determine the over-all effect, if any, which renegotiation proceedings may have on the accompanying financial statements. However, considering the companies as a whole, in the opinion of management the effect on such financial statements of any refunds which eventually may be required would not be materially in excess of amounts provided.

DESIGNATION OF FINAL FIGURE

The *Restatement and Revision of Accounting Research Bulletins,* issued by the Committee on Accounting Procedure of the American Institute of Accountants, in discussing the presentation of material, extraordinary charges and credits in the income statement after the amount designated as *net income*, stresses the care that must be taken so that:

> . . . the figure of net income is clearly and unequivocally designated so as not to be confused with the final figure in the income statement. Thus it is imperative that the caption of the final figure should precisely describe what it represents, e.g., *net income and special items, net loss and special items, or net income and non-recurring capital gains.*

Table 15 classifies and sets forth the descriptive captions used to identify the figures preceding the nonrecurring, special items and the final figures in the income statements of the 65 survey companies that presented such items in a separate last section of the 1955 income statements. A further analysis of the descriptive terms designating the figures preceding and following the extraordinary items (Table 15) discloses that 40 of the companies clearly indicated the *inclusion* of the extraordinary charges and credits in the figure of net income for the year and 22 other companies clearly indicated the *exclusion* of such charges and credits from the figure of net income for the year. The terms used by 3 remaining companies did not clearly indicate whether the extraordinary charges or credits were *included* in or *excluded* from the figure of net income for the year.

The examples which follow illustrate the presentation of the final figure of the income statement as summarized in Table 15. Additional examples are given under *Extraordinary Items,* also in this section.

AMERICAN BOSCH ARMA CORPORATION
Statement of Consolidated Income

Net Income	$3,383,568
Special credit—Net refund of prior years' taxes and renegotiation rebate	956,104
Net income and special credit	$4,339,672

AMERICAN HAIR & FELT COMPANY
Consolidated Statement of Profit and Loss

Net profit before provision for income taxes	$1,007,322
Provision for income taxes	509,236
Net profit for year	$ 498,086
Special Credit—income tax adjustments applicable to prior years	25,000
Net profit and special credit	$ 523,086

BACHMANN UXBRIDGE CORPORATION
Consolidated Statement of Income and Earned Surplus

Net income	$196,067.52
Special items:	
Loss, due to floods at Putnam, Conn. and Uxbridge, Mass., net of $30,000.00 recovered under insurance policy	$665,000.00
Prior years' adjustments—net	82,477.10
	582,522.90
Excess of special items over net income	$386,455.38

THE BON AMI COMPANY
Comparative Consolidated Income Account

Net Income	$158,597.56
Special Item:	
Termination compensation under employment contract with officer	$ 50,000.00
Less: Federal Income Tax applicable thereto	26,000.00
	$ 24,000.00
Net Income and Special Item	$134,597.56

CENTURY RIBBON MILLS, INC.
Consolidated Statement of Profit and Loss and Earned Surplus

Consolidated:	
Operating profit or loss	$190,743
Cancellation of 1954 provision for Federal income taxes	26,919
Refund of pension plan premiums	11,200
Profit or loss before income taxes	$228,862
Provision for income taxes	45,500**
Net profit before extraordinary income, or loss	$183,362
Extraordinary income—net	281,901†
Total net profit and extraordinary income, or loss	$465,263

**The Federal income taxes for the year 1955 have been computed after the carry-forward of operating losses of prior years.

†Extraordinary Income—Net:

Income:	
Excess of insurance proceeds over book value of policies on life of deceased executive	$303,609
Profit on sale of New York lease, etc.	170,414
	$474,023
Charges:	
Total amount payable to estate of deceased executive	$ 72,917
Reduction of fixed assets to Federal income tax basis	98,299
Loss on sale of fixed assets	20,906
	192,122
Net	$281,901

MacANDREWS & FORBES COMPANY
Consolidated Statement of Income

Income from ordinary operations	$ 917,529
Extraordinary income:	
Profit on sales of investment securities less federal capital gains tax of $272,305	106,994
Prior years' adjustments to conform plant and property accounts with findings of Treasury Department, $385,206, less provision of $327,000 for additional federal income taxes and interest thereon	58,206
Net income for the year	$1,082,729

NATIONAL RUBBER MACHINERY COMPANY
Statement of Income

Net income before Federal income taxes and renegotiation	$1,278,596
Provision for Federal income taxes and renegotiation	642,347
Net income before special charge	636,248
Excess of renegotiation refund applicable to prior year over amount provided in such year:	
1953	120,000
1951	—
Net credit to earned surplus	$ 516,248

To the Stockholders: Renegotiation of profits on defense products shipped in 1952 and 1953 was concluded last fall. The refund to the government was $120,000 higher than reserves provided. To comply with the Securities and Exchange Commission regulations, the excess amount of refund had to be deducted from 1955 earnings instead of directly from earned surplus. Therefore, under SEC regulations, only $516,000 was transferred to earned surplus.

PHILLIPS SCREW COMPANY
Statement of Income and Expenses

Net income before deduction below	$78,047
Deduct:	
Provision for reserve to reduce investment in and advances to Fasteners, Incorporated to underlying book value (Note 3)	85,727
Reversal of prior years' provisions for Federal and State taxes on income in excess of requirements	(20,000)
	65,727
Net income	$12,320

Note 3: In March 1953, a wholly-owned subsidiary, Fasteners, Incorporated, was organized to develop the market for, and sell, devices produced under pending applications for patents relating to certain fastening devices known as Kelox products. At March 31,

1955, the Company had a net amount of $106,208.39 invested in the Kelox project, consisting of the following:

Investment in pending patents	$ 42,230.37
Investment in and advances to Fasteners, Incorporated, less reserve of $85,727.13 to reduce the aggregate thereof to underlying book value	23,978.02
Deferred development costs representing estimated amount expended by Fasteners, Incorporated during fiscal 1955 for the parent company for product engineering and development	40,000.00
Total	$106,208.39

Operations of Fasteners, Incorporated to March 31, 1955, after the credit of $40,000 representing the above mentioned expenditures charged to the Company, resulted in a loss of $85,727.13, which the Company has recognized in its accounts by a charge to income. The assets and liabilities of the subsidiary at March 31, 1955, are summarized below:

Current assets	$33,608.31
Deferred charges	3,978.58
	$37,586.89
Current liabilities	13,608.87
Net assets	$23,978.02

Management of the Company considers that the operations of Fasteners, Incorporated were and are being conducted during a period of product development and introduction, that its expenses were in the nature of starting-up costs (including costs of tests and samples, engineering, methods development and catalogues), and that such costs represent definite investments in the future profitability of the subsidiary. While no definite forecast can be made as to when the subsidiary's operations will be put on a break-even basis, in the opinion of management the presently indicated increases in the volume of sales and in the margin of gross profit realized should result in the attainment of that objective during the ensuing year. Additional advances of $5,000.00 were made to the subsidiary during the period from April 1, 1955 to August 31, 1955.

TRANS-LUX CORPORATION
Consolidated Statement of Profit and Loss and Earned Surplus

Net profit for the year before provision for special item	$143,879
Less Special Item:	
Provision for estimated amount required to indemnify directors and officers for legal fees and expenses in connection with the stockholders' derivative suit	275,000
Amount charged to Surplus Account	($131,121)

THE YALE & TOWNE MANUFACTURING COMPANY
Statement of Income and Earned Surplus

Net income for year	$4,679,837
Nonrecurring credit resulting from reinstatement of net assets in Germany to their book bases, and consolidation of certain subsidiaries	1,570,334
Net income and nonrecurring credit	$6,250,171

To the Stockholders: The net income for 1955 after allowing $5,270,000 for income taxes, was the largest in the Company's history. It amounted to $4,679,837. In addition during 1955 there was a nonrecurring credit amounting to $1,570,334 that resulted from the reinstatement of net assets in Germany and the consolidation of certain subsidiaries.

TABLE 15: DESIGNATION OF FINAL FIGURE—1955

Number of Companies Presenting	1955
Extraordinary Items in Separate Last Section of the Income Statement:	
Indicating inclusion in the net income for the year by:	
Designating figure preceding extraordinary item as *"net income before special item"* and final figure of the income statement as *"net income for the year"* (*Co. Nos. 5, 11, 13, 69, 106, 120, 148, 154, 162, 176, 242, 243, 285, 326, 343, 356, 400, 407, 423, 429, 438, 502, 505, 514, 519, 568, 583)	27
Setting forth an *"undesignated"* figure preceding extraordinary item and designating final figure of the income statement as *"net income for the year"* (*Co. Nos. 19, 67, 218, 225, 271, 298)	6
Designating figure preceding extraordinary item as *"net operating income"* and final figure of the income statement as *"net income"* (*Co. No. 569)	1
Designating figure preceding extraordinary item as *"net income before special item"* and final figure of the income statement as *"net income after special item"* (*Co. Nos. 139, 261, 398, 485, 542, 559)	6
Indicating exclusion from the net income for the year by:	
Designating figure preceding extraordinary item as *"net income for the year"* and final figure of the income statement as *"net income and special item"* (*Co. Nos. 7, 73, 75, 130, 141, 197, 209, 210, 223, 227, 369, 430, 483, 527, 531, 588, 597)	17
Designating figure preceding extraordinary item as *"net income for the year"* and final figure of the income statement as *"transferred to retained earnings"* (*Co. Nos. 293, 355, 452)	3
Designating figure preceding extraordinary item as *"net income before special item"* and final figure of the income statement as *"transferred to retained earnings"* (*Co. Nos. 76, 577)	2
Failing to indicate relationship to net income by:	
Designating figure preceding extraordinary item as *"net income for the year"* and no final figure and caption within the income statement (Indeterminable if extraordinary item applies to current year's earnings or to prior year's retained earnings) (*Co. Nos. 25, 403, 473)	3
Total	65

*Refer to Company Appendix Section.

Section 4

RETAINED EARNINGS and CAPITAL SURPLUS

THIS SECTION OF THE SURVEY, through the use of tables and examples, reviews and classifies the charges or credits to the retained earnings and capital surplus accounts in the 1955 financial statements of the 600 survey companies, excluding those charges or credits which merely present the net loss or income for the current year. These various charges and credits have been segregated for survey purposes as follows:

(a) The first group is concerned with the entries in the statements which refer to cash dividends. Table 1 illustrates the variety of presentations used by the companies in their statements, and data for the years 1950, 1953, 1954, and 1955 are given for comparative purposes. Table 2 analyzes the types of cash dividend restrictions indicated by the survey companies. Examples of the various restrictions, taken from the 1955 survey reports, are also included.

(b) The second group consists of the charges or credits resulting from stock dividends and stock splits (shown in examples). Table 3 summarizes the methods used by the companies to reveal stock dividends and stock splits in their annual reports.

(c) The third group includes other charges and credits to retained earnings and to capital surplus, exclusive of those charges or credits which merely record the net loss or income for the current year. The entries in this group refer to capital stock adjustments, transfers to or from appropriations or reserves, prior year adjustments and other miscellaneous items. Table 4 classifies these charges and credits according to the nature of the transaction presented, and extensive examples are given in conjunction therewith.

The term *capital surplus* is used in this section to classify all surplus accounts exclusive of retained earnings. Although the Committee on Terminology of the American Institute of Accountants has recommended a general discontinuance of the use of the term *surplus* in corporate accounting and this objective has been approved by the Committee on Accounting Procedure, the term *capital surplus* is used here as a technical term to indicate the nature of the accounts discussed.

CASH DIVIDENDS—STATEMENT PRESENTATION

Cash dividends were declared during the current year by 584 survey companies. Of these companies, 320 displayed such dividends in the retained earnings statement; 208 companies disclosed cash dividends in a combined retained earnings and income statement; the balance sheet was used for this disclosure by 13 companies, and a stockholders' equity statement by 15 companies. The remaining 28 companies used other methods of presentation, as revealed in Table 1.

In most instances the deduction for cash dividends was displayed in the statements after the opening balance of retained earnings and after the net income for the year. In a few cases the deduction for cash dividends was shown between the net income for the year and the opening balance of retained earnings. This treatment was found usually in instances where a combined income and retained earnings statement was employed.

Of the remaining companies that declared cash dividends during the current year, 9 companies set forth the information at the foot of the income statement and one did so in a supplementary schedule. The statement presentation of cash dividends by thc 600 survey companies for the years 1950, 1953, 1954, and 1955 is given in Table 1.

RESTRICTIONS ON RETAINED EARNINGS FOR DIVIDEND PURPOSES

The existence of restrictions on retained earnings, limiting the declaration of cash dividends, was reported by 346 of the 600 survey companies. With most of these companies, the limitations were the result of restrictive terms of long-term indebtedness or borrowing agreements (330 instances). Table 2 summarizes the different kinds of restrictions disclosed by the companies for the years 1953, 1954, and 1955.

CASH DIVIDEND RESTRICTIONS—EXAMPLES

Typical examples of restrictions on the declaration of cash dividends, taken from the 1955 reports of the survey companies and grouped according to the nature of the restriction, are given below:

LONG TERM DEBT

ALLEGHENY LUDLUM STEEL CORPORATION
Consolidated Balance Sheet

Long Term Debt:	
Notes payable (Note 2)	$29,451,000
Capital Stock and Surplus:	
Surplus:	
Earned surplus (Note 2)	$52,686,765

Note 2: *Notes Payable*—Amounts due beyond one year:

2.85% notes due August 1, 1970	$10,367,000
3.00% notes due January 1, 1972	4,900,000
3.75% notes due September 15, 1977	12,000,000
3.25% notes due October 1, 1959	4,000,000
	31,267,000
Less Prepayments of principal required to be made June 15, 1956 on the 2.85% and the 3.00% notes	1,816,000
	$29.451,000

Prepayments of principal are required to be made: (1) on the 2.85% notes annually on June 15 equal to $250,000 plus ten per cent (10%) (to nearest $1,000) of the consolidated net income of the preceding calendar year after providing for dividends accrued on outstanding preferred shares; (2) on the 3.00% notes, $100,000 annually on June 15, and (3) on the 3.75% notes in annual amounts of $600,000 commencing September 15, 1958. Additional prepayments may be made at the corporation's option at specified premium rates, or under specified conditions at no premium.

The 3.25% notes are subject to a bank credit agreement, dated July 1, 1954, and amended February 11, 1955, providing for borrowings by the corporation of $50,000 or multiples thereof in the aggregate amount of $8,000,000 on notes maturing October 1, 1959. The sum of $4,000,000 was borrowed upon execution of the agreement and the balance may be borrowed on or before March 1, 1956 unless the credit is terminated or reduced by the corporation. Any note may be prepaid in whole or in part without premium or penalty in principal amounts of $50,000 or multiples thereof. The agreement, as amended, provides for a commitment fee of ¼ of 1% per annum on the unused credit.

In addition to restrictions relating to additional indebtedness, mortgages and liens, purchase and redemption of capital stock and other restrictions, the 2.85% notes, the 3.00% notes, and the 3.75% notes and the bank credit agreement contain restrictions against the payment by the corporation of dividends upon common stock (otherwise than in capital stock) if the dividends on capital stock of the corporation (otherwise than in capital stock) since December 31, 1949 and amounts paid to purchase or redeem capital stock of the corporation since December 31, 1949 (to the extent that such amounts exceed the proceeds of the sale of such stock since such date), would exceed consolidated net income earned after December 31, 1949 plus the sum of $3,000,000. The portion of consolidated earned surplus at December 31, 1955 thereby restricted is $21,403,565.

TABLE 1: STATEMENT PRESENTATION OF CASH DIVIDENDS

Where Charged	1955	1954	1953	1950
After the "Opening Balance of Retained Earnings" and the "Net Income for the Year" in: retained earnings statement (*Co. Nos. 3, 24, 69, 118, 299, 423, 513, 533, 546, 565, 596)	316	296	321	325
Combined retained earnings and capital surplus statement (*Co. Nos. 31, 35, 37, 51, 53, 177, 342)	7	17	14	20
Combined retained earnings and income statement (*Co. Nos. 1, 85, 160, 193, 287, 345, 393, 453, 500, 574)	177	176	162	150
Stockholders' equity statement (*Co. Nos. 17, 227, 335, 511, 523, 526, 552)	14	15	13	11
Balance sheet (*Co. Nos. 9, 54, 107, 353, 441, 502, 545)	13	17	18	17
Unclassified surplus statement (*Co. Nos. 28, 142, 191, 271, 445, 462, 470)	7	7	6	8
Combined unclassified surplus and income statement (*Co. No. 270)	1	2	3	2
Total	535	530	537	533
Between the "Net Income for the Year" and the "Opening Balance of Retained Earnings" in: retained earnings statement (*Co. Nos. 169, 253, 400, 581)	4	5	7	5
Combined retained earnings and income statement (*Co. Nos. 27, 74, 138, 183, 250, 280, 308, 319, 331, 416, 472)	31	29	29	33
Stockholders' equity statement (*Co. No. 419)	1	2	1	—
Total	36	36	37	38
Between "Net Income" and "Retained Earnings for the Year" in "Consolidated Statement of Surplus" (*Co. No. 139)	1	—	—	—
At the foot of the income statement (*Co. Nos. 62, 137, 214, 216, 337, 356, 384, 494, 570)	9	10	10	10
In a supplementary schedule (*Co. No. 435)	1	1	1	1
Within the "Disposition of Net Income" statement (*Co. Nos. 78, 321)	2	1	—	3
Total	13	12	11	14
Number of Companies				
Declaring cash dividends	584	578	585	585
Not declaring cash dividends	16	22	15	15
	600	600	600	600

*Refer to Company Appendix Section.

BELL AIRCRAFT CORPORATION
Consolidated Balance Sheet
Noncurrent Liabilities:

First Mortgage 4½% Bonds, due December 1, 1961, less $500,000 included in accounts payable (Note 2)	$750,000

Note 2: Restrictions on Surplus—The indenture for the First Mortgage 4½% Bonds, due December 1, 1961 provides, among other things, that the Company will not declare or pay any dividends (other than dividends payable in its own stock) or purchase or redeem any of its outstanding stock, unless after payment or declaration of such dividends or purchase or redemption of stock, consolidated net current assets are at least $7,000,000 and the total of such declarations and payments do not exceed 75% of the consolidated net income subsequent to December 31, 1950. Consolidated net current assets at December 31, 1955, aggregated $22,758,024, and 75% of consolidated net income subsequent to December 31, 1950, after dividends, amounted to $4,992,519.

THE PITTSTON COMPANY
Balance Sheet
Current Liabilities:

Bank loans:	
Secured (Note 4)	$ 320,000
Sinking fund payments due within one year for retirement of long term indebtedness (Note 3)	$ 1,333,332
Long Term Debt:	
4¼% Collateral Trust Sinking Fund Notes Series A due June 1, 1959 (Note 3)	$ 3,792,000
5% Collateral Trust Sinking Fund Notes Series B due June 1, 1968 (Note 3)	9,875,000
	13,667,000
Less: Sinking fund payments due within one year as shown above	1,333,332
	12,333,668
Secured bank loans (Note 4)	6,092,600

Note 3: Collateral Trust Sinking Fund Notes, Series A and Series B—The collateral pledged to secure the 4¼% Collateral Trust Sinking Fund Notes Series A, due June 1, 1959 and the 5% Collateral Trust Sinking Fund Notes Series B, due June 1, 1968, which notes are hereinafter in this note (3) referred to as the Series A Notes and Series B Notes respectively, consists of:

(1) Preferred and common stocks of subsidiaries representing book equities of $36,476,043.25 at December 31, 1955 in the net assets of such subsidiaries.
(2) Unsecured promissory time notes of subsidiary companies in the outstanding aggregate principal amount of $2,900,000 at December 31, 1955.
(3) First Mortgage Note of a subsidiary in the outstanding principal amount of $5,188,000 at December 31, 1955.

The collateral is held by the trustee for the benefit of the Series A Notes and Series B Notes without differentiation between the two series, except that the Series B Notes have a first lien on that portion of the collateral consisting of the portion owned of common stock of a subsidiary representing a book equity at December 31, 1955 of $16,294,310.92 and the First Mortgage Note of that subsidiary of $5,188,000.

The Series A Notes are subject to redemption, in whole or in part, on 30 days' notice at 101½% of the principal amount to May 31, 1956 and declining subsequently by ½ of 1% progressively each year to May 31, 1958 and at 100% of the principal amount thereafter, plus accrued interest in each case to the date of redemption. The Series B Notes are also subject to redemption in the same manner as the Series A Notes except that the percentage of principal amount is from 104 1/3% to May 31, 1956 declining subsequently by 1/3 of 1% progressively each year to 100 1/3% on or before May 31, 1968.

The Series A Notes and Series B Notes are also redeemable through the operation of sinking funds, in whole or in part, at 100% of the principal amount thereof plus accrued interest to the date of redemption. In respect of the sinking fund for the benefit of the Series A Notes the Company is obligated to pay $541,666 to the trustee on or before May 25, 1956 and on each November 24 and May 25 thereafter to and including November 24, 1958, so long as any of the Series A Notes are outstanding. In respect of the sinking funds for the benefit of the Series B Notes, the Company is obligated to pay to the trustee (a) $125,000 on May 25, 1956 and on each November 24 and May 25 thereafter to and including May 25, 1959, and $500,000 on November 24, 1959 and on each May 25 and November 24 thereafter to and including November 24, 1967; (b) on May 25, 1956 and annually thereafter on May 25 an amount, if any, equal to ten cents per ton of coal mined by the Company and its subsidiaries during the immediately prior calendar year, in excess of 10,000,000 tons. The Company is not required to make any payment on May 25, 1956 in respect of the contingent sinking fund based on the tonnage of coal mined by the Company and its subsidiaries during the calendar year 1955.

Other provisions of the indenture require maintenance of working capital and impose restrictions on incurring further indebtedness and upon the payment of dividends, capital distributions or acquisitions of the Company's own stock. There are however more restrictive provisions contained in the agreement with the purchasers of the Series A Notes whereby: (i) consent of holders of two-thirds of Series A Notes is required for issue of more than $5,000,000 of additional funded debt in aggregate by the Company and its subsidiaries which are not Pledged Subsidiaries; (ii) consolidated working capital of the Company and its subsidiaries to be not less than $12,000,000; (iii) consolidated working capital of the Company and its subsidiaries (excluding Clinchfield Coal Corporation) to be not less than $7,000,000; (iv) dividends or other distributions to common stockholders by the Company, other than dividends payable in common stock, may be paid only out of 70% of consolidated earnings after December 31, 1952 and only if consolidated working capital after dividends or distributions is not less than $13,000,000; and (v) the Company will not declare or pay any dividends on its preferred stock except out of consolidated net earnings subsequent to December 31, 1952 plus $275,000.

At December 31, 1955 consolidated earned surplus available for cash distributions on preferred stock and on common stock was $4,019,098.49 and $1,772,804.98, respectively. However, in 1956 additional long term debt was created and further restrictions were placed on the payment of cash dividends (see Note 4 following).

Note 4: Secured Bank Loans—The secured bank loans include $1,412,600 owing by a subsidiary at December 31, 1955, of which $320,000 is shown as a current liability in the accompanying consolidated balance sheet. This loan is repayable in semi-annual instalments of $160,000 each to August 1, 1959 and $132,600 at maturity, February 1, 1960, together with interest on the unpaid balance at the rate of 4¼% per annum. The Pittston Company has guaranteed the payment of the loan, and to secure the guaranty has pledged all of

TABLE 2: CASH DIVIDEND RESTRICTIONS

Source of Restriction	1955	1954	1953
Long-term indebtedness (*Co. Nos. 6, 38, 67, 121, 168, 207, 280, 338, 379, 428, 471, 505, 543, 563)	300	288	289
Credit agreement (*Co. Nos. 83, 146, 163, 200, 215, 359, 364, 419, 489, 577)	22	26	29
V-loan agreement (*Co. Nos. 170, 192, 209, 229, 242, 341, 499, 513)	8	16	18
Preferred stock requirements (*Co. Nos. 2, 24, 39, 68, 126, 225, 238, 271, 290, 305, 442, 444, 450, 555)	48	46	48
Treasury stock (*Co. Nos. 7, 180, 184, 227, 287, 314, 541)	7	10	9
Dividend arrearage (*Co. Nos. 34, 51)	2	3	5
Articles of incorporation (*Co. Nos. 18, 69, 103, 169, 253, 264, 300, 378, 499, 513, 580)	18	23	25
Elkins Act Decree (*Co. Nos. 525, 532, 545)	3	3	7
State statutory limitation	—	2	2
Foreign statutory limitation (*Co. Nos. 57, 65, 525, 560)	4	4	2
Board of directors' resolution (*Co. Nos. 60, 124)	2	2	3
Restriction not described (*Co. Nos. 127, 258)	2	4	7
Various other (*Co. No. 4)	1	1	1
Total	417	428	445
Number of Companies			
Referring to dividend restrictions	347	340	348
Not referring to dividend restrictions	253	260	252
	600	600	600

*Refer to Company Appendix Section.

the outstanding capital stock of the subsidiary having a book equity at December 31, 1955 of $122,014.30, together with a $450,000 unsecured promissory time note of the same subsidiary. Under the terms of the loan agreement certain revenues received by the subsidiary may only be used for the payment of principal and interest on the loan.

The remaining secured bank loans aggregating $5,000,000 at December 31, 1955 were repaid in February 1956 from funds obtained through the issuance of $9,000,000 principal amount of Twenty-Year Subordinated Notes. The agreement with the purchasers of the Subordinated Notes provides, among other things, that the Company may not declare or pay any dividends (other than dividends payable solely in stock of the Company) on its common stock or make any distribution in respect thereof subsequent to December 31, 1955 if the aggregate amount of all such dividends and distributions would exceed 80% of the consolidated earnings for the period from January 1, 1956 to the date of such dividend declaration or distribution.

LONG TERM DEBT AND CORPORATE CHARTER

CROWN ZELLERBACH CORPORATION
Balance Sheet

Current Liabilities:	
Serial notes and bonds payable, installments due within one year (Note 4)	$ 4,188,000
Long Term Debt, net of installments due within one year (Note 4):	
Serial notes payable	$ 41,763,000
Bonds payable	14,014,000
	$55,777,000

Statement of Income Retained in the Business

Balance at the end of the year (Note 7)	$196,249,000

Note 4: *Long Term Debt*—Consolidated funded debt totals $59,965,000 of which $4,188,000, maturing within one year, is classified as a current liability. Of the $59,965,000, unsecured notes aggregating $44,888,000 bear interest at rates ranging from 2⅜% to 4% and bonds and notes secured by mortgages totaling $15,077,000 bear interest at rates ranging from 3% to 5%.

Payments of funded debt during the next five years will be as follows: 1956, $4,200,000; 1957, $4,500,000; 1958, $4,700,000; 1959, $4,600,000; 1960, $9,800,000.

The Corporation has agreed in connection with the issuance of its unsecured notes to observe certain restrictions chiefly with respect to paying dividends, increasing debt, disposing of assets and maintaining minimum working capital.

Note 7: *Income Retained in the Business*—The amount of dividends which can be declared from income retained in the business is restricted under the Corporation's Articles of Incorporation and agreements related to long term debt. There is a $57,000,000 margin over the requirements of the most stringent of these restrictions.

WALKER MANUFACTURING COMPANY OF WISCONSIN
Comparative Consolidated Balance Sheet

Current Liabilities:	
Notes payable—amount due within one year (Note A)	$ 150,000
Noncurrent Liabilities:	
Serial notes payable, 3½ and 4½ per cent (Note A) less $150,000 due within one year included above	$2,775,000
Earnings retained for use in the business (Note A)	$6,120,162

Note A: The serial notes payable outstanding at October 31, 1955 are payable $75,000 semiannually to April 1, 1960 and $100,000 semiannually thereafter with the balance due April 1, 1970.

The Company's charter and the loan agreement relating to the serial notes contain certain restrictions including restrictions on the payment of cash dividends on common stock and reacquisition of either common or preferred stock. Under the most restrictive of such provisions:

1. $412,145 of earnings retained for use in the business at October 31, 1955 is free of such restrictions;
2. Such payments may not be made if they would reduce working capital below $5,500,000; and
3. Working capital of not less than $4,500,000 must be maintained at all times.

RESTRICTIONS RE V-LOAN AGREEMENT NOTE AGREEMENT AND CHARTER

SERVEL, INC.
Consolidated Balance Sheet

Current Assets:	
Deposit in bank restricted to payment of bank loan	$ 50,147
Defense contracts and subcontracts (Notes 1 and 5):	
Accounts receivable and unbilled charges	$ 4,191,529
Raw materials, work in process, finished product, and other costs incurred, at cost	6,968,299
	$11,159,828
Current Liabilities:	
Notes payable:	
Banks (Note 1)	$ 6,500,000
3¼ per cent, current portion (Note 4)	540,000
	$ 7,040,000
Noncurrent Liabilities:	
Note payable, 3¼ per cent, maturing October 15, 1962 (Notes 2b and 4)	$ 3,760,000
Capital:	
Earned surplus (deficit*) (Notes 2, 3, 5, and 6)	$ 1,843,191*

Note 1: At October 31, 1955, the Company had a V-Loan Agreement with certain banks, providing a revolving credit for the Company extended to November 30, 1955 (subsequently extended to January 31, 1956), permitting borrowings by it not to exceed the lesser of $10,000,000 (subsequently reduced to $6,500,000) or 90 per cent of accounts receivable, inventories and other reimbursable costs and expenditures (less any partial and progress payments) relating to defense contracts. At October 31, 1955 the borrowings under the V-Loan Agreement amounted to $6,500,000 and were due November 30, 1955, the due date of all borrowings being subsequently extended to January 31, 1956.

Under the provisions of the Agreement, the Company has assigned to the banks moneys (amounting to approximately $3,960,000 at October 31, 1955) due and to become due under certain defense production contracts.

The Agreement also provided that, without the prior consent of the banks whose commitments aggregate 75 per cent or more of the amount of the credit and of the Department of the Air Force which is guarantor, the Company will not permit its consolidated net current assets at any time to be less than $8,000,000. At October 31, 1955, such consolidated net current assets amounted to $9,089,437. Subsequently, the banks and the guarantor consented to reduce the required amount of consolidated net current assets to $6,500,000.

Note 2: The Company is restricted as to payment of dividends on common stock by certain provisions of the V-Loan Agreement, the Note Agreement and the Charter, of which the following are the more important at the present time.

a. The V-Loan Agreement provides that, without the prior consent of the banks whose commitments aggregate 75 per cent or more of the credit and of the Department of the Air Force which is guarantor, the Company will pay no dividends (excepting stock dividends) on its stock.

b. The agreement under which the 3¼ per cent Note Payable maturing October 15, 1962 was issued contains provisions which restrict the availability of consolidated earned surplus for the payment of dividends (excepting stock dividends) on common stock; at October 31, 1955, there was a deficit in consolidated earned surplus, computed as provided in such agreement, amounting to $8,402,000.

c. The Company's Charter provides that no dividends (excepting stock dividends) may be declared or paid on its common stock so long as dividends are in arrears on its preferred stock. No dividends on preferred stock have been paid since April 1, 1954, so that at October 31, 1955 dividends on preferred stock were in arrears for six quarterly payments aggregating $6.75 per share or a total of $307,800.

The Charter also contains provisions which restrict the availability of consolidated earned surplus for the payment of dividends (excepting stock dividends) on common stock; at October 31, 1955 there was a deficit in consolidated earned surplus, computed as provided in the Charter, amounting to $7,072,000.

Note 3: The Company Charter provides, in substance, that, after full dividends on the $4.50 Cumulative Preferred Stock, including dividends for the current quarterly period, have been paid or provided for, the Company shall set aside on its books not later than March 15 of each year, as a sinking fund to be applied to the purchase or redemption of such stock, an amount sufficient to retire 1,800 shares of such stock at a price not exceeding the sinking fund redemption price ($106.25) plus accrued dividends. No shares of preferred stock were purchased for retirement or redeemed through sinking fund operations or otherwise during the year ended October 31, 1955. Such unsatisfied sinking fund requirements cumulate and must be fully satisfied before dividends (excepting stock dividends) may be paid on the common stock.

Notes 4, 5 and 6: (*Not reproduced here*)

PREFERRED STOCK

AMERICAN BAKERIES COMPANY
Consolidated Balance Sheet
Stockholders' Equity (Note 4):

Preferred stock, 4½% cumulative convertible, par value $100 per share:	
Authorized 75,000 shares, outstanding 57,823 shares at December 31, 1955	$ 5,782,300
Common stock, without par value:	
Authorized 2,500,000 shares, outstanding 1,596,205 shares at December 31, 1955 at stated value	7,410,005
Sundry capital credits (No change during year)	864,144
Balance of earnings retained for use in the business	24,365,366

Note 4: The preferred stock is convertible into common stock at the rate of one share of preferred for 2½ shares of common and is subject to redemption after June 15, 1958 at par plus premiums decreasing periodically from 10% to 7% plus accrued dividends. The parent Company is required to maintain $150,000 in a sinking fund to be replenished annually, for tenders of preferred stock at quoted prices not to exceed $100 a share, and may not without approval of holders of two-thirds of outstanding preferred shares pay any cash dividends or purchase any common stock which would reduce consolidated earnings retained for use in the business below $12,000,000.

CHAS. PFIZER & CO., INC.
Statement of Consolidated Financial Position
Shareholders' Equity:

Capital Stock—Note 4:	
Cumulative preferred stock, $100 par value:	
Authorized 145,008 shares issuable in series	
Issued—initial series 3½%, 42,508 shares	$ 4,250,800
Cumulative second preferred stock, $100 par value:	
Authorized—initial series 4% convertible, 147,270 shares	$14,727,000
Earnings retained and employed in the business—Note 4	$64,272,256

Note 4: The 3½% Cumulative Preferred Stock is redeemable at the option of the Company at prices ranging from $102 to $100 per share and the 4% Cumulative Second Preferred Stock at $106.50 to $101.50 per share. Both classes of preferred stock will be entitled in the case of voluntary liquidation, to the then applicable redemption price per share, and in the case of involuntary liquidation to $100 per share, plus in either case, accrued and unpaid dividends.

The initial series 4% Cumulative Second Preferred Stock is convertible at the option of the holders thereof, on or before June 30, 1956, into Common Stock, at a conversion price (subject to certain adjustments) of $42 per share.

On or before July 1 in each year the Company shall pay $125,000, or the equivalent in reacquired 3½% Cumulative Preferred Stock, to the transfer agent for a sinking fund for the 3½% Cumulative Preferred Stock.

So long as any of the 4% Cumulative Second Preferred Stock is outstanding, on January 1 and July 1 in each year, beginning January 1, 1952 and ending January 1, 1956, the Company shall deposit $225,000 as a purchase fund for the purchase of 4% Cumulative Second Preferred Stock. The Company shall use its best efforts to purchase out of monies so deposited shares of its stock at prices not in excess of the par value of such shares plus accrued dividends. Any part of such deposit remaining unexpended at the end of any semiannual period shall revert to the Company for general corporate purposes. On or before July 1 in each year, beginning in the year 1956, the Company shall pay to the transfer agent an amount in cash sufficient to redeem at a price per share equal to the par value thereof, plus all unpaid dividends, 4,500 shares of 4% Cumulative Second Preferred Stock. In lieu of all or any part of the cash payment the Company may deliver reacquired 4% Cumulative Second Preferred Stock.

So long as any shares of either class of preferred stock remain outstanding, no dividends may be paid on Common Stock and no Common Stock may be purchased or retired unless all dividend, purchase and sinking fund payments on such preferred stock have been provided for, and unless certain formula restrictions as to earnings retained and employed in the business are complied with. Under these restrictions, the aggregate amount of consolidated earnings retained and employed in the business available for dividends and distributions on Common Stock or for purchases or retirements thereof was $38,804,533 at December 31, 1955.

INDIAN HEAD MILLS, INC.
Balance Sheet:
Capital Stock and Surplus (Notes A, E, and H):

$1.25 cumulative preferred stock; par value $20.00 per share: Authorized 246,055 shares	
Issued and outstanding 201,387 shares	$4,027,740

Note H: Preferred Stock—The holders of $1.25 cumulative preferred stock are entitled to $25.00 per share and accrued dividends on liquidation or redemption. This stock has the benefit of a sinking fund which requires the deposit on the part of the company of $30,756 quarterly, which is to be applied to the purchase of preferred shares at not more than the redemption price of $25.00 per share.

As long as any shares of the $1.25 preferred stock are outstanding, the Company shall not declare or pay any dividends (other than stock dividends) or make any other distribution upon the common stock, nor with certain exceptions shall the Company directly or indirectly purchase or redeem common stock, unless:

a. All dividends and sinking fund requirements of the $1.25 preferred stock have been paid and satisfied; and
b. After giving effect to any such proposed transaction, the net worth of the Company shall be equal to at least 150% of the aggregate redemption price of all shares of $1.25 preferred stock then issued and outstanding.

This restriction requires that approximately $1,740,000 be added to the net worth before cash dividends can be considered on common stock.

During the year the Company purchased for retirement through its sinking fund operations 10,606 shares of preferred stock.

Notes A and E: (*Not reproduced here*)

TREASURY STOCK

AINSWORTH MANUFACTURING CORPORATION
Balance Sheet
Stockholders' Investment:

Retained Earnings (restricted because of the ownership of treasury stock carried at par —1955, $239,200	$5,054,418

THE CUBAN-AMERICAN SUGAR COMPANY
Statement of Consolidated Assets and Liabilities
Surplus:

Earned surplus (Note 2)	$20,503,008

Note 2: Earned surplus at . . . September 30, 1955 was restricted in the amount of $2,831,260 . . . representing the par value of the company's shares in the treasury.

INTERNATIONAL SHOE COMPANY
Consolidated Financial Position
Stockholders' Equity:

Retained Earnings (Note 5)	$47,094,777

Note 5: Retained Earnings Restrictions—Retained earnings of $28,470,720 at November 30, 1955, are restricted as to payment of cash dividends on common stock by the 3½% promissory note agreement and are further restricted by $1,726,795, the cost of parent company's own common stock reacquired. The promissory note agreement also provides that no payment be made for dividends unless consolidated net working capital shall be at least $50,000,000.

STATUTORY RESTRICTIONS

ANDERSON CLAYTON & CO.
Consolidated Balance Sheet
Surplus:

Earned: Unappropriated (Notes 1 and 5)	$84,012,839

Note 5: Included in Earned Surplus as of July 31, 1955 are legal reserves aggregating $1,452,589.88 required by the laws of certain of

the countries in which the foreign subsidiaries are situated. These reserves are not available for payment of dividends by the foreign subsidiaries.

Note 1: (Not reproduced here)

STANDARD OIL COMPANY (NEW JERSEY)
Consolidated Statement of Financial Position
Shareholders' Equity:

Earnings reinvested and employed in business	$3,333,871,122

Financial Review: Shareholders' Equity— . . . Consolidated earnings reinvested include $14,100,000 of statutory reserves of foreign companies and $6,463,000 of restricted earnings of United States pipeline companies set aside since December 31, 1941, under the terms of the Elkins Act suit decree.

STOCK DIVIDENDS AND STOCK SPLITS

Accounting Treatment of Stock Dividends and Stock Splits

The accounting treatment of stock dividends and stock splits is discussed in detail, both as to the recipient and to the issuer, in *Accounting Research Bulletin No. 43*, Chapter 7, "Capital Accounts." According to the bulletin, the term *stock dividend* refers to an issuance by a corporation of its own common shares to its common shareholders without consideration and under conditions indicating that such action is prompted mainly by a desire to give the recipient shareholders some ostensibly separate evidence of a part of their respective interests in accumulated corporate earnings without distribution of cash or other property which the board of directors deems necessary or desirable to retain in the business.

The term *stock split-up* refers to an issuance by a corporation of its own common shares to its common shareholders without consideration and under conditions indicating that such action is prompted mainly by a desire to increase the number of outstanding shares for the purpose of effecting a reduction in their unit market price and, thereby, of obtaining wider distribution and improved marketability of the shares.

In the discussion of the accounting aspects of stock dividends and stock splits as to the *issuer, Bulletin 43* provides the following comment:

Stock Dividends

As has been previously stated, a stock dividend does not, in fact, give rise to any change whatsoever in either the corporation's assets or its respective shareholders' proportionate interests therein. However, it cannot fail to be recognized that, merely as a consequence of the expressed purpose of the transaction and its characterization as a *dividend* in related notices to shareholders and the public at large, many recipients of stock dividends look upon them as distributions of corporate earnings and usually in an amount equivalent to the fair value of the additional shares received. Furthermore, it is to be presumed that such views of recipients are materially strengthened in those instances, which are by far the most numerous, where the issuances are so small in comparison with the shares previously outstanding that they do not have any apparent effect upon the share market price and, consequently, the market value of the shares previously held remains substantially unchanged. The committee therefore believes that where these circumstances exist the corporation should in the public interest account for the transaction by transferring from earned surplus to the category of permanent capitalization (represented by the capital stock and capital surplus accounts) an amount equal to the fair value of the additional shares issued. Unless this is done, the amount of earnings which the shareholder may believe to have been distributed to him will be left, except to the extent otherwise dictated by legal requirements, in earned surplus subject to possible further similar stock issuances or cash distributions.

Where the number of additional shares issued as a stock dividend is so great that it has, or may reasonably be expected to have, the effect of materially reducing the share market value, the committee believes that the implications and possible constructions discussed in the preceding paragraph are not likely to exist and that the transaction clearly partakes of the nature of a stock split-up as defined above. Consequently, the committee considers that under such circumstances there is no need to capitalize earned surplus, other than to the extent occasioned by legal requirements. It recommends, however, that in such instances every effort be made to avoid the use of the word *dividend* in related corporate resolutions, notices, and announcements and that, in those cases where because of legal requirements this cannot be done, the transaction be described, for example, as a *split-up effected in the form of a dividend.*

The corporate accounting recommended above will in many cases, probably the majority, result in the capitalization of earned surplus in an amount in excess of that called for by the laws of the state of incorporation; such laws generally require the capitalization only of the par value of the shares issued, or, in the case of shares without par value, an amount usually within the discretion of the board of directors. However, these legal requirements are, in effect, minimum requirements and do not prevent the capitalization of a larger amount per share.

Stock Splits

A stock split-up was defined above as being confined to transactions involving the issuance of shares, without consideration moving to the corporation, for the purpose of effecting a reduction in the unit market price of shares of the class issued and, thus, of obtaining wider distribution and improved marketability of the shares. Where this is clearly the intent, no transfer from earned surplus to capital surplus or capital stock account is called for, other than to the extent occasioned by legal requirements. It is believed, however, that few cases will arise where the aforementioned purpose can be accomplished through an issuance of shares which is less than, say, 20% or 25% of the previously outstanding shares.

The committee believes that the corporation's representations to its shareholders as to the nature of the issuance is one of the principal considerations in determining whether it should be recorded as a stock dividend or a split-up. Nevertheless, it believes that the issuance of new shares in ratios of less than, say, 20% or 25% of the previously outstanding shares, or the frequent recurrence of issuances of shares, would destroy the presumption that transactions represented to be split-ups should be recorded as split-ups.

There were disclosures of stock distributions by 78 of the survey companies in their 1955 annual reports. The distributions of 76 companies represented dividends in stock of the declaring company; 2 represented dividends in stock of another company; and the remaining 40 resulted from stock splits. The accounting treatment accorded such stock dividends and stock splits is summarized, in comparative form, in Table 3. The classification of stock distributions as between stock dividends and stock splits, for the purposes of this survey, is based solely upon the terminology employed in the company reports in describing such distributions.

All of the charges and credits involving stock dividends or stock splits which were presented in the 1955 reports of the survey companies are given in the following text. These transactions are arranged in three groups: the first, dealing with stock dividends; the second, stock splits; and the third, dividends-in-kind. Within each group the arrangement follows surplus account categories of "retained earnings" (earned surplus), "capital surplus," or a combination of "retained earnings and capital surplus" in accordance with the presentation in the annual report. The "capital surplus" classification as used herein is inclusive of all entries to surplus accounts other than retained earnings (earned surplus). The examples, however, show the 1955 balance sheet term employed by the survey companies to describe their surplus accounts.

TABLE 3: STOCK DIVIDENDS AND STOCK SPLITS

	Stock Dividends		Stock Splits	
Distribution Recorded As:	1955	1954	1955	1954
Debit retained earnings	20	18	4	2
Debit retained earnings and *credit* capital surplus	56	57	—	—
Debit capital surplus	1	1	15	7
Credit capital surplus	—	—	2	—
Debit retained earnings and debit capital surplus	1	2	8	5
Total Transactions	78	78	29	14
Increase in number of shares only—set forth in: Letter to stockholders (*Co. Nos. 254, 402, 463, 566)	—	—	4	4
Accompanying footnotes (*Co. Nos. 204, 383, 426, 480, 570)	—	—	5	3
Balance Sheet	—	—	—	3
Total Transactions	—	—	9	10
Number of Companies Showing:				
Stock Distributions (Note)	78	78	38	24
No stock distributions	522	522	562	576
	600	600	600	600

Note: Included in the total of 20 stock dividend distributions charged to retained earnings are two companies with dividends-in-kind (*Co. Nos. 61, 523). Six companies disclosed stock dividends in addition to stock splits (*Co. Nos. 73, 144, 158, 369, 390, 505).

*Refer to Company Appendix Section.

1955 STOCK DIVIDENDS

Retained Earnings

THE BABCOCK & WILCOX COMPANY

DR.—$7,470,000—"*Retained Earnings*: Dividends declared—5% stock dividends (81,677 shares in 1955 at $91.46 per share)."

1955 in Review: Dividends—Cash dividends declared during 1955 were increased to $3.00 per share. $2.00 per share had been declared each year from 1951 through 1954. In addition, a stock dividend of 5 per cent was declared payable January 4, 1956 to stockholders of record December 12, 1955. The payment of this stock dividend resulted in the issuance of 81,677 shares and the transfer of $7,470,000 from Retained Earnings to Capital Account. This is the fourth consecutive year in which a 5% stock dividend has been declared.

CONSOLIDATED CIGAR CORPORATION

DR.—$566,855—"*Earnings Employed in the Business*: Special dividends on Common Stock—5% distributed in Common Stock: 16,625 shares issued at $32.40 per share ($538,650) and $28,205 paid in cash in lieu of fractional shares."

Review of the Year: Dividends—Dividends were paid on the Preferred Stock in 1955 at the stated rate of $5.00 per share, and cash dividends totaling $1.20 per share were paid on Common Stock. There was, as in 1954, an additional distribution on December 29, 1955 of one share of Common Stock for each twenty shares outstanding. This additional stock was capitalized at $32.40 per share by transferring the required amount from earnings employed in the business to the stated value of the Common Stock, thus capitalizing $538,650 of the Company's retained earnings.

CONTINENTAL BAKING COMPANY

DR.—$4,350,300—"*Earned Surplus*: Ten per cent stock dividend on common stock—115,899 whole shares at fair market value of $37.00 per share—$4,288,263; cash payment in lieu of issuance of fractional shares on above stock dividend—$62,027."

To Our Stockholders: Dividends—As stated in our Report for the year 1954, continuous and serious consideration is given by the Board of Directors to the question of dividends, and the regular rate on the Common Stock was increased from $.40 to $.45 per share by the Board at a meeting held December 1, 1954. After a further study during the year 1955, the Board of Directors felt that the substantial expenditures for plant acquisitions and improvements and other fixed assets made by this Company in recent years warranted the retention, for general corporate purposes, of cash which otherwise might have been available for dividends on the Common Stock, and that in the circumstances, declaration of a stock dividend, with the capitalization of part of the earned surplus of the Company, was advisable. Therefore, at a meeting held September 7, 1955, a stock dividend of ten per cent at the rate of one share of Common Stock for each ten shares of Common Stock held was declared, payable October 19, 1955. Furthermore, in view of the improved earnings, the regular quarterly dividend was increased at the same meeting from $.45 to $.50 per share effective with the Common dividend payable October 1, 1955. The regular dividend of $5.50 was declared on the Preferred Stock, amounting to $704,000. The total dividends declared during the year 1955 on the Common Stock amounted to $2,298,827, compared with $1,774,458 during the preceding year.

THE FLINTKOTE COMPANY

DR.—$2,471,330—"*Earned Surplus*: Stock dividend on: Common stock, 5% paid in common, 65,035 shares."

GRUMMAN AIRCRAFT ENGINEERING CORPORATION

DR.—$7,600,000—"*Earnings Retained for Use in the Business*: Stock dividend, 10% (200,000 shares at $38 per share, market price at declaration date)."

To the Stockholders: . . . In addition, stockholders of record on December 19th, 1955 were given a stock dividend of one additional share for each ten shares held. As a result, the number of shares outstanding has been increased from 2,000,000 to 2,200,000. At the same time, the Capital Stock account has been increased from $10,000,000 to $17,600,000.

HOLLY SUGAR CORPORATION

DR.—$1,250,940—"*Earned Surplus*: Common stock distribution, 125,094 shares at $10 par value."

MACFADDEN PUBLICATIONS, INC.

DR.—$136,063—"*Earnings Retained for Use in the Business*: Dividends Paid—fifty per cent dividend on common stock paid in common stock."

(*Ed. Note:* For further data refer to example under *Retirement of Preferred Stock*, this section.)

MASONITE CORPORATION

DR.—$810,330—"*Earned Surplus*: Dividends—Stock dividend payable September 12, 1955 (2% of outstanding common stock; 27,011 shares at approximate market value)."

THE MEAD CORPORATION
DR.—$1,974,181—"*Earnings Retained in the Business*: Common Share dividend—2½% (30,343 shares at $60 a share and $153,601 cash in lieu of fractional shares) paid on the Common Shares outstanding at November 4, 1955."

MEDUSA PORTLAND CEMENT COMPANY
DR.—$4,145,850—"*Earned Surplus*: Transfer to Common Stock account for par value of 276,390 shares to be issued January 30, 1956, as a 50% stock dividend declared November 22, 1955."

To the Shareowners: Dividends and Stock Adjustments— . . . In November the directors declared a stock dividend of 50% on the basis of one additional share for each two shares held and transferred $4,145,850 from Earned Surplus to Capital Stock Account. These new shares were delivered January 30, 1956, and there are now outstanding 829,171 common shares.

MELVILLE SHOE CORPORATION
DR.—$13,952,300—"*Earnings Retained for Use in the Business*: Stock dividend paid on common stock—1/20th of a share of $100 par value $4.00 cumulative preferred stock, Series B on each share of outstanding common stock."

To the Stockholders: . . . Dividends paid on common stock during the year amounted to $1.80 per share or at the same rate as paid for eight years. In addition, in December 1955 a dividend of 1/20 of 1 share of 4% $100 par value cumulative preferred stock Series B was paid on each share of common stock outstanding.

PLYMOUTH OIL COMPANY
DR.—$1,182,945—"*Earnings Retained in the Business*: Dividends paid—Stock (cost of reacquired treasury stock distributed, including cash of $119,823 in 1955 paid in lieu of fractional shares)."

Financial Review for 1955: Dividends—During 1955 Plymouth Oil Company paid cash dividends to shareholders in the amount of $3,865,587, or $1.60 per share. In addition to these cash dividends, the Company distributed, in the form of a 1½% stock dividend, 32,436 shares of reacquired Treasury Stock, which cost $1,063,122, and paid $119,823 in cash, in lieu of the issuance of fractional shares, making a total of $5,048,532 charged to the Dividend Account during 1955. Although the Company paid $1.60 per share in cash dividends, and a 1½% stock dividend from reacquired Treasury Stock in 1955, the same as for the year 1954, the Dividend Account of the Company was charged with almost $200,000 additional during 1955. This increase was attributable, chiefly, to the increased cost of the reacquired shares distributed in the 1955 stock dividend.

The added value of the 1½% stock dividend, on the basis of the selling price on the date of the dividend declaration, gave to shareholders a total dividend income for the year of approximately $2.10 per share.

SUN OIL COMPANY
DR.—$40,248,407—"*Earnings Employed in the Business*: Dividends Declared—Stock—Common Stock—6%."

Financial Results: . . . A stock dividend of six per cent was distributed to common stockholders in December last year. This action resulted in the transfer of $40,248,000 from Earnings Employed in the Business to Stockholders' Equity, the largest sum in the Company's history to be made available for stock dividends. Approximately 575,000 shares were distributed to stockholders, bringing the number of common shares outstanding to 10,143,829.

SUPERIOR STEEL CORPORATION
DR.—$804,206—"*Retained Earnings*: Stock dividend."

To Our Stockholders: Dividends— . . . On October 13 a 10 per cent common stock dividend was distributed.

UNITED ELASTIC CORPORATION
DR.—$2,695,800—"*Earnings Retained for Use in the Business*: Stock dividend, 50% of 269,580 shares par value $20, credited to capital stock."
DR.—$18,252—"*Earnings Retained for Use in the Business*: Cash at $36 per share on 507 shares in lieu of stock dividend (50% on 1,014 fractional shares)."

UNITED MERCHANTS & MANUFACTURERS, INC.
DR.—$5,648,801—"*Earned Surplus*: Appropriation for stock dividend declared June 1, 1955 payable August 10, 1955 (to be credited to Common Stock in the amount of $268,991 and to Capital Surplus in the amount of $5,379,810)."

VEEDER-ROOT INCORPORATED
DR.—$1,036,500—"*Earnings Retained for Business Needs.*"

Note 3: At a meeting held November 10, 1955, the Directors voted a stock dividend of 1 share of the capital stock of the corporation for each 5 shares held, issued to stockholders of record at the close of business on December 12, 1955. This amounted to 82,920 shares at a par value of $1,036,500 effected by a transfer from earnings retained for business needs to capital stock.

WESTERN AUTO SUPPLY COMPANY
DR.—$7,513,680—"*Earned Surplus*: 100% Common Stock dividend."

To the Stockholders: At the Annual Meeting in March, 1955, the stockholders approved an increase in the authorized shares of Common Stock (par value $10.00) from 1,335,000 shares to 2,500,000 shares. This was preliminary to the action of your Board of Directors on March 18, 1955 in declaring a 100% stock dividend on the 751,368 shares of Common Stock then outstanding, increasing the outstanding Common Stock to 1,502,736 shares, which was in effect a 2 for 1 stock split. This dividend was recorded on the Company's books by a transfer of $7,513,680 from Earned Surplus to the Common Stock Account.

Retained Earnings and Capital Surplus

ADDRESSOGRAPH-MULTIGRAPH CORPORATION
DR.—$1,852,500—"*Earned Surplus*: Dividends paid—Stock—3% (Note 4)."
CR.—$1,605,500—"Capital Surplus (Note 4)."

Note 4: A 3% common stock dividend, amounting to 24,700 shares was declared and issued to shareholders of record at the close of business on October 29, 1954. As a result earned surplus was charged with $1,852,500 on the basis of $75 per share (the approximate market price of the common stock on August 30, 1954). Capital stock account was credited with $247,000, the par value of the shares issued, and the balance, $1,605,500, was credited to capital surplus.

ALAN WOOD STEEL COMPANY
DR.—$435,908—"*Earnings Retained in the Business*: Dividends declared on common stock—In Common Stock —3%, at approximate market value."
CR.—$237,768—"Additional Paid-In Capital: Excess of approximate market value over par value of stock dividends."

To the Stockholders, Employees and Friends of the Company: Dividends—Cash dividends on common stock in 1955 amounted to $1.40 per share. In order to conserve cash for a continuation of our expansion program a 3% stock dividend was paid to Common Stockholders at the year end rather than an extra cash dividend.

ALLEN INDUSTRIES, INC.
DR.—$1,027,809—"*Earnings Employed in the Business*: Dividends paid—In stock—10%, aggregating 55,789 shares at fair value (approximate market price) plus $2,408 cash paid in lieu of issuing 131 fractional shares—Note B."
CR.—$969,613—"Other paid-in Capital: Note B."

Note B: Other paid-in capital has been credited with $969,613 representing the excess of fair market value over par value of 55,789 shares of Common Stock issued as 10% stock dividend.

To Our Stockholders: Dividends—During 1955 your Company paid a 10% stock dividend (1 additional share for every ten shares held as of September 1, 1955) thus increasing the number of outstanding shares from 559,200 to 614,989.

ALLIED CHEMICAL & DYE CORPORATION
DR.—$43,347,455—"*Earned Surplus*: Dividends paid in stock—5%."
CR.—$41,066,010—"Capital Surplus, paid-in."

Notes to Financial Statements: . . . Increase in capital surplus in

1955 is mainly the $41,066,010 by which the fair value, as determined by the Board of Directors, of the 456,289 shares of common stock issued as a 5% stock dividend exceeded the stated value of $5.00 per share; balance of the increase resulted from sale to employees of 20,248 shares under the incentive stock option plan. No options were granted during the year and the unexercised portion of options previously granted, after adjustment for the stock dividend was 55,153 shares at December 31, 1955.

To Our Stockholders: . . . Dividends of $3.00 per share in cash and a 5% stock dividend totaling 456,289 shares were distributed in 1955.

AMERICAN MACHINE AND FOUNDRY COMPANY

DR.—$1,233,139—*"Earned Surplus*: Dividends—Paid in common stock."

CR.—$865,821—"Capital Surplus: Excess of market value over par value of common stock issued as dividends."

To the Stockholders: . . . Cash dividends on the Company's common stock were maintained at the regular $.25 quarterly rate. . . . In addition, a special common stock dividend of 2% was paid to stockholders on December 15.

AMERICAN STORES COMPANY

DR.—$3,594,629—*"Earnings Retained for Use in the Business*: Stock dividend—5%."

CR.—$3,526,003—"Capital in Excess of Par Value of Common Stock."

Note 4: Capital in Excess of Par Value of Common Stock—During the year this account was increased by the excess over par value of: Assigned value of 68,626 shares of common stock issued as a stock dividend.

To the Stockholders: Cash dividends were paid quarterly at the rate of $.50 per share. On February 16, 1955, the Board of Directors declared a 5% stock dividend which was paid April 1, 1955 to stockholders of record at the close of business March 1, 1955.

AMERICAN VISCOSE CORPORATION

DR.—$46,899,000—*"Retained Earnings*: Stock dividend —25% on common shares, Note 4."

CR.—$21,187,000—"Capital in excess of par value of common stock."

Note 4: Capital and Retained Earnings—

(a) Preferred:

On September 30, 1955, the 202,149 shares of 5% cumulative preferred were redeemed at $115 per share and accrued dividends. The redemption premium of $3,032,000 was charged to retained earnings. All of the authorized preferred stock has been cancelled.

(b) Common:

In 1955, the authorized common shares were increased from 5,000,000 to 10,000,000 shares of $25 par value and a 25% common stock dividend of 1,028,477 shares was distributed. The stock dividend having a fair value of $46,899,000 (representing $45.60 per share) was charged to retained earnings. Of this amount, $25,712,000 ($25 per share) was added to the common stock and $21,187,000 ($20.60 per share) was added to capital in excess of par value.

AVON PRODUCTS, INC.

DR.—$2,978,801—*"Earnings Retained in Business*: Dividends in Cash—In lieu of fractional shares, stock dividend . . . $43,976; Dividends in Stock—4% on Common Stock based on estimated average market value of $55.25 per share . . . $2,934,825."

CR.—$2,669,230—"Capital Surplus: Excess of average market value over par value of 53,119 shares of common stock issued in payment of 4% stock dividend."

To Our Stockholders: . . . In addition to the cash dividends, a 4% Stock Dividend, payable in Common Stock, was distributed to the holders of the Common Stock on December 20, 1955. Similar distributions were made toward the close of 1953 and 1954, and a 3% Stock Dividend was distributed in December, 1952.

BEECH AIRCRAFT CORPORATION

DR.—$3,002,990—*"Earned Surplus*: 25% stock dividend (149,424 shares) at value of $20 a share assigned by Board of Directors . . . $2,988,480—Cash payments in lieu of fractional shares (aggregating 542¼ shares) in connection with stock dividend . . . $14,510."

CR.—$2,839,056—"Capital Surplus: Note D."

Note D: Capital Surplus—The increase of $2,839,056 in capital surplus during the year represents the excess of the value ($20 a share) assigned by the Board of Directors over the par value of 149,424 shares of common stock issued as a stock dividend on August 24, 1955.

BELL & HOWELL

DR.—$1,506,279—*"Earnings Invested in the Business*: 10% stock dividend on Common Stock—at market value of $31.82 per share (47,119 shares issued and $6,953 cash paid in lieu of fractional shares)."

CR.—$1,028,136—"Capital in Excess of Par Value of Shares: Excess of market value over par value of common shares issued as stock dividend."

THE BLACK AND DECKER MANUFACTURING COMPANY

DR.—$1,551,135—*"Earned Surplus*: Dividends—Extra Dividend—Paid by issuance of 19,352 shares of Common Stock with market value of $72 per share . . . $1,393,344; Cash in lieu of fractional shares . . . $157,791."

CR.—$1,373,992—"Capital Surplus: Excess of market value over par value of 19,352 shares of Common Stock issued as stock dividend."

The Chairman's Annual Report: The regular dividend of $.50 per share was paid on the common stock in each quarter of the fiscal year just ended and an extra dividend of 5% on the outstanding common stock was paid in full shares of the Company's stock on September 27, 1955, a cash adjustment having been made to avoid the need for special certificates of less than one share.

BOOTH FISHERIES CORPORATION

DR.—$588,484—*"Earned Surplus*: 20% stock dividend (45,268 shares) paid on May 2, 1955, to stockholders of record on April 20, 1955; recorded at value determined by board of directors, $588,484; of this amount, $226,340 representing the par value of the shares issued was added to common stock and $362,144 to paid-in surplus."

CR.—$362,144—"Paid-in Surplus: Credit arising from stock dividend, as described above."

THE BRUNSWICK-BALKE-COLLENDER COMPANY

DR.—$555,892—*"Earned Surplus*: 5% common stock dividend on common stock (23,655 shares at market value of $23.50 per share)."

CR.—$319,342—"Capital surplus: (the increase in 1955 of $323,543 is excess of market over stated value of common stock distributed as a stock dividend and 600 shares of common stock sold under the stock option plan)."

Financial Review: In its consideration of dividend distributions for 1955, the Board of Directors felt that the significant improvement in earnings justified the resumption of quarterly cash payments on the common stock. At the same time, outstanding bank loans indicated the need to conserve cash; therefore, the directors declared a cash dividend of $.25 per share and a 5% stock dividend on the outstanding common stock both of which were distributed in December, 1955.

BURLINGTON INDUSTRIES, INC.

DR.—$12,040,928—*"Retained Earnings*: Value ($16) assigned to 10% stock dividend paid on Common Stock."

CR.—$11,305,995—"Capital in Excess of Par Value: Excess of—Value assigned over par value of Common Stock issued as dividend to common shareholders."

A Report to the Stockholders: The improvement in earnings during 1955 made possible an increase in the quarterly Common dividend rate from $.15 to $.25 effective September 1. In addition a 10% stock dividend on Common Stock was distributed during September. The Board of Directors felt that this stock dividend partially compensated stockholders for earnings previously retained in the business.

CARNATION COMPANY

DR.—$3,897,699—*"Accumulated Earnings Retained in the Business, Excluding Amounts Transferred to Capital*: Dividends Declared—Five per cent in common stock paid December 28, 1955—31,132 shares at $122 per share, approximate market at declaration date, of which $16.50 transferred to capital stock and $105.50 to other capital

. . . $3,798,104; Cash paid in lieu of issuing fractional share interests aggregating 816 shares . . . $99,595."

CR.—"Other Capital: (transferred from accumulated earnings in connection with stock dividends)—Amount not determinable."

To the Stockholders: On November 28, 1955 the directors declared a dividend payable December 28, 1955 in common stock of the company at the rate of one share for each twenty shares held by common stockholders of record on December 12, 1955. A total of 31,132 shares was issued. Cash was paid at the rate of $6.10 per one-twentieth share in lieu of issuing fractional share interests aggregating 816.35 shares. Retained earnings were charged $99,595 for the cash payment and $3,798,104 for payment in shares at the rate of $122 per share. Of this latter amount $16.50 per share was added to common stock account and the balance to other capital. The figure of $122 per share was determined by the directors on the basis of market value immediately preceding the declaration date.

CITIES SERVICE COMPANY

DR.—$10,705,068—*"Earnings Retained and Employed in the Business*: Dividends paid on common stock—2% in common stock—1955, at assigned value of $54 per share (declared in November 1955 and distributed January 23, 1956)."

CR.—$8,722,648—"Capital Surplus: Excess of amount assigned to common stock declared as a dividend over par value thereof."

Financial Review: Dividends— . . . A stock dividend of two per cent was declared, payable January 23, 1956 to stockholders of record December 7, 1955, for which earned surplus was charged $10,705,068.

THE COLORADO FUEL AND IRON CORPORATION

DR.—$1,085,166—*"Earned Surplus*: Stock dividend—2½% on Common Stock—64,980 shares of Common Stock based on market value."

CR.—$760,266—"Capital Surplus: Excess of value (based on market) assigned to Common Stock distributed as dividends over stated value thereof."

COLUMBIA BROADCASTING SYSTEM, INC.

DR.—$3,613,596—*"Earned Surplus*: Stock dividends paid—two per cent in each year; 1955—80,712 shares of Class A and 66,033 shares of Class B at $24.625 per share."

CR.—$3,246,733—"Capital Surplus: Excess of amounts charged to earned surplus for stock dividends over par value of shares issued in payment thereof."

CONTINENTAL CAN COMPANY, INC.

DR.—$46,244,953—*"Unappropriated Earnings Retained in the Business*: Appropriated for common stock distribution on February 15, 1956 (Note B)."

DR.—$31,249,547—*"Capital Surplus."*

Note B: . . . On February 15, 1956, the Company distributed an additional 3,874,725 shares to the holders of its Common stock (record date January 10, 1956) in the ratio of one additional share for each share then outstanding. At December 31, 1955, an amount of $77,494,500 was appropriated for this purpose, obtained partly from Capital Surplus and partly from Unappropriated Earnings Retained in the Business.

Note C: Capital Surplus decreased during the year . . . reflecting . . . an appropriation of $31,249,547 for the common stock distribution on February 15, 1956.

THOMAS A. EDISON INCORPORATED

DR.—$542,980—*"Earnings Retained in the Business*: Dividends Declared (Note 17)."

CR.—$465,134—"Capital Surplus: (Note 10)."

Note 10: Capital Surplus—The increase in capital surplus during 1955 represents . . . excess of fair market value over par value of 23,354 shares of Class B common stock issued as a stock dividend.

Note 17: Dividends— . . . Stock Dividend of one share of Class B common stock on each twenty shares of Class A and of Class B common stock, stated at fair market value of 23,354 Class B shares so issued.

FAIRCHILD ENGINE AND AIRPLANE CORPORATION

DR.—$1,660,462—*"Accumulated Earnings Used in the Business*: Dividends—In stock, 144,388 shares."

CR.—$1,516,074—"Additional Capital Paid In: ($1,516,074 added in 1955 upon issuance of stock dividend)."

To the Stockholders: Financial—The stock dividend was declared in recognition of the net gain realized from the sale of certain capital assets and not reflected as earnings for the year, but as a direct credit to Accumulated Earnings. This gain (after deducting moving expenses and applicable Federal taxes) amounted to $1,507,230. As a result of the stock dividend, the sum of $1,660,462 was transferred from Accumulated Earnings to the Paid In Capital accounts.

FRUEHAUF TRAILER COMPANY

DR.—$5,346,118—*"Earnings Retained for Use in the Business*: Stock dividends in Common Stock (1955—161,789 shares) based on closing market prices on dates of declaration."

CR.—$5,184,330—"Additional Paid-In Capital: Excess of fair value over par value of Common Stock issued as stock dividend (1955—161,789 shares)."

GENERAL BRONZE CORPORATION

DR.—$566,063—*"Statement of Income and Earned Surplus*: Dividends—Stock dividend to be issued, 1 share of common stock for each 20 shares of such stock, at fair market value of $31.25 per share, as determined by the Board of Directors."

CR.—$475,493—"Paid-In and Capital Surplus: Excess over par value $5 per share) of fair market value of 18,114 shares of common stock to be issued as a stock dividend."

GENERAL REFRACTORIES COMPANY

DR.—$8,641,430—*"Statement of Earned Surplus*: Dividend of 25 per cent paid in stock November 29, 1955."

CR.—$6,172,450—"Capital Surplus: Excess of market value over par value of 246,898 shares issued for stock dividend."

THE GENERAL TIRE & RUBBER COMPANY

DR.—$6,844,310—*"Earned Surplus*: Stock dividend (10%) on common stock, 124,442 shares represented by scrip certificates) at $55—approximate market value."

CR.—$6,533,205—"Capital Surplus: Excess of approximate market value of common shares to be issued as stock dividend over par value thereof."

GULF OIL CORPORATION

DR.—$86,007,180—*"Earnings Retained in the Business*: Stock dividend (4%)—1,023,895 shares at assigned value of $84 a share, of which $59 a share was transferred to other capital."

CR.—$60,409,805—"Other Capital: (description same as above.)"

HARBISON-WALKER REFRACTORIES COMPANY

DR.—$1,526,287—*"Income Retained in the Business*: Dividends Declared—In common shares at 3% of common shares issued—1955—41,251 at $37 market per share."

DR.—$93,414—*"Income Retained in the Business*: Dividends Declared—In cash—Common—$2.25 per share plus $93,414 paid in lieu of issuing fractional shares as 3% common dividends."

CR.—$907,522—"Capital in Excess of Par Value: The increase represents $907,522 excess of market value over par of common shares issued as 3% dividend."

HOUDAILLE INDUSTRIES, INC.

DR.—$741,101—*"Earnings Retained in the Business*: Stock dividends—Houdaille Industries, Inc.—4% distributed in common stock—24,650 shares at $14.00 per share and 25,143 shares at $15.75 per share."

CR.—$591,723—"Capital in Excess of Par Value of Capital Stock: Excess of market value over par value of common stock distributed as stock dividends."

HUNT FOODS, INC.

DR.—$816,669—*"Earned Surplus*: Dividends—Stock—Paid in shares of common stock, in ratio of one share for each 20 shares held; 30,247 shares at $27 a share."

CR.—$615,022—"Capital Surplus: (Note 4)."

Note 4: Capital Surplus—Capital Surplus increased during the year . . . (b) $615,022 earned surplus capitalized in connection with the stock dividend declared October 19, 1955, payable November 30, 1955. . . .

INTERNATIONAL PAPER COMPANY

DR.—$50,866,900—*"Earned Surplus*: Stock dividend (5%)—519,050 shares of common stock at assigned value of $98.00 per share."

CR.—$46,974,025—"Capital Surplus: Excess of assigned value over par value—of 519,050 common shares declared as a stock dividend."

JANTZEN, INC.

DR.—$520,212—*"Earned Surplus*: Dividends Paid—Common—stock."

CR.—$582,515—"Capital Surplus."

Note 5: Surplus—Capital Surplus has increased $582,515, which is the excess of market value over par value of common stock distributed by the Company during the current fiscal year.

G. R. KINNEY CO., INC.

DR.—$491,700—*"Retained Earnings*: Dividends declared—Common stock of the company (11,175 shares) at an assigned value of $44.00 per share by credit of $11,175 to common stock account and $480,525 to capital arising from payment of stock dividends."

CR.—$480,525—"Capital arising from payment of stock dividends."

KUHLMAN ELECTRIC COMPANY

DR.—$212,559—*"Retained Earnings*: Dividends—Common stock—5% stock dividend."

CR.—$186,432—"Capital Surplus: Amount credited in respect of 11,652 shares paid as a 5% common stock dividend representing excess of fair value over par value."

MACK TRUCKS, INC.

DR.—$4,545,436—*"Accumulated Earnings Retained in the Business*: 10% stock dividend—162,337 shares—at approximate market value (Note 6)."

CR.—$3,733,751—"Paid-in Surplus."

Note 6: Accumulated earnings retained in the business, as shown in the accompanying statements, are exclusive of amounts transferred to common stock and paid-in surplus in connection with stock dividends and splitups. Such transfers aggregated $10,654,859 to December 31, 1955, including $4,545,436 in respect of the 10% stock dividend paid in 1955. Of the latter amount $811,685 (the par value of the shares issued) was credited to common stock and $3,733,751 was credited to paid-in surplus.

MARCHANT CALCULATORS, INC.

DR.—$498,612—*"Earned Surplus*: Stock dividend of four per cent (Note 3)."

CR.—$385,291—"Capital Surplus."

Note 3: On October 20, 1955 the Directors declared a dividend payable January 11, 1956 in capital stock of the Company equal to one share for each twenty-five shares (4%) held by stockholders of record on November 30, 1955. This dividend has been recorded in the 1955 accounts of the Company. Earned surplus was reduced in the amount of $498,612 for the 22,664.2 shares to be issued, which amount was calculated at the rate of $22.00 per share as determined by the Board of Directors to be the average market value of the shares during the period immediately preceding the declaration of the stock dividend. Of the amount charged to earned surplus, $113,321 ($5.00 per share) was added to the stated value of capital stock and $385,291 ($17.00 per share) was credited to capital surplus.

THE GLENN L. MARTIN COMPANY

DR.—$3,086,077—*"Earned Surplus*: Stock dividend of 128,586 shares."

CR.—$2,957,491—"Capital Surplus: Excess of amount assigned to stock dividend over par value of stock—transferred from earned surplus."

THE W. L. MAXSON CORPORATION

DR.—$235,589—*"Earned Surplus*: 2% stock dividend—14,065 shares—at value based on average market price during preceding twelve months."

CR.—$193,394—"Paid-in Surplus: Excess of amount charged to earned surplus over par value of shares issued as 2% stock dividend."

MONSANTO CHEMICAL COMPANY

DR.—$18,264,964—*"Earned Surplus*: Stock dividend of 2% on common capital stock."

CR.—$17,441,476—"Paid-In Surplus: Excess of approximate market value of common capital stock distributed as a stock dividend over the par value thereof."

NATIONAL COMPANY, INC.

DR.—$110,592—*"Earned Surplus*: Dividends declared—Common (stock) (Note 4)."

CR.—$100,038—"Capital Surplus: (Note 4)."

Note 4: Stock dividends of 2% each were paid to common shareholders in March and September, 1955. As a result earned surplus was charged with $110,592, the fair value on the respective issue dates of the 10,554 shares distributed. Capital stock was credited with $10,544, the par value of the shares issued, and the balance, $100,038 was credited to capital surplus.

NATIONAL CONTAINER CORPORATION

DR.—$1,464,626—*"Earned Surplus*: Stock Dividend—Market value of 68,520.52 common shares issued as two per cent (2%) stock dividend on the common shares outstanding November 18, 1955."

CR.—$1,396,106—"Paid-In Surplus: Excess of market value over par value of 68,520.52 shares issued as two per cent (2%) stock dividend."

NATIONAL GYPSUM COMPANY

DR.—$3,156,235—*"Earned Surplus*: Common stock dividend declared (2% of outstanding shares of Common Stock), at approximate market price when declared—$48.50 a share in 1955."

CR.—$3,091,158—"Capital Surplus: Surplus resulting from issuance of Common Stock in connection with . . . payment of stock dividend."

PITNEY-BOWES, INC.

DR.—$846,370—*"Earnings Retained and Employed in the Business*: Dividends paid in Common Stock (Note 5)."

CR.—$798,006—"Capital in excess of par value of shares outstanding."

Note 5: Common Stock—In March, 1955 the Company paid a stock dividend of 2% on common shares outstanding at February 28, 1955. A total of 24,182 common shares were accordingly issued to stockholders of record and the amount of $846,370, representing the approximate fair market value of such shares, was transferred from earnings retained and employed in the business to capital stock accounts.

PITTSBURGH PLATE GLASS COMPANY

DR.—$38,729,273—*"Earnings Retained for Use in the Business*: Dividends paid—Stock (including cash paid in lieu of fractional shares)."

CR.—$33,664,307—"Capital contributed for stock in excess of par value."

The Company's Financial Picture: Dividends—Regular cash dividends amounted to $23,311,124, equivalent to $2.50 per share, as compared with $20,706,805, equivalent to $2.25 per share paid in 1954. In addition, the Company paid cash in the amount of $444,556 in lieu of the issuance of fractional shares resulting from the 5 per cent stock dividend issued to shareholders of record as of the close of business on November 23, 1955. The value of the shares issued as a stock dividend amounted to $38,284,717 based on a value of

$82.86 per share which was determined to be the fair value on the declaration date. Of the total amount which was charged to retained earnings, $4,620,410 was credited to the capital stock account and $33,664,307 was credited to "capital contributed for stock in excess of par value."

PITTSBURGH STEEL COMPANY
DR.—$1,066,590—*"Accumulated Earnings*: Stock dividends—on common shares—One quarterly dividend of 2% and one quarterly dividend of 1%."
CR.—$645,650—"Other Capital (Capital Surplus): Excess of assigned value over par value of 42,094 shares of common stock issued as dividends to common shareholders."

PUROLATOR PRODUCTS, INC.
DR.—$1,945,427—*"Retained Earnings*: Dividends—Stock—10% in 1955 including fractional shares in cash (Note 5)."
CR.—$1,870,543—"Capital Surplus: Excess of approximate market value over par value of Common stock issued as stock dividend (Note 5)."

Note 5: During the year 1955 a 10% dividend was declared payable in capital stock. Capital stock has been credited with $45,623, the par value of the shares issued and $1,870,543, representing the excess of the approximate market value over the par value, has been credited to capital surplus. Fractional shares aggregating 696.7 shares were paid in cash in the amount of $29,261.40, accounting for the total stock dividend of $1,945,427.40 charged to retained earnings.

REPUBLIC AVIATION CORPORATION
DR.—$5,553,488—*"Income Reinvested or Employed in the Business*: Stock dividend, 10% (133,819 shares in 1955 at closing market prices on record dates)."
CR.—$5,419,669—"Capital in excess of par value of common stock: (including excess of closing market prices on record dates over par value of common shares issued in 1954 as stock dividends)."

To the Stockholders: During 1955, cash dividends to the stockholders totalled $3 per share. A 10% stock dividend also was distributed. In effecting the issuance of 133,819 shares of common stock for the stock dividend, a charge of $5,553,488 ($41½ for each share issued, being the closing sale price of the stock on the New York Stock Exchange on the record date) was made against earnings retained in the business. Of this amount the common stock account has been credited with $133,819 ($1 per share, the par value) and capital in excess of par value of common stock with $5,419,669 (the difference of $40½ per share).

1344 shares of common stock representing the fractional shares paid in cash equivalents in connection with the 10% stock dividend were unsold at the year-end pending authority for their sale by the Securities and Exchange Commission. Such shares held as Treasury stock at December 31, 1955, will be sold in 1956.

H. H. ROBERTSON COMPANY
DR.—$1,158,640—*"Retained Earnings*: Dividends Paid—Stock (Note 2)."
CR.—$1,142,088—"Capital Surplus."

Note 2: In 1955 the Company paid a stock dividend of five per cent, resulting in the issuance of 16,552 shares. The difference between par value and $70.00, the estimated average market value per share for the shares so distributed, or $1,142,088, was credited to Capital Surplus.

SIGNODE STEEL STRAPPING COMPANY
DR.—$1,032,855—*"Earnings Retained in the Business*: 4% common stock dividend paid December 1, 1955, to common stockholders, recorded at approximate market value of $21.50 per share."
CR.—$984,815—"Capital Surplus."

Note 5: The net increase in capital surplus in 1955 . . . resulted from (b) $984,815 excess of market over par value of 48,040 shares of common stock distributed as a 4% stock dividend."

A. G. SPALDING & BROS., INC.
DR.—$542,481—*"Earnings Retained for Use in the Business*: Dividends declared—Payable in stock—2% on February 28, 1955 and 3% on October 17, 1955."
CR.—$506,817—"Capital in Excess of Par Value: Excess of assigned value ($16 at February 28, 1955 and $23 at October 17, 1955) over par value of shares issued as stock dividend."

STANDARD OIL COMPANY OF CALIFORNIA
DR.—$120,427,360—*"Earned Surplus*: Dividends—5% in Capital stock of the Company."
CR.—$101,610,585—"Capital Surplus."

Notes to Financial Statements: Capital Stock—On October 27, 1955 the Board of Directors declared a dividend payable December 15, 1955 in capital stock of the Company at the rate of one share for each twenty shares held by stockholders of record on November 7, 1955. As a result of the stock dividend, 1,505,342 additional shares were issued.

A charge of $120,427,360 was made against earned surplus representing $80 per share for the 1,505,342 shares. Capital stock was credited with $12.50 per share, or $18,816,775 and the balance of $101,610,585 was credited to capital surplus.

STEWART-WARNER CORPORATION
DR.—$2,065,320—*"Retained Earnings*: 5% stock dividend (68,844 shares at fair value of $30 per share as determined by the Board of Directors)."
CR.—$1,721,100—"Capital in excess of par value: Capitalization of retained earnings arising from distribution of 5% stock dividend."

TIDE WATER ASSOCIATED OIL COMPANY
DR.—$14,322,787—*"Retained profits reinvested*: Approximate market value of common shares issued as 5% stock dividend."
CR.—$8,853,987—"Capital surplus: Excess of approximate market value over par value of common shares issued as dividends (1955—546,880 shares)."

UNITED STATES RUBBER COMPANY
DR.—$4,547,927—*"Earned Surplus*: Stock dividend on common stock (2%) paid December 28, 1955—106,037 shares at market value, $42.89 a share."
CR.—$4,017,742—"Capital Surplus: Excess of market value over par value ($5) of the shares distributed as 2% common stock dividend."

UNIVERSAL MATCH CORPORATION
DR.—$2,667,980—*"Earnings Retained for Use in the Business (Earned Surplus)*: 25% stock dividend—95,285 shares at approximate market value of $28.00 per share (Note 5)."
CR.—$1,476,917—"Capital in Excess of Par Value: Excess of approximate market value over par value of capital stock issued as a stock dividend."

Note 5: Stock Dividend—On December 22, 1955, a 25% stock dividend was paid to shareholders. This does not change the net worth of the Corporation. In order to reflect this stock dividend in the accompanying statements, Earned Surplus has been reduced by $2,667,980 representing the approximate market value of the 95,285 shares of capital stock issued. Capital stock has been increased by $1,191,063, the par value of these shares, and the difference between par value and the approximate market value in the amount of $1,476,917 has been added to Capital Surplus.

VANADIUM ALLOYS STEEL COMPANY
DR.—$191,450—*"Earnings Retained in the Business*: Dividends Paid—Stock, 1955—2% at assigned value of $25 per share."
CR.—$191,450—"Capital in excess of stated value of stock: 2% stock dividend at assigned value of $25 per share."

WHEELING STEEL CORPORATION
DR.—$8,941,276—*"Accumulated Earnings Retained in the Business*: Value assigned ($51.50 a share) to 173,617 shares of common stock issued as a 10% stock dividend."
CR.—$7,205,105—"Additional Paid-In Capital: Excess of assigned value ($51.50 a share) over par value ($10 a share) of common stock issued as a 10% stock dividend."

THE WHITE MOTOR COMPANY

DR.—$5,265,613—*"Income Retained for Use in the Business*: Common stock dividend—15% paid October 25, 1955—Amount transferred to common stock and capital in excess of par value of capital stock and $127,124 paid in lieu of fractional shares."

CR.—$5,015,378—"Capital in Excess of Par Value of Capital Stock: Amount transferred from income retained for use in business in connection with 15% common stock dividend."

Capital Surplus

UNITED AIRCRAFT CORPORATION

DR.—$8,115,615—*"Capital in excess of par value."*

To the Stockholders: . . . There were 4,870,723 shares of common stock outstanding at December 31, 1955, an increase of 1,630,576 shares during the year. A common stock distribution of 1,623,123 shares in the form of a stock dividend of one new share for each two shares held was made on September 26, 1955. The par value of the shares issued, $8,115,615, was charged to capital surplus and credited to common stock capital account.

Stock Dividends—Prior Year Adjustments

THE STANDARD OIL COMPANY (OHIO)

CR.—$2,074—"Capital in Excess of Par Value: Portion of common stock dividend in excess of par value of shares issued." (The 1954, 1953, 1952, and 1951 annual reports contain similar entries in the respective amounts of $7,192, $4,296, $10,325 and $75,730.)

Financial Review December 31, 1950: Changes in Capital Structure— . . . Common Stock—In December, 1950 the Company paid to holders of Common Stock a dividend of 2 shares of Common Stock for each 100 held. This required the issuance of 66,005 full shares, and non-voting scrip certificates (series 1956) exchangeable for 5,490 shares of Common Stock.

1955 DIVIDENDS-IN-KIND

In the 1955 reports, two of the survey companies declared dividends-in-kind. The accounting treatment given to such stock distributions is summarized, in comparative form, in Table 3, and is illustrated in the following examples:

ARGO OIL CORPORATION

DR.—$247,995—*"Earnings Retained in the Business*: Extra dividend paid in capital stock of Standard Oil Company (New Jersey):

2,832 shares at cost to Argo Oil Corporation (one share of Standard Oil Company for each 500 shares of Argo Oil Corporation held)	$ 74,326
Cash to holders of less than 500 shares of Argo Oil Corporation (market value on record date was $.297375 per share of Argo Oil Corporation)	$173,669
	$247,995"

STANDARD OIL COMPANY (INDIANA)

DR.—$10,580,622—*"Earnings Retained and Invested in the Business*: Special dividend paid in capital stock of Standard Oil Company (New Jersey)—173,344 shares at average cost—together with equalizing cash payments in lieu of fractional shares. Market value on date of distribution was equivalent to $1.003 per share of Standard Oil Company (Indiana) stock."

Financial Review: Dividends—Early in 1955, our regular cash dividend was set at $1.40 annually, an increase of 12 per cent.

On June 30, we announced that our present intention for the next several years is to continue to supplement regular cash dividends by a special dividend in an amount sufficient to bring our total dividend declaration in any year to about 50 per cent of that year's earnings.

In accordance with this policy, in December we paid a special dividend of one share of Standard Oil Company (New Jersey) stock for each 150 shares of our stock. A cash payment of 99.1 cents per share was made on holdings of less than 150 shares and on shares held above a number evenly divisible by 150. These payments were based on the average of the high and low market prices of Standard Oil Company (New Jersey) stock on November 15, the record date. The portion of the special dividend paid in Standard Oil Company (New Jersey) stock had a market value of $1.003 per share of our stock when distributed on December 19, 1955.

Including the market value of the Standard Oil Company (New Jersey) stock on its distribution date, our regular and special dividends in 1955 were $2.403 per share. They had a total value of $78,187,000, equal to 49.8 per cent of earnings.

SPIN-OFF

BUTLER BROTHERS

DR.—$2,134,723—*"Earned Surplus*: Distribution of Canal-Randolph Corporation stock (Note 1)."

Note 1: Subsequent to December 31, 1955, the Board of Directors voted to distribute one share of stock of Canal-Randolph Corporation (wholly-owned subsidiary) for each share of Butler Brothers stock outstanding and to donate to Canal-Randolph Corporation the remaining 168,383 shares of its original investment of 1,250,000 shares in said company. This distribution (commonly known as a spin-off) and contribution have been reflected in the accompanying consolidated statements. The balance sheet of Canal-Randolph Corporation at December 31, 1955, excluded from the above consolidated balance sheet, is presented on page 14 of this annual report.

ALLEN B. DU MONT LABORATORIES, INC.

DR.—$2,509,003—*"Earnings Reinvested in the Business*: Distribution of 944,436 shares of common stock of Du Mont Broadcasting Corporation (the amount allocated to such distribution representing the depreciated cost of net assets transferred to that company) (Note 1)."

(Refer also to example, this section—*Revision in Capital Structure;* Note 1 reproduced there).

1955 STOCK SPLITS

Retained Earnings

EX-CELL-O CORPORATION

DR.—$2,685,165—*"Earnings Retained for Use in the Business*: Par value of 895,055 shares issued April 1, 1955 pursuant to stock distribution of one share for each share then outstanding."

To the Shareholders: Authorized and Outstanding Shares Increased—On April 1, 1955 the Corporation issued one additional share of $3.00 par value common stock for each of the 895,055 shares outstanding on March 10, 1955. The Board of Directors, in authorizing this stock split, were motivated by a desire to give more investors a better opportunity to participate in the ownership of the Company.

OSCAR MAYER & CO., INC.

DR.—$1,465,450—*"Accumulated Earnings*: Transfer to common stock due to stock split—146,545 shares at $10 par value."

To the Stockholders: On October 7, 1955, the Directors approved a split of the common shares by the issuance of one additional share for each five shares held by stockholders of record on October 18.

RAYONIER INCORPORATED

DR.—$3,149,403—*"Earned Surplus*: Par value of $3,149,403 common shares issued to common shareholders July 22, 1955, on the basis of 1½ shares for each share held."

President's Report: Increases in Common Stock—At the annual meeting in April, stockholders approved an increase in the authorized number of shares of common stock from 3,000,000 to 6,000,000.

In June, the Board of Directors approved a plan to issue to common stockholders one and a half additional shares of common stock of $1.00 par value for each share held on July 1st.

WEYERHAEUSER TIMBER COMPANY

DR.—$31,250,000—*"Earned Surplus*: Amount transferred to capital stock (approved by shareholders on December 22, 1955)."

Review of 1955: Effective December 30, 1955 the Company's outstanding shares were split four for one.

Retained Earnings and Capital Surplus

AVON PRODUCTS, INC.

DR.—$878,896—*"Earnings Retained in the Business*: Transfer to Common Stock pursuant to stock split."

DR.—$2,483,564—*"Capital Surplus*: Transfer to Common Stock pursuant to stock split."

Notes to Financial Statements: During 1955, the Stockholders approved an increase in the number of authorized shares of Common Stock from 700,000 to 1,800,000 shares and a 2 for 1 stock split under which 672,492 additional shares of Common Stock were issued.

BRIGGS MANUFACTURING COMPANY

DR.—$212,998—*"Income Invested in the Business*: Transfer to capital stock account on conversion of nonpar value common stock to common stock of $3.50 par value."

DR.—$1,437,383—*"Capital Surplus."*

Note 1: During the year 1955, each share of non-par value common stock was changed into three shares of common stock of $3.50 par value and the total number of authorized shares was increased to 2,000,000. As a result of the stock split, the entire capital surplus account of $1,437,383 and income invested in the business of $212,998 were transferred to capital stock account.

CATERPILLAR TRACTOR CO.

DR.—$24,489,660—*"Profit employed in the business*: Transferred to common stock in connection with the 2 for 1 stock split—4,168,637 shares—$10 par value per share $41,686,370, less: transfer from capital in excess of par value $16,836,710 (Note)."

DR.—$16,836,710—*"Capital in Excess of Par Value*: Transfer of balance in this account on April 20, 1955, in connection with a 2 for 1 common stock split."

Note: In order to effect a two for one stock split, 4,168,637 shares of common stock with a par value of $41,686,370 were issued on April 20, 1955. The balance at that date in Capital in Excess of Par Value, $16,836,710, was transferred to Capital Stock, Common, and the additional amount of $24,849,660 required to reflect the par value of the stock issued was transferred from Profit Employed in the Business.

CITIES SERVICE COMPANY

DR.—$7,546,379—*"Earnings Retained and Employed in the Business*: Excess of par value of common stock ($59,472,630) issued March 7, 1955 as a result of a 2½-for-1 stock split over amount ($51,926,251) charged to capital surplus."

DR.—$51,926,251—*"Capital Surplus*: Balance of corporate capital surplus at March 7, 1955 transferred to common stock in connection with additional shares issued as a result of a 2½-for-1 stock split."

Financial Review: Changes in Capital Stock—The authorized $10 par value common stock of the Company was increased from 5,000,000 shares to 20,000,000 shares by action of the stockholders at the special meeting held on January 25, 1955.

On March 7, 1955 the stock was split on the basis of two and one-half shares for one share by the issuance of one and one-half additional shares for each share held of record on February 11, 1955. This stock split resulted in the increase of the outstanding shares from 3,964,842 to 9,912,105 shares. The outstanding stock was increased an additional 198,242 shares by the two per cent stock dividend declared in November 1955.

All per share equivalents in this report for the year 1954 have been adjusted to give effect to the above-mentioned stock split.

COLUMBIA BROADCASTING SYSTEM, INC.

DR.—$3,338,790—*"Earned Surplus*: Excess of par value of additional shares issued as a result of three-for-one stock split-up, $12,210,015, over the amount, $8,871,225 charged to capital surplus."

DR.—$8,871,225—*"Capital Surplus*: Amount charged to capital surplus in connection with three-for-one stock split-up."

To the Stockholders: Financial Results—. . . In January 1955, CBS Directors voted to propose to stockholders a three-for-one split of the Company's stock. Stockholders approved this change at the Annual Meeting on April 20, 1955 and on this new basis, an average of 7,331,111 shares were outstanding during 1955.

Based on the average number of shares outstanding, 1955 earnings were $1.83 per share, compared to $1.62 per share in 1954. In terms of shares outstanding after the split-up, cash dividends of 76 2/3 cents per share were paid during the year. A stock dividend of two per cent was also paid in December 1955.

CORN PRODUCTS REFINING CO.

DR.—$6,083,842—*"Earned Surplus*: Transfer to common capital stock in connection with stock split and change in par value."

DR.—$7,380,798—*"Capital Surplus*: Transfer to common capital stock in connection with stock split and changes in par value."

Review of the Year 1955: Financial—The shareholders, at their meeting in April 1955, approved the Board of Directors' proposal to split the common stock three shares for one and reduce the par value from $25 to $10 a share. At the same time, the authorized common stock was increased from 3,000,000 shares of $25 par value to 10,000,000 shares of $10 par value. This became effective May 20, 1955.

THE GILLETTE COMPANY

DR.—$591,462—*"Earned Surplus*: Amount transferred to capital stock account in connection with stock split (Note 3)."

DR.—$4,017,262—*"Additional Paid-In Capital*: Amount transferred to capital stock in connection with stock split effective September 16, 1955 (Note 3)."

Note 3: On September 16, 1955, the stockholders approved a two-for-one stock split effected in the form of a 100% stock dividend and 4,608,724 shares of common stock were issued pro rata on a share-for-share basis to the holders of the issued and outstanding shares of record on that date. The Company increased its common stock account $4,608,724, being $1.00 per share par value for each share issued, by transferring $4,017,262 from paid-in capital (being all of the paid-in capital at that date) and the remainder, $591,462, from United States earned surplus.

P. R. MALLORY & CO., INC.

DR.—$18,462—*"Earned Surplus*: Cash payments in lieu of issuing fractional shares in connection with common stock split-up."

DR.—$311,003—*"Paid-in Surplus*: Stated value of 311,003 shares of common stock issued in connection with three for two stock split-up (Note 7)."

Note 7: On August 30, 1955, a three for two split-up of the common stock was effected, in the form of a stock dividend, resulting in the issuance of 311,003 additional shares. The stated value of such shares, $311,003, was credited to capital stock account and charged to paid-in surplus; cash payments of $18,462, made in lieu of issuing fractional shares, were charged to earned surplus.

Capital Surplus

ALPHA PORTLAND CEMENT COMPANY

DR.—$2,365,424—*"Capital (Paid-In) Surplus*: Transfer to Capital Stock (Note B)."

Note B: On April 21, 1955 the stockholders approved an amendment to the Certificate of Incorporation, changing the total authorized capital stock of the Company from 880,356 shares of Common Stock without par value to a total authorized Capital Stock of $30,000,000, divided into 3,000,000 shares of Common Stock of the par value of $10 per share, and changing each share of Common Stock without par value into three shares of Common Stock of the par value of $10 per share. In order to provide for the resultant increase in capital, $2,365,424 was transferred to capital stock account from capital (paid-in) surplus.

To the Stockholders: . . . net income . . . was . . . $2.43 per share adjusted to reflect the changes on April 22, 1955 of each share of no par stock outstanding into three shares of common stock of the par value of $10 per share. . . .

Dividends were paid at the rate of $1.25 per share of new $10 par stock outstanding to the amount of $2,201,096. As of December 31, 1955 there were 4,884 stockholders, an increase of 1,039 during the year. An indication of the wider stock distribution resulting from the above mentioned stock split is afforded by the fact that in the years preceding the stock split the increase in the number of stockholders was somewhat less than 100 annually.

ALUMINUM COMPANY OF AMERICA

DR.—$10,134,231—"*Additional Capital*: Amount transferred to common stock account, representing the aggregate par value of 10,134,231 shares of Common Stock issued pursuant to the 2 for 1 stock split-up effected by the declaration of a 100% stock dividend paid June 10, 1955, to shareholders of record May 10, 1955."

Financial Facts: Dividends—At a special meeting of the Board of Directors on March 24, 1955, a two-for-one split-up of the common stock was voted to be effected in the form of a share-for-share stock distribution payable June 10, 1955 to shareholders of record at the close of business on May 10, 1955.

THE AMERICAN HARDWARE CORPORATION

DR.—$1,240,000—"*Capital Surplus*: Amount transferred to common capital stock account upon stock split in 1955 (effected in the form of a 20% stock dividend aggregating 99,200 shares of the par value of $12.50 each)."

ARMCO STEEL CORPORATION

DR.—$52,844,297—"*Capital Contributed in Excess of Par Value of Common Stock*: Transfer coincident with the two-for-one split-up of common stock (par value of 5,284,429 65/100 shares)."

ARMSTRONG CORK COMPANY

CR.—$4,928,226—"Capital in excess of par value or stated capital applicable to outstanding shares (Note 6)."

Note 4: On January 31, 1955 the Board of Directors adopted a plan of recapitalization which was approved by holders of common shares at the annual meeting held on April 25, 1955, providing for (a) an increase in the authorized common stock from 2,000,000 shares without par value to 15,000,000 shares of the par value of $1.00 per share, and (b) a split-up of the outstanding common stock by changing each share without par value into three shares of the par value of $1.00 per share.

Note 6: The increase of $7,508,801 in the capital in excess of par value or stated capital applicable to outstanding shares consisted of: (a) $1,995,778 resulting from the conversion of 19,471 shares of $4.00 cumulative preferred stock into common stock; (b) $441,249, excess of proceeds over stated or par value resulting from the exercise of option to purchase 27,295 shares of common stock at $16.92 per share, and (c) $5,071,774, the excess of $10,000,000 of stated capital applicable to 1,642,742 shares of common stock without par value over $4,928,226, the par value of the shares into which the no par common stock was changed.

BENDIX AVIATION CORPORATION

DR.—$11,421,070—"*Capital Surplus*: Transfer to the common stock account in connection with a 2-for-1 stock split (2,284,214 shares at par value of $5 each)."

Note 8: Capital Stock and Surplus—As of March 4, 1955, the common stock of the Corporation was split on a 2-for-1 basis.

On November 29, 1955, the Corporation's Board of Directors declared a 5% stock dividend on the outstanding common stock. The stock dividend is payable January 21, 1956 to stockholders of record on December 9, 1955. In connection with the payment of the stock dividend the earned surplus account will be charged and the capital stock and capital surplus accounts will be credited in the total amount of $12,797,848, representing the total number of shares to be issued as a stock dividend, based on the shares outstanding at September 30, 1955, at the closing market price of $56 a share on November 28, 1955.

CUMMINS ENGINE COMPANY, INC.

DR.—$864,250—"*Capital Surplus*: Transfer to common stock in connection with stock split of one additional share for each four shares outstanding (172,850 shares at $5 par value)."

GENERAL DYNAMICS CORPORATION

DR.—$6,566,988—"*Capital Surplus*: Capital surplus transferred to common stock in connection with issuance of 2,188,996 additional shares resulting from stock split-up."

Financial Review: Dividends—On March 10, 1955, the common stock was split 2-for-1 by way of a dividend in shares of common stock at the rate of one share for each share held of record at the close of business February 23, 1955.

THE HALOID COMPANY

DR.—$555,845—"*Paid-In Surplus*: Transfer to common stock account as a result of the change of each of the 257,074 then outstanding shares of $5.00 par value common stock into 3 shares of fully paid $5.00 par value common stock

common stock	$2,570,740
Less: Portion transferred from unallocated capital account	2,014,895
Net (Note 11)	$ 555,845"

DR.—$2,014,895—"*Unallocated Capital*: Excess of par value of preferred stock converted over par value of common stock issued (Note 11)."

Note 11: At the annual meeting held April 19, 1955, the stockholders approved a resolution that each share of the Company's $5.00 par value per share common stock be changed into three shares of fully paid $5.00 par value common stock.

The increase of $2,570,740.00 in the par value of the common stock outstanding as a result of this change was accomplished by transfer to the common stock account of the $2,014,895.00 capital representing excess of par value of preferred stock converted over par value of common stock issued plus $555,845.00 from Paid-In Surplus account.

To provide the necessary shares for issue above, the stockholders also voted to increase the authorized common stock to 1,500,000 shares.

LILY-TULIP CUP CORPORATION

DR.—$750,959—"*Capital Surplus.*"

Note D: . . . During the period from January 1, 1955 to April 29, 1955, the Company issued 6,569 shares of Common Stock upon exercise of restricted option warrants. On April 29, 1955, the stockholders adopted an amendment to the Certificate of Incorporation increasing and changing the authorized Common Stock from 1,000,000 shares each without nominal or par value to 2,500,000 shares each of $10 par value, effecting a two-for-one split by reconstituting each of the shares outstanding at the close of business on April 29, 1955 into two shares each of $10 par value. The then outstanding Common Stock consisting of 778,340 shares without nominal or par value were split into 1,556,680 shares of $10 par value. After April 29, 1955, 6,598 shares of $10 par value were issued upon exercise of restricted option warrants.

In giving effect to the two-for-one split an amount of $750,959 was transferred from Capital Surplus to the Capital Stock account. Of the proceeds of $423,757 received upon exercise of option warrants, $75,749 was credited to Capital Surplus, representing the excess of the option prices over the par value of Common Stock issued after April 29, 1955.

THE W. L. MAXSON CORPORATION

DR.—$1,045,791—"*Paid-in Surplus*: Par value of 348,597 shares of capital stock distributed to stockholders on April 14, 1955 (one additional share for each share held)."

To the Stockholders: Dividends— . . . The stock was split two for one, effective April 14, 1955, and subsequent to the stock split, two quarterly cash dividends of 10c per share were paid on June 1, 1955, and September 1, 1955. A stock dividend of 2% was paid on September 1, 1955.

McGRAW ELECTRIC COMPANY

DR.—$1,045,000—"*Additional Paid-In Capital*: Amount transferred to common stock in connection with two-for-one stock split as of January 21, 1955."

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

DR.—$4,762,055—"*Paid-In and Other Capital Surplus*: Amount transferred to common stock account in connection with two-for-one split."

MONSANTO CHEMICAL COMPANY

DR.—$5,283,967—"*Paid-In Surplus*: Transfer to common capital stock account in connection with the 3 for 1 split of common stock and the reduction of the par value from $5 to $2 a share."

NORTHROP AIRCRAFT, INC.
DR.—$742,188—*"Paid-In Surplus*: Two-for-one stock split—742,188 shares."

Report on Operations: Stock Split—The shareholders of the Company at the annual meeting held November 18, 1954 adopted an amendment to the Articles of Incorporation increasing the authorized number of $1.00 par value shares from 1,000,000 to 2,500,000 shares and effecting a two-for-one split of the outstanding shares. At the close of business on November 30, 1954, the stock split became effective and common stock then outstanding was increased from 742,188 to 1,484,376 shares.

REPUBLIC STEEL CORPORATION
CR.—$25,406,896—"Capital Surplus: Transfer from common capital stock account in connection with reclassification of such stock."

To the Stockholders: . . . In May Republic's stockholders approved a two-for-one split of the common stock and a change in the par value from no par to $10 par. . . .

Common Stock Split—The common stock split was designed to make Republic's stock more marketable and subsequently increase the number of stockholders.

SIGNODE STEEL STRAPPING COMPANY
DR.—$550,632—*"Capital Surplus."*

Note 5: . . . the net increase in capital surplus resulted from . . . a decrease of $550,632 credited to common stock in the issuance of 550,632 shares in connection with a two-for-one split of the common stock.

Increase in Number of Shares Only

DOUGLAS AIRCRAFT COMPANY INCORPORATED

Notes to Financial Statements: Note C: Stock Split and Stock Options—Shares outstanding were increased by 1,229,930 as a result of a three-for-two stock split on February 2, 1955.

GENERAL MOTORS CORPORATION

GM Shareholder Family: . . . In February common shareholders were given the opportunity to subscribe to additional shares of common stock. Subscriptions through the exercise of rights took 98.5% of the offering. In September share owners approved a three-for-one stock split and became owners of three shares of the present common stock for each share of $5 par value common stock previously held.

METAL & THERMIT CORPORATION

Notes to Financial Statements: Note 3: The authorized common stock consisted of 860,000 shares, par value $5 each, at December 31, 1955, and 400,000 shares, stated value $10 each, at December 31, 1954.

Of the authorized common stock at December 31, 1955, 68,200 shares are reserved for sale to officers and employees of the company and its subsidiaries, after giving effect to the 2-for-1 stock split and including the 60,000 additional shares authorized and reserved in November, 1955. At December 31, 1955 and 1954 (adjusted for the afore-mentioned stock split), 6,000 of the reserved shares were under option, exercisable on a cumulative basis, 750 shares annually beginning in 1955, at $16.25 per share, the approximate market price on the option grant date.

THE NATIONAL CASH REGISTER COMPANY

To the Stockholders: . . . The dividends declared by the Company amounted to $1.10 per share compared with $1.00 per share in 1954 after adjusting for the split of the common stock of the Company on a 3 for 1 basis as approved by the Stockholders, February 10, 1955.

OWENS-ILLINOIS GLASS COMPANY

Notes to Financial Statements: Note 2: Capital Stock and Stock Options—The authorized common shares of the Company were increased effective September 21, 1955 from 4,000,000, par value $12.50 each, to 12,000,000, par value $6.25 each; and the 3,056,874 shares previously outstanding were split two-for-one.

THE PURE OIL COMPANY

To the Shareholders: . . . In 1954 the Company's net earnings were $31,163,000 which, after deduction for preferred dividends during that year and adjustment of the common shares for the two-for-one split effective April 19, 1955, was equal to $3.56 per common share.

REYNOLDS METALS COMPANY

Notes to Financial Statements: Note G: Common Stock—As of September 15, 1955, the Company's Certificate of Incorporation was amended to change the authorized shares of Common Stock from 2,500,000 shares without par value to 12,500,000 shares with a par value of $1.00 per share. Each share of Common Stock without par value was reclassified as five shares with a par value of $1.00 per share, but representing in the aggregate the same amount of capital.

UNITED STATES GYPSUM COMPANY

To the Stockholders: Net earnings . . . were $40,380,967 equivalent to $24.90 per share on the $20 par value common stock outstanding prior to the five-for-one stock split that was effective December 30, 1955.

UNITED STATES STEEL CORPORATION

Notes to Financial Statements: Common Stock—Following approval by the stockholders, a two for one split of the common stock with a change in par value was made effective at the close of business on May 12, 1955, whereby each share without par value, but having a stated value of $33 1/3 per share, was changed and reclassified into two shares having a par value of $16 2/3 each.

OTHER CHARGES AND CREDITS TO RETAINED EARNINGS AND CAPITAL SURPLUS ACCOUNTS

In the 1955 annual reports approximately 40 per cent of the survey companies disclosed various charges or credits to the retained earnings account in addition to those entries which recorded cash dividend distributions and those entries which presented the net income or loss for the current year. In addition to such charges and credits to the retained earnings account, there were various charges and credits in 308 of the 1955 annual reports that presented capital surplus (468 reports). Of the 8 companies presenting unclassified surplus in their 1955 reports, 2 companies reflected entries other than those for stock dividends or stock splits. There were 457 survey companies that presented capital surplus and 8 companies that presented unclassified surplus in their 1954 reports, and 251 of such companies set forth various charges or credits thereto (other than stock dividend or stock split entries) in 1954. Such various transactions recorded in the retained earnings, capital surplus, and unclassified surplus accounts of the 600 survey companies are classified and summarized in Table 4 for the years 1955 and 1954.

1955 CHARGES AND CREDITS

All of the various retained earnings and capital surplus charges of the type referred to above (except those charges or credits which merely present the net loss or income for the year), which were contained in the 1955 reports of the survey companies, are set forth below. These examples are grouped: first, according to the nature of the surplus transaction; and second, according to surplus account categories of "retained earnings," "surplus not classified," "capital surplus," or a combination of "retained earnings and capital surplus" in accordance with the presentation

TABLE 4: RETAINED EARNINGS AND CAPITAL SURPLUS

	Retained Earnings Account				Capital Surplus Account			
	1955		1954		1955		1954	
Nature of Transaction Presented	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Revision in capital structure	4	—	5	—	4	12	5	9
Premium and discount on initial issue of capital stock	—	—	—	1	—	37	—	26
Conversion from preferred stock or debentures to common stock (or preferred)	—	—	—	—	2	59	1	52
Redemption, retirement of capital stock, warrants, script, etc.	37	3	23	4	25	47	18	56
Treasury stock transactions	3	2	7	3	9	*23	13	12
Capital stock issued in acquisition of subsidiary companies or business properties	5	—	6	—	3	51	4	53
Mergers, liquidations, dissolutions	8	15	—	5	10	15	9	5
Adjustments arising in consolidation	3	8	3	9	1	6	2	3
Subsidiary or affiliate income or earnings	5	—	—	—	—	2	—	—
Goodwill, intangible assets	7	—	4	1	—	1	—	2
Employee benefit plan involving sale or issue of capital stock	1	—	—	1	2	137	—	112
Appropriation or reserve—transfers thereto and transfers therefrom	16	34	15	47	1	2	—	2
Extraordinary losses or gains	8	5	3	3	—	—	—	1
Foreign exchange adjustments	1	—	—	—	—	1	—	1
Prior year adjustments:								
Fixed assets and depreciation	—	5	2	4	1	2	—	—
Tax adjustments	5	10	7	6	—	1	—	—
Various other adjustments	1	4	4	2	1	1	1	—
Adjustments re: Section 462, 1954 Internal Revenue Code	11	4	26	1	—	—	—	—
Miscellaneous transactions	3	7	8	8	6	5	7	7
Dollar changes—not described	1	—	1	2	1	10	2	23
Totals	126	98	120	98	79	412	70	364
Stock dividends and stock split-ups (Table 3)	**87	—	86	—	25	56	15	57
Cash dividend declaration (Table 1)	584	—	578	—	—	—	—	—
Net loss or income for the year	23	577	28	571	—	—	—	—
Total charges or credits	820	675	812	669	104	468	85	421

*Includes gifts to Charitable Foundations.
**Includes dividend-in-kind for Standard Oil of Indiana and Argo Oil Corporation.

of the transaction in the annual report of the survey company. The "capital surplus" classification, as used herein, is inclusive of all entries to surplus accounts other than retained earnings (earned surplus) or surplus not classified. The examples, however, present the 1955 balance sheet terminology employed by the survey companies to describe their surplus accounts. The examples follow:

REVISION IN CAPITAL STRUCTURE

Retained Earnings

INTERNATIONAL HARVESTER COMPANY
DR.—$110,774,144—*"Net Income Retained for Use in the Business*: Transfer to common stock account (Note 2)."

Note 2: Common Stock—By action of the Board of Directors the Company transferred as of October 31, 1955, $110,774,144 from Net Income Retained for Use in the Business to the Common Stock account, thereby increasing the stated value of the outstanding common shares from $32 to $40 per share.

THE MEAD CORPORATION
DR.—$2,143,243—*"Earnings Retained in the Business*: Transfer to Common Share capital upon change of Common Shares without par value to Common Shares, par value $25 a share."

Retained Earnings and Capital Surplus

AMERICAN WINDOW GLASS COMPANY
DR.—$1,241,028—*"Earnings Retained."*
DR.—$802,797—*"Additional Paid-In Capital*: Par value of 163,506 shares of common stock issued in connection with Voluntary Plan of Recapitalization."

Capital Surplus

AMERICAN ENKA CORPORATION
DR.—$2,316,664—*"Additional paid-in Capital."*
CR.—$2,316,664—"Capital in excess of par value."
CR.—$6,705,900—"Capital in excess of par value."

Note 3: Capital—The stockholders at a special meeting on August 9, 1955 approved an amendment to the Certificate of Incorporation to increase the authorized common stock from 1,200,000 to 1,600,000 shares and to change the authorized common stock from shares of no par value to shares of par value of $5 each. There was no change in common stock capital of $12,294,150 as a result of this amendment except that it was restated as $5,588,250 par value of common stock and $6,705,900 capital in excess of par value.

Subsequently, 237,798 shares of common stock were sold resulting in $1,188,990 increase in par value of common stock and $9,575,127 (after deducting applicable expenses of $181,630) in capital in excess of par value.

The Board of Directors on October 7, 1955 authorized the transfer of $2,316,664 of additional paid-in capital to capital in excess of par value.

THE AMERICAN HARDWARE CORPORATION

CR.—$6,200,000—"Capital Surplus: Capital surplus arising from reduction in 1955 of the par value of 496,000 shares Common stock then issued (from $25 a share to $12.50 a share)."

AMERICAN OPTICAL COMPANY

CR.—$21,778,065—"Capital surplus from restatement of Common shares."

THE BLACK AND DECKER MANUFACTURING COMPANY

CR.—$1,699,484—"Capital Surplus: Transfer from Common Stock account upon change of Common Stock from $5 stated value to $1 par value per share."

ALLEN B. DU MONT LABORATORIES, INC.

DR.—$2,124,949—*"Amounts received in excess of par value of issued common stock*: Excess of par value of new $1.00 common stock ($2,361,054) over the par value of previously outstanding 10 cent class A and class B common stocks ($236,105) issued in exchange therefor, in accordance with Plan of Recapitalization disclosed in Note 1 heretofore."

Note 1: Recapitalization of Company and Spin-off of Du Mont Broadcasting Corporation—At a special meeting of the Company's common stockholders held on October 10, 1955, a Plan of Recapitalization and an amendment to the Certificate of Incorporation were approved whereby:

(a) The Company's previously outstanding 1,801,054 shares of 10 cents par value class A common stock and 560,000 shares of 10 cents par value class B common stock were reclassified, on a share for share basis, into 2,361,054 shares of a single class of new common stock having a par value of $1.00 per share (such stock being subsequently increased to 2,361,092 shares upon conversion of 35 shares of preferred stock for 38 shares of new common stock); and

(b) A total of 5,000,000 shares of such new common stock all of one class were authorized.

At the same meeting the stockholders also voted to spin-off the Company's wholly-owned subsidiary, Du Mont Broadcasting Corporation to which the business, properties and facilities of the Company's television broadcasting stations, WABD in New York and WTTG in Washington, had been transferred, in exchange for 944,421 shares of Du Mont Broadcasting Corporation's capital stock (constituting all of the outstanding shares of that company). The spin-off was consummated on December 2, 1955 at which time such shares (plus an additional 15 shares issued in respect of 38 shares of common stock converted from preferred stock, as noted above) were distributed in the ratio of 1 share of capital stock of Du Mont Broadcasting Corporation for each 2½ shares of common stock of Allen B. Du Mont Laboratories, Inc. A ruling has been obtained from the Internal Revenue Service to the effect that the above spin-off does not give rise to taxable income to the Company or its stockholders under the Internal Revenue Code.

THE ELECTRIC STORAGE BATTERY COMPANY

CR.—$14,497,992—"Capital in excess of par value of common stock."

Note 3: In 1955, the authorized shares of common stock were increased to 2,500,000 shares and the no par shares outstanding were changed into an equal number of $10 par shares, with a resulting credit of $14,497,992 to "Capital in excess of par value of common stock."

ELGIN NATIONAL WATCH COMPANY

Shareholders' Equity:

CR.—$9,226,900—"Paid-in Capital Arising from Reduction in par value of stock:

Capital stock:
Authorized:
1,500,000 shares of a par value of $5 each at February 28, 1955
1,200,000 shares of a par value of $15 each at February 28, 1954
Issued—922,690 shares at both dates ...... $4,613,450"

THE FLINTKOTE COMPANY

CR.—$1,000,000—"Capital Surplus: Amount transferred to capital surplus from stated value of common stock as authorized by stockholders March 23, 1955."

THE GLIDDEN COMPANY

DR.—$17,203,725—*"Additional amount paid-in*: During the year common capital shares were changed from shares without par value to shares having a par value of $10 each, and in order to state such shares at the aggregate par value of shares issued, $17,203,725 of capital paid-in in prior years was transferred to the capital stock account."

KIMBERLY-CLARK CORPORATION

CR.—$27,974,689—"Additional Paid-in Capital."

Note 5: During the year 1955 the authorized shares of common stock were increased from 6,000,000 shares of no par value to 12,000,000 shares of $5 par value; two shares were issued for each outstanding share; and 200,000 shares were reserved for a restricted stock option plan. In addition, 409,240 shares of $5 par value common stock were issued upon conversion of the 4% convertible preferred stock. The excess of the stated value of the no par common stock and the par value of the 4% convertible preferred stock over the par value of the $5 par common stock was credited to additional paid-in capital.

PITTSBURGH STEEL COMPANY

CR.—$699,401—"Other Capital: Excess of stated value over the par value of 1,391,961 shares of common stock changed from no par to $10 par value on April 29, 1955."

H. H. ROBERTSON COMPANY

CR.—$1,737,934—"Capital Surplus."

Note 2: . . . In addition, $1,737,934 was credited to Capital Surplus as a result of the change from no par value stock to $1.00 par value stock approved at the 1955 Annual Meeting.

SINCLAIR OIL CORPORATION

CR.—$6,453,150—"Other Paid-In Capital: Adjustment of common stock account (Note 4-a)."

Note 4(a): In accordance with amendments of the Company's Certificate of Incorporation approved at the annual meeting of stockholders in May 1955 the Company's common stock was changed from shares without par value to shares of $5 par value. The Company was also enabled to restore to unissued status 1,290,630 shares retired and cancelled prior to December 31, 1942. The Common Stock account was reduced by the appropriate amount of $5 per share, or $6,453,150 and Other Paid-In Capital was increased by a like amount.

WHEELING STEEL CORPORATION

CR.—$27,778,608—"Additional Paid-In Capital: Excess of capital represented by 1,736,163 shares of common stock without par value ($26 a share) over aggregate par value at $10 a share."

PREMIUM ON INITIAL ISSUE OF CAPITAL STOCK

Capital Surplus

AMERICAN ENKA CORPORATION

CR.—$9,575,127—"Capital in excess of par value."

Note 3: . . . 237,798 shares of common stock were sold resulting in $1,188,990 increase in par value of common stock and $9,575,127 (after deducting applicable expenses of $181,630) in capital in excess of par value.

AMERICAN MACHINE AND FOUNDRY COMPANY

CR.—$4,414,800—"Capital Surplus: Excess of proceeds (less $250,248 for underwriting commissions and expenses of issuance) over par value of common stock sold."

AMERICAN SEATING COMPANY

CR.—$13,125—"Capital Surplus: Exceeds of proceeds from sale of 1,500 shares of common stock over par value."

ARDEN FARMS COMPANY

CR.—$647,322—"Capital Surplus: Excess of sales price of common and preferred stock over par or stated value thereof."

AUTOMATIC CANTEEN COMPANY OF AMERICA

CR.—$1,106,068—"Investment in Excess of Par Value of Common Stock."

Note 4: . . . Excess of amounts paid-in for common stock sold under subscription rights and employees' options, and to underwriters, over the par value of such shares, net of expenses of $118,024.

AVCO MANUFACTURING CORPORATION

CR.—$280,583—"Additional Paid-In Capital: Excess over par value, of proceeds received on sale of common stock."

BELL & GOSSETT COMPANY

CR.—$2,997,426—"Capital in excess of par value."

1955 Developments: Sold 300,000 shares of our capital stock.

THE BLACK AND DECKER MANUFACTURING COMPANY

CR.—$276,205—"Capital Surplus: Excess of sale price over stated or par value of 6,644 shares of Common Stock sold."

CARRIER CORPORATION

CR.—$41,059—"Capital Surplus: Excess of proceeds from sale of 50,000 shares of Preferred Stock, 4½% Series over par value thereof, less related expenses."

CHERRY-BURRELL CORPORATION

CR.—$3,215—"Capital Contributed in Excess of Stated Value of Capital Stock: Premium on sale of common stock."

COPPERWELD STEEL COMPANY

CR.—$4,292,310—"Amount paid-in in excess of par value of stock—net."

Note 2: The increase in the amount paid-in in excess of par value of stock resulted principally from the excess of net proceeds received during 1955 from the sale of 240,000 shares of common stock over par value thereof.

THE DAYTON RUBBER COMPANY

CR.—$60,375—"Paid-In Surplus: Exceeds of proceeds from sale of 3,500 shares of common stock over par value thereof."

EASTERN STAINLESS STEEL CORPORATION

CR.—$1,488,940—"Paid-In Surplus: Excess of net proceeds over par value of common stock sold."

THE FIRESTONE TIRE AND RUBBER COMPANY

CR.—$1,333,916—"Additional Paid-In Capital: Adjustments from Sales of Common Stock."

FOREMOST DAIRIES, INC.

CR.—$377,666—"Capital Surplus—Excess of proceeds over par value of common stock sold."

FREEPORT SULPHUR COMPANY

CR.—$7,000,000—"Excess of amount paid-in over par value of common stock."

Note 4: In order to provide additional capital to assist in plans to expand its earnings, the Company, in July 1955, sold 100,000 shares of its previously authorized but unissued capital stock to a small number of investors at $80 per share, which was approximately the market price at the time of sale.

GENERAL DYNAMICS CORPORATION

CR.—$536,287—"Capital Surplus: Proceeds in excess of par value on sale of 25,169 shares of common stock, including 24,828 shares sold to employees under stock option agreements."

GENERAL ELECTRIC COMPANY

CR.—$5,699,007—"Investment in excess of stated or par value of common stock (Note 8)."

Note 8: Investment in excess of stated or par value of common stock represented profits realized on treasury stock disposed of and the premiums received on original sales of common stock.

GENERAL MOTORS CORPORATION

CR.—$309,527,571—"Capital Surplus."

Notes to Financial Statements: Capital—In February 1955 the Corporation made an offering to the holders of common stock to subscribe to 4,380,683 additional shares of the then authorized $5 par value common stock, at the rate of one additional share for each twenty shares, at a subscription price of $75 per share. A total of 4,314,256 shares was sold through the exercise of rights and the balance of 66,427 unsubscribed shares was sold to the underwriters under the terms of the underwriting agreement. Net proceeds, after deducting underwriters' discounts and commissions and other expenses of issuance and distribution, amounted to $324,601,731. Of this amount, $21,903,415 representing the par value of the additional shares sold was credited to the capital stock account; the remainder of $302,698,316 was credited to capital surplus.

In November and December of 1955 the Corporation sold to the trustee of the General Motors Savings-Stock Purchase Program for Salaried Employes in the United States a total of 150,750 shares of newly issued $1 2/3 par value common stock for an aggregate price of $7,080,505. Of this amount, $251,250 representing the par value of the new shares sold was credited to the capital stock account; the remainder of $6,829,255 was credited to capital surplus.

GENERAL SHOE CORPORATION

CR.—$21,982—"Additional Paid-In Capital: Net amount realized in excess of par or stated value through issuance and acquisition of capital shares."

THE GOODYEAR TIRE & RUBBER COMPANY

CR.—$41,004,741—"Capital Surplus: Amount received in excess of par value on sale of 998,605 shares of common stock, less expenses of $839,193 relating to 913,531 shares offered for sale July 21, 1955."

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LTD.

CR.—$429,919—"Capital Surplus: Gain from sale by a subsidiary of 5,856 shares of common stock and 7 shares of $100 par preferred stock of the Company."

WALTER KIDDE & COMPANY, INC.

CR.—$695,711—"Paid-In Surplus (Note 5)."

Note 5: The increase in 1955 in paid-in surplus represents the excess over par value of the proceeds of the sale of 53,700 shares of common stock.

MARMON-HERRINGTON COMPANY, INC.

CR.—$400,000—"Capital paid-in, in excess of par value of stock (Note F)."

Note F: . . . and $400,000 resulted from the sale of 100,000 shares of previously unissued stock not under option.

THE GLENN L. MARTIN COMPANY

CR.—$18,121—"Capital Surplus: Excess of proceeds over par value of capital stock issued: 2,372 shares issued on exercise of stock warrants (Note B)."

Note B: At December 31, 1955 common stock was reserved to provide (a) 1,959 shares for issuance at a price of $8.23 per share upon presentation of common stock purchase warrants expiring

April 10, 1962, issued in connection with the sale of Ten Year 4% Convertible Subordinated Notes and (b) 105,568 shares held for issuance under a restricted stock option plan for officers and key employees. During the current year options for 16,500 shares have been exercised at an aggregate price of $152,688. At December 31, 1955, after recognizing the effect of stock dividends distributed since the date of the grants, options expiring in 1962 for 94,868 shares were outstanding (of which 41,003 shares were then exercisable) at prices ranging from $8.44 to $26.79 per share, which prices are not less than market at date of granting, as adjusted for the effect of subsequent stock dividends.

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

CR.—$240,188—"Paid-In and Other Capital Surplus: Excess of consideration received over par value of common stock issued during year."

NATIONAL CONTAINER CORPORATION

CR.—$3,372,500—"Paid-in Surplus: Excess of proceeds over par value of 250,000 shares of $1.00 par value common stock sold."

Note 7: The sale of 250,000 additional shares of common stock in May 1955 resulted in an addition to capital stock in the amount of $250,000 and an increase in paid-in surplus of $3,339,856 (net).

NATIONAL DAIRY PRODUCTS CORPORATION

CR.—$1,852,495—"Capital Surplus: Excess of consideration received over par value of shares issued."

NATIONAL GYPSUM COMPANY

CR.—$18,173,229—"Capital Surplus: Excess of proceeds over par value of 463,593 shares of Common Stock sold for cash under subscription rights to stockholders."

NATIONAL STEEL CORPORATION

CR.—$576,780—"Capital in excess of par value of capital stock (Note E)."

Note E: Capital in Excess of Par Value of Capital Stock—The increase in capital in excess of par value of capital stock during 1955 ($576,780) represents the excess of proceeds from sale of 17,640 shares of previously unissued shares of capital stock over the par value thereof.

O'SULLIVAN RUBBER CORPORATION

CR.—$1,357—"Paid-In Surplus: Premium received on sale of 517 shares of common stock."

PENN-TEXAS CORPORATION

CR.—$799,197—"Capital Surplus: Excess of assigned value over par value of capital stock sold."

THE PURE OIL COMPANY

CR.—$1,050,872—"Paid-In Surplus: Excess of average amount received ($34.65 per share) over par value ($5 per share) of common shares sold to the Trustees of the Employees' Savings and Stock Bonus Plan."

RALSTON PURINA COMPANY

CR.—$454,068—"Premium Received on Capital Stock in Excess of Par Value: Excess of proceeds over par value of common stock issued."

SIGNODE STEEL STRAPPING COMPANY

CR.—$1,690,709—"Capital Surplus."

Note 5: The net increase in capital surplus in 1955 of $2,307,357 resulted from: increases of (a) $1,690,709 excess of net proceeds over par value of 100,000 shares of common stock sold. . . .

THATCHER GLASS MANUFACTURING COMPANY, INC.

CR.—$791,100—"Capital Surplus: Proceeds in excess of par from sale of common stock."

WARD BAKING COMPANY

CR.—$8,470—"Capital Surplus: Excess of proceeds over par value of common stock issued upon exercise of warrants."

(From Balance Sheet): Warrants to purchase shares of Common Stock: Authorized and outstanding—45,402½ in 1955 (Warrants expire April 2, 1956; each warrant entitles holder to purchase one share of common stock at $15.00 per share; payment to be made in cash or by tender of preferred stock at par.)

THE YALE & TOWNE MANUFACTURING COMPANY

CR.—$3,120,583—"Capital Surplus."

Note 9: . . . The net excess of the subscription price over the par value of 106,931 shares issued in connection with rights offered to shareholders.

CONVERSION OF PREFERRED TO ANOTHER CLASS OF PREFERRED STOCK

Capital Surplus

CARRIER CORPORATION

DR.—$82,963—"*Capital Surplus*: Excess of par value of 33,463 shares of Preferred Stock 4½% Series over par value of 31,870 shares of $3 Series exchanged therefor, plus related expenses."

CONVERSION OF DEBENTURES INTO COMMON STOCK

Capital Surplus

THE COLORADO FUEL AND IRON CORPORATION

CR.—$682,966—"Capital Surplus: Excess of face value of 4¾% Debentures, $936,000 (less bond discount and expense), over stated value of Common Stock issued in conversion, $225,560."

THE DOW CHEMICAL COMPANY

CR.—$1,788—"Capital Surplus: Excess of face value of debentures over the par value of Common Stock issued on conversion."

FRUEHAUF TRAILER COMPANY

CR.—$6,138,864—"Additional Paid-In Capital: Excess of principal amount ($6,608,000) of 4½% Convertible Subordinated Debentures (reduced by the unamortized expenses of their issuance) over the par value of Common Stock (262,359 shares) issued upon conversion, less cash paid in lieu of fractional shares."

CR.—$8,599,790—"Additional Paid-in Capital: Excess of principal amount ($8,799,000) of 3¾% Convertible Subordinated Debentures (reduced by the unamortized expenses of their issuance and increased by the unamortized premium) over the par value of $229,412 shares of Common Stock issued upon conversion, less cash paid in lieu of fractional shares."

LOCKHEED AIRCRAFT CORPORATION

CR.—$12,740—"Additional Capital: Excess of conversion price over par value of capital stock issued upon conversion of debentures."

RADIO CORPORATION OF AMERICA

CR.—$292—"Capital surplus."

Note 10: Capital Surplus—During 1955 capital surplus was increased by $10,938 . . . by $292 resulting from issuance of six shares of Common Stock upon conversion of $300 principal amount of Convertible Debentures.

SINCLAIR OIL COMPANY

CR.—$47,422,564—"Other Paid-In Capital: Excess paid-in over par value of shares issued upon conversion of $54,283,200 principal amount of 3¼% Convertible Subordinated Debentures less net expense applicable thereto."

STANDARD OIL COMPANY (INDIANA)
CR.—$7,727,491—"Capital in Excess of Par Value: Capital stock issued—432,799 shares in the conversion of Thirty Year 3⅛% Debentures."

Financial: The decrease in our total borrowings resulted from repayment of loans and from voluntary conversion into capital stock of $18,942,500 of our Thirty Year 3⅛% Debentures issued in 1952. In December, the Company announced that it would call for redemption on February 10, 1956, of $30,000,000 principal amount of these debentures. All but $896,600 of the called debentures were converted into capital stock of the Company.

WHEELING STEEL CORPORATION
CR.—$5,930,300—"Additional Paid-In Capital: Excess of conversion price ($45 a share) of 3½% Debentures over amount ($26 a share) represented by common stock issued upon conversion."

CONVERSION OF PREFERRED STOCK INTO COMMON

Capital Surplus

ACF INDUSTRIES, INCORPORATED
CR.—$1,215,791—"Capital Surplus: Additional capital surplus resulting from issuance of common stock at amounts in excess of par: Upon conversion of preferred stock into common stock (Less $1,157,800 related payments to preferred shareholders)."

Note 2: Capital Stock—As of November 23, 1954, the 300,000 authorized shares of 7% noncumulative preferred stock ($100 par) were changed to 600,000 shares of 5% cumulative convertible preferred stock ($50 par). The 5% preferred stock is convertible into common at the rate of 1⅛ common shares for each share of preferred and is callable at $55 per share plus accrued dividends. At April 30, 1955, there were reserved 552,930 shares of authorized but unissued common stock for issuance upon conversion of 5% preferred shares.

ALLEGHENY LUDLUM STEEL CORPORATION
CR.—$3,977,757—"Capital Surplus."

Note 4: *Capital Surplus*—During the year 1955, 83,346 additional shares of common stock were issued as a result of conversions of preferred stock and the exercise of options under the employees' stock option plan. The increase in capital surplus resulting from these transactions is shown in the following tabulation:

Excess of stated value of 40,773 shares of $4.375 cumulative preferred stock over par value of 83,346 shares of common stock issued upon conversion, less $15,197 paid in lieu of fractional shares	$3,977,757

AMERICAN AIR FILTER COMPANY, INC.
CR.—$75,312—"Other Capital in Excess of Par Value of Shares: Excess in par value of 5,420 shares of 5% cumulative convertible preference stock retired in exchange for common stock."

AMERICAN CYANAMID COMPANY
CR.—$10,563,506—"Capital Surplus: Excess of par value of shares of Cumulative Preferred Stock converted over par value of shares of Common Stock issued upon conversion."

AMERICAN METAL PRODUCTS COMPANY
CR.—$799,006—"Capital Surplus: Excess of par value of 44,960 shares of Preferred Stock over par value of 49,884 shares of Common Stock issued in conversion, less $426 paid in cash in lieu of issuing fractional shares."

ARMOUR AND COMPANY
CR.—$1,522—"Capital and paid-in surplus."

Notes to Financial Statements: Revision in Capital Structure—At a special meeting held December 7, 1954, the shareholders approved a plan for revision of the capital structure, wherein each share of the Company's $6 Prior Preferred Stock having a redemption price of $115 plus accrued dividends of $18.50 at November 1, 1954, would be redeemed at a price of $120, payable in (1) new 5% Cumulative Income Subordinated Debentures due November 1, 1984 of like principal amount (aggregating $60,000,000) and (2) a warrant entitling the holder to buy one share of the Company's common stock at prices ranging from $12.50 to $20 per share from date of issuance to December 31, 1964. Pursuant to the plan, the preferred stock was called on December 10, 1954 for redemption on December 21, 1954. During the fiscal year 1955, warrants for 203 shares were exercised at a price of $12.50 per share, and the $7.50 per share excess over par value of the common stock (aggregating $1,522) was credited to Capital and Paid-in Surplus.

ARMSTRONG CORK COMPANY
CR.—$1,995,778—"Capital in excess of par value or stated capital applicable to outstanding shares (Note 6)."

Note 6: The increase of $7,508,801 in the capital in excess of par value or stated capital applicable to outstanding shares consisted of: (a) $1,995,778 resulting from the conversion of 19,471 shares of $4.00 cumulative preferred stock into common stock. . . .

ATLAS POWDER COMPANY
CR.—$2,349,238—"Additional Paid-In Capital: Par value of 50,644 shares of preferred stock converted over par value of 134,673 shares of common stock issued in exchange therefor, less cash, $21,702, paid in lieu of fractional common shares."

AVCO MANUFACTURING CORPORATION
CR.—$159—"Additional Paid-In Capital: Excess of stated value of $2.25 cumulative convertible preferred stock converted into common stock over par value of latter."

BEATRICE FOODS CO.
CR.—$799,825—"Capital Surplus: Add excess of conversion price over par value of 31,993 shares of common stock issued in exchange for 3⅜% cumulative convertible prior preferred stock."

CANADA DRY GINGER ALE, INCORPORATED
CR.—$144,995—"Capital (paid-in) surplus."

Note E: The net increase in capital surplus during the year of $141,522 consisted of the excess, $144,995, of the stated value of 1,631 shares of preferred stock converted into 10,862.46 shares of common stock over the par value of the latter. . . .

CLINTON FOODS, INC.
CR.—$2,292,498—"Capital Surplus: Credit arising from conversion of 23,634 shares of $100 par value Preferred Stock into 70,902 shares of $1 par value Common Stock."

CRUCIBLE STEEL COMPANY OF AMERICA
CR.—$6,647,905—"Capital Surplus: Transferred from preferred stock on conversion."

Financial Review: Capital Stock—The Company called part of the preferred stock for redemption on May 23, 1955, and the remainder on August 25, 1955. Holders of 98% of the preferred stock elected to convert into common stock rather than receive cash. . . .

ALLEN B. DU MONT LABORATORIES, INC.
CR.—$662—"Amounts received in excess of par value of issued common stock (Note 12)."

Note 12: . . . excess of par value of 35 shares of 5% cumulative convertible preferred stock ($700) over the par value of 38 shares of new $1.00 common stock ($38) issued in conversion.

ELLIOTT COMPANY
CR.—$11,569—"Additional Capital From Premiums on Issuance or Conversion of Shares, etc.: Excess of par value of preferred stock converted or redeemed over par value of common stock issued, or cash cost respectively."

FEDDERS-QUIGAN CORPORATION
CR.—$10,703—"Capital Surplus: Excess of par value of 234 shares of $50.00 Preferred Stock converted into 997 shares of $1.00 Par Common Stock."

CITIES SERVICE COMPANY

PARENT COMPANY BALANCE SHEET DECEMBER 31, 1955

WITH COMPARATIVE FIGURES FOR 1954

	1955	1954
ASSETS		
CURRENT ASSETS:		
Cash in banks and on hand	$ 62,676,755	59,088,158
United States Treasury securities and accrued interest	37,538,499	37,025,780
Accounts receivable from affiliated companies	27,712	58,340
Other accounts and notes receivable	22,118	20,278
TOTAL CURRENT ASSETS	100,265,084	96,192,556
INVESTMENTS AND ADVANCES — at cost or less:		
Subsidiary companies, consolidated	277,155,044	274,582,939
Other affiliates	4,069,987	4,069,987
TOTAL INVESTMENTS AND ADVANCES	281,225,031	278,652,926
DEFERRED CHARGES	201,359	216,109
	$381,691,474	375,061,591
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Sinking fund requirements on 3% debentures due within one year, less debentures in treasury $1,500,000 in 1955 and 1954	$ —	—
Accounts payable to affiliated companies	5,574	18,523
Other accounts payable	216,088	872,073
Accrued taxes and other charges	382,492	507,544
TOTAL CURRENT LIABILITIES	604,154	1,398,140
3% SINKING FUND DEBENTURES DUE 1977, less in treasury $33,400 in 1955 and $305,900 in 1954	73,500,500	74,728,000
RESERVE FOR CONTINGENCIES (prior years' taxes)	200,135	202,234
STOCKHOLDERS' EQUITY:		
Common Stock — $10 par value:		
Authorized — 1955, 20,000,000 shares; 1954, 5,000,000 shares		
Issued — 1955, 10,110,347 shares (including stock dividend of 198,242 shares distributed January 23, 1956); 1954, 3,964,842 shares (including stock dividend of 77,742 shares distributed January 17, 1955)	101,103,470	39,648,420
Capital surplus	8,722,648	51,926,251
Earnings retained and employed in the business	197,560,567	207,158,546
TOTAL STOCKHOLDERS' EQUITY	307,386,685	298,733,217
	$381,691,474	375,061,591

CITIES SERVICE COMPANY

PARENT COMPANY INCOME, EARNINGS RETAINED AND CAPITAL SURPLUS

YEAR ENDED DECEMBER 31, 1955 WITH COMPARATIVE FIGURES FOR 1954

	1955	1954
INCOME		
GROSS INCOME:		
Dividends on common stocks of subsidiary companies	$40,603,506	37,006,927
Interest and sundry receipts	906,441	864,724
TOTAL GROSS INCOME	41,509,947	37,871,651
EXPENSES, INTEREST AND OTHER CHARGES:		
Administrative and management expenses	3,215,669	2,605,152
General, legal and other expenses	2,569,584	4,172,700
Taxes, other than taxes on income	285,048	293,608
Interest on debentures	2,222,078	2,274,863
Provision for loss on foreign exploration activities	3,748,680	1,793,479
TOTAL EXPENSES, INTEREST AND OTHER CHARGES	12,041,059	11,139,802
NET INCOME	$29,468,888	26,731,849
EARNINGS RETAINED AND EMPLOYED IN THE BUSINESS		
AMOUNT AT BEGINNING OF YEAR	$207,158,546	161,248,793
Net income for the year ended December 31	29,468,888	26,731,849
Profit on sale of investments in public utility subsidiary companies	—	45,610,184
	236,627,434	233,590,826
Excess of par value of common stock ($59,472,630) issued March 7, 1955 as a result of a 2½-for-1 stock split over amount ($51,926,251) charged to capital surplus	7,546,379	—
	229,081,055	233,590,826
Dividends paid on common stock:		
Cash — 1955, $2.10 per share; 1954, $2.00 per share (both amounts per share after giving effect to stock split in 1955)	20,815,420	19,435,500
2% in common stock — 1955, at assigned value of $54 per share (declared in November 1955 and distributed January 23, 1956); 1954, at assigned value (after stock split) of $36 per share (declared in December 1954 and distributed January 17, 1955)	10,705,068	6,996,780
	31,520,488	26,432,280
AMOUNT AT END OF YEAR	$197,560,567	207,158,546
CAPITAL SURPLUS		
AMOUNT AT BEGINNING OF YEAR	$51,926,251	45,706,891
Balance of capital surplus at March 7, 1955 transferred to common stock in connection with additional shares issued as a result of a 2½-for-1 stock split	51,926,251	—
	—	45,706,891
Excess of amount assigned to common stock declared as a dividend over par value thereof	8,722,648	6,219,360
AMOUNT AT END OF YEAR	$ 8,722,648	51,926,251

FOOD MACHINERY AND CHEMICAL CORPORATION
CR.—$538,651—"Capital in Excess of Par Values of Capital Stocks: Excess of par value of 6,810 shares of 3¼% preferred stock over par value of 14,234 87/100 shares of common stock issued on conversion."

FOREMOST DAIRIES, INC.
CR.—$2,520,775—"Capital Surplus: Excess of par value of preferred stock over par value of preferred and common stock issued therefor."

GAR WOOD INDUSTRIES, INC.
CR.—$93,174—"Additional Paid-In Capital: Excess of par value of 2,056 shares of 4½% Cumulative Convertible Preferred Stock over par value of 9,625 32/100 shares of Common Stock issued upon conversion."

GENERAL CABLE CORPORATION
CR.—$3,907,561—"Capital Surplus: Adjustment arising from conversion of Second Preferred stock and exercise of stock options."

THE GENERAL TIRE & RUBBER COMPANY
CR.—$257,307—"Capital Surplus: Excess of par value of 2,771 shares of 3¼% second preferred stock over par value of 7,917 common shares issued in conversion."

GOEBEL BREWING COMPANY
CR.—$316,311—"Paid-in Surplus from conversion of Convertible Preferred Stock."

President's Letter: Convertible Preferred Stock—In April, 1954, the Company made a public offering of $2,000,000 of a convertible preferred stock issue. In 1955, 41,895 shares of this stock were converted into common stock, thus accounting for the increase of 60,748 shares in the common stock outstanding since April, 1954.

GRANITE CITY STEEL COMPANY
CR.—$2,324,640—"Capital in Excess of Par Value (Capital Surplus): Excess of par value of preferred stock ($6,991,400) converted over par value of common stock ($4,666,760) issued therefor."

Note 5: Preferred Stock Provisions—All outstanding shares of 5½% Cumulative Preferred Stock have been called for redemption on March 15, 1956 at the current redemption price of $103.50 per share. Such stock is convertible through March 12, 1956 into common stock at a conversion price of $18.73 or 5.34 common shares for each preferred share.

HAMILTON WATCH COMPANY
CR.—$10,440—"Capital assigned to common shares in excess of stated value: Arising from conversion of preferred shares into common shares—par value of 116 preferred shares converted in excess of stated value of 464 common shares issued."

THE HARSHAW CHEMICAL COMPANY
CR.—$2,475,541—"Capital Surplus: Excess of par value of 4½% convertible preferred stock surrendered for conversion over par value of 83,704 shares of common stock issued therefor, less cash adjustments and other charges."

HOLLY SUGAR CORPORATION
CR.—$53,472—"Paid-In Surplus: Within 'Equity of Common Stockholders' section: Paid-in surplus (increased during the year by $53,472, from preferred stock converted or acquired for sinking fund)."

HOOKER ELECTROCHEMICAL COMPANY
CR.—$6,911,395—"Capital Surplus: Amount transferred to capital surplus arising from conversion of Cumulative Second Preferred Stock Series B, into 436,601 shares of common stock in December, 1954."

HUDSON PULP AND PAPER COMPANY
CR.—$11,750—"Capital Surplus: Excess of par value of Cumulative Second Preferred Stock over the par value of 500 shares of Common Stock, Class A, issued in exchange therefor."

KIMBERLY-CLARK CORPORATION
CR.—$27,974,689—"Additional Paid-In Capital (Note 5)."

Note 5: During the year 1955 the authorized shares of common stock were increased from 6,000,000 shares of no par value to 12,000,000 shares of $5 par value; two shares were issued for each outstanding share; and 200,000 shares were reserved for a restricted stock option plan. In addition, 409,240 shares of $5 par value common stock were issued upon conversion of the 4% convertible preferred stock. The excess of the stated value of the no par common stock and the par value of the 4% convertible preferred stock over the par value of the $5 par common stock was credited to additional paid-in capital.

LEAR, INCORPORATED
CR.—$423,692—"Additional paid-in capital: Excess of par value of 90,791.25 shares of Preferred Stock over the par value of 60,527.50 shares of Common Stock issued upon conversion of the Preferred Stock."

P. R. MALLORY & CO., INC.
CR.—$30,436—"Paid-in Surplus: Excess of par value of 629 shares of preferred stock over stated value of 941 shares of common stock issued in conversion thereof (less $73 cash payments in lieu of fractional shares)."

THE MENGEL COMPANY
CR.—$119,756—"Amounts Received in Excess of Par Value of Capital Stock: Excess of par value of shares of convertible first preferred stock over par value of shares of common stock issued in conversion."

MOORE DROP FORGING COMPANY
CR.—$623,467—"Capital Surplus: Surplus arising from conversion of cumulative preferred stock, 13,360 shares, into shares of common stock and scrip (44,533 1/3)."

THE MURRAY CORPORATION OF AMERICA
CR.—$786,030—"Capital Paid-In By Shareowners In Excess of Par Value of Capital Stock: Credit arising from conversion of Preferred Stock (26,201 shares) into Common Stock (52,402 shares)."

NATIONAL CONTAINER CORPORATION
CR.—$3,752,443—"Paid-In Surplus: As a result of the conversion of 161,265 shares of $1.25 Convertible Preferred Stock to 279,182.52 shares of $1.00 par value Common Stock."

PENN-TEXAS CORPORATION
CR.—$3,884,520—"Capital Surplus: Surplus arising from conversion of preferred stock into common stock subsequent to October 7, 1955."

CHAS. PFIZER & CO., INC.
CR.—$41,779—"Paid-in surplus."

Note 6: During 1955 paid-in surplus increased to $1,652,813 of which . . . $41,779 represents the excess of the par value of 4% Cumulative Second Preferred Stock over the par value of Common Stock to which it was converted.

THE PITTSTON COMPANY
CR.—$2,324,160—"Capital Surplus: Excess of par value of 24,210 shares of 5½% Cumulative Preferred Stock over par value of 96,840 shares of Common Stock issued therefor upon exercise of conversion privilege."

REPUBLIC STEEL CORPORATION
CR.—$7,639,066—"Capital Surplus: Credit for principal amount of 3% Sinking Fund Convertible Debentures (1955-$13,675,000) converted into Common Stock over amount allocated to common capital stock account."

RHEEM MANUFACTURING COMPANY

CR.—$2,855,384—"Capital in excess of par value of shares outstanding: (increase in 1955 represents excess of par value of preferred shares over par value of common shares issued upon conversion)."

RITTER COMPANY, INC.

CR.—$1,200,000—"Capital Surplus: Credit resulting from conversion of 20,000 shares of cumulative convertible 5% preferred stock into 80,000 shares of no par value common stock (Note No. 5)."

Note 5: During 1955 capital surplus was increased by $1,200,000 as a result of the conversion of the then authorized, issued and outstanding 20,000 shares of cumulative convertible 5% preferred stock (total par value of $2,000,000) into 80,000 shares of no par value common stock (stated value of $800,000). A Certificate of Retirement of Preferred Stock was filed on October 17, 1955.

Pursuant to resolutions adopted respectively at meetings of the Board of Directors on October 11, 1955 and of the Stockholders on November 30, 1955, a Certificate of Amendment to Certificate of Incorporation was filed on December 5, 1955. The aforesaid Certificate deleted all reference to the Preferred Stock from the Certificate of Incorporation and increased and changed the authorized shares of Common Stock of the Company from 240,000 shares without par value (stated value $10.00 each share) to 600,000 shares of the par value of $5.00 each share and reclassified and changed each issued share of Common Stock into two shares of Common Stock.

Accordingly, the 240,000 shares of the then issued Common Stock without par value (stated value $2,400,000) (of which 5,374 shares were held in the treasury) were exchanged for 480,000 shares of $5.00 par value Common Stock (of which 10,748 shares are held in the treasury). The reclassification and change of Common Stock resulted in no change in the aggregate amount of capital.

SAFEWAY STORES, INCORPORATED

CR.—$215,824—"Additional Paid-In Capital: Excess of par value of preferred stocks over par value of common stock issued on conversion."

SCOVILL MANUFACTURING COMPANY

CR.—$645,588—"Additional Capital: Excess of par value of 4.30% Cumulative Preferred Stock converted over par value of Common Stock issued upon conversion."

SONOTONE CORPORATION

CR.—$2,242—"Additional Paid-In Capital: Excess of par value of preferred stock surrendered for conversion over par value of common stock issued in exchange therefor."

SUNRAY MID-CONTINENT OIL COMPANY

CR.—$5,001,526—"Capital in Excess of Par Value of Stock: Excess of par value of 264,631 shares of 5½% cumulative, convertible second preferred stock, series of 1950, over par value of 291,094 shares of common stock into which converted."

SYLVANIA ELECTRIC PRODUCTS, INC.

CR.—$4,596,851—"Additional Paid-In Capital: Stated value of $4.40 preferred stock converted into common stock over par value of common stock issued."

Note 6: All of the outstanding shares of $4.40 cumulative preferred stock have been called for redemption on February 29, 1956, at the redemption price of $103.00 per share plus accrued dividend. Stockholders may convert said shares into shares of common stock up to the close of business on February 27, 1956, at the rate of 3.05 shares of common stock for each share of preferred stock (including accrued dividend).

TEXTRON AMERICAN, INC.

CR.—$36,750—"Paid-In Surplus: Amount resulting from conversion of $1.25 convertible preferred stock."

UNITED AIRCRAFT CORPORATION

CR.—$72,935—"Capital in excess of par value."

DR.—$2,857—*"Capital in excess of par value."*

To the Stockholders: Capital Stock— . . . The preference stock, 4% series of 1955, is convertible at the option of the holder into common stock at the rate of 1.75 shares of common stock for each share of preference stock. In accordance with this privilege, 797 shares of preference stock had been converted into 1,353 shares of common stock at December 31, 1955. The excess of the par value of the preference stock converted over that of the common stock issued, $72,935, less $2,857 paid in cash in lieu of the issuance of fractional shares of common stock, has been credited to capital surplus.

WALKER MANUFACTURING COMPANY OF WISCONSIN

CR.—$13,311—"Amounts in Excess of Par Value of Capital Stock: Amount arising from conversion of shares of preferred stock (362 in 1955) into shares of common stock."

Note B: The preferred stock is $50 par value, entitled to $3 cumulative dividends, convertible into 3.3075 shares of common stock and is redeemable and entitled on voluntary liquidation to $52.50 per share. There are 20,000 authorized shares of which 13,162 were issued October 31, 1955.

(C) The common stock is $4 par value. There are 300,000 authorized shares of which 238,822 were issued and 43,533.315 were reserved for conversion of preferred stock at October 31, 1955.

WORTHINGTON CORPORATION

CR.—$279,707—"Additional Paid-In Capital: Capital arising from conversion of preferred stock."

Review of the Year's Operations: Common shares outstanding increased by 29,529 during the year, primarily as the result of the conversion of 4,428 shares of convertible preferred stock. Of the original issue of 70,774 convertible preferred shares, all but 10,958 had been converted into common stock by the year end.

YORK CORPORATION

CR.—$162,132—"Other Capital (Capital surplus—principally paid-in) (Note 5)."

Note 5: Other Capital (Capital Surplus)—The increase of $162,132 in other capital (capital surplus) during the year ended September 30, 1955 resulted from the conversion of 3,395 shares of preferred stock into 7,541 shares of common stock.

CAPITAL STOCK ACQUIRED FOR RETIREMENT OR REDEMPTION

Retained Earnings

ALCO PRODUCTS, INC.

DR.—$1,550,771—*"Income Retained in the Business (Earned Surplus)*: Premium on 102,700 shares of 7% preferred stock redeemed."

AMERICAN BANK NOTE COMPANY

DR.—$133,799—*"Earned Surplus*: Excess of purchase price over par value of preferred stock purchased and retired."

AMERICAN VISCOSE CORPORATION

DR.—$3,032,000—*"Retained Earnings*: Premium on preferred shares redeemed (Note 4)."

Note 4: Capital and Retained Earnings—(a) Preferred: On September 30, 1955, the 202,149 shares of 5% cumulative preferred were redeemed at $115 per share and accrued dividends. The redemption premium of $3,032 was charged to retained earnings. All of the authorized preferred stock has been cancelled.

ARMOUR AND COMPANY

DR.—$10,000,000—*"Earnings Employed in the Business*: Excess of principal amount of 5% Debentures issued over stated value of $6 preferred stock redeemed."

To Our Shareholders: . . . One of the highlights of the 1955 fiscal year was the major improvement in our financial structure accomplished pursuant to action of the shareholders at a meeting December 7, 1954. Under the plan, the $6 Cumulative Convertible Prior Preferred Stock was redeemed on December 21, 1954 at a price per share of $120, payable in 5% Cumulative Income Subordinated Debentures of like principal amount and one warrant for the purchase of one share of the Company's common stock.

ATLAS POWDER COMPANY

DR.—$9,990—"*Earnings retained in the business*: Premium on 999 shares of preferred stock redeemed."

BIGELOW-SANFORD CARPET COMPANY, INC.

CR.—$24,261—"*Earnings Retained and Employed in the Business*: Sundry credits related to capital stock transactions."

Stockholders' Investment: Cumulative Preferred Stock—$100 Par Value—Outstanding (4½% Series of 1951) 36,037 shares in 1955 and 37,226 shares in 1954 (Note 4).

Note 4: The Cumulative Preferred Stock, 4½% Series of 1951, has a sinking fund requirement, beginning in 1953, for the annual retirement of 3% of the total shares issued. This requirement is not effective to the extent it exceeds net earnings (less dividends on preferred stock) of the preceding year. Deficiencies in annual sinking funds are cumulative; however, the total number of shares required to be retired in any one year need not exceed 6% of the total number of shares issued. During 1955, 1,189 shares were purchased and retired, as a result of which all sinking fund requirements as of December 31, 1955 have been met.

BRIGGS MANUFACTURING COMPANY

DR.—$2,612,008—"*Income Invested in the Business*: Excess of cost over par value of 148,073 shares of common stock reacquired and cancelled in 1955."

BUTLER BROTHERS

DR.—$284,800—"*Earned Surplus*: Premium of $4.125 per share on redemption of preferred stock outstanding."

CARNATION COMPANY

DR.—$55—"*Accumulated Earnings Retained in the Business*: Premium Paid on Redemption of Preferred Stock."

CONTINENTAL BAKING COMPANY

DR.—$800,541—"*Earned Surplus*: Excess of call price over stated value of 125,575 shares of $5.50 Dividend Cumulative Preferred Stock called for redemption April 1, 1955."

CRANE CO.

CR.—$7,856—"*Earned Surplus*: Excess of par value over cost of 3¾% cumulative preferred shares cancelled in connection with sinking fund requirements."

THE CUBAN AMERICAN SUGAR COMPANY

DR.—$52,678—"*Earned Surplus*: Excess of cost over par value of Company's preferred and common shares purchased during the year."

CUMMINS ENGINE COMPANY, INC.

DR.—$25,105—"*Earnings Retained in the Business*: Excess of purchase and redemption price over par value of preferred stock retired."

THE DOBECKMUN COMPANY

DR.—$10,750—"*Earnings Retained for Use in the Business*: Premium on retirement of preferred stock."

THE DOW CHEMICAL COMPANY

DR.—$2,127,083—"*Earned Surplus*: Premium on redemption of preferred stock."

Note F: Capital Stock—During the current year the previously outstanding preferred capital stock, of which 303,869 shares were outstanding at May 31, 1954, was redeemed at $107 per share and the redemption premium of $2,127,083 was charged to earned surplus.

THE FIRESTONE TIRE & RUBBER COMPANY

DR.—$35,100—"*Income Invested in the Business*: Premium on Preferred Stock Retired."

THE FLINTKOTE COMPANY

CR.—$9,235—"*Earned Surplus*: Excess of paid-in amount over cost of $4 cumulative preferred stock retired."

GENERAL RAILWAY SIGNAL COMPANY

DR.—$110,647—"*Earned Surplus*: Excess of redemption price over par value of 22,129.6 shares of 5% preferred stock called for redemption (Note 3)."

DR.—$1,582—"*Earned Surplus*: Excess of cost over par value of 5% preferred stock purchased—290 shares."

Note 3: During the year the Company redeemed or purchased all outstanding shares (22,419.6) of its cumulative 5% preferred stock. As the certificate of incorporation does not permit reissue or resale of shares of preferred stock redeemed or purchased for redemption, these shares, together with those held in treasury at January 1, 1955, constituting all (22,810 shares) of the authorized preferred stock, were retired.

GRANITE CITY STEEL COMPANY

DR.—$53,136—"*Earnings Reinvested in the Business (Unappropriated Earned Surplus)*: Premium on redemption of 6,642 shares of Series B 5½ Preferred Stock."

Note 5: Preferred Stock Provisions—All outstanding shares of the Series B 5½% Preferred Stock are held by Stupp Bros. Bridge & Iron Company. This series is not convertible, is entitled to the benefit of a sinking fund, and is redeemable at $108 per share plus accrued dividends, but the Company in the year 1959 has an option to purchase 5,000 shares or any smaller number then outstanding at $102 per share plus accrued dividends. The Company has agreed to purchase 3,287 shares of such series on March 15, 1956 at a total cost of $354,996. No further sinking fund payment will be required in 1956. In each subsequent year, the sinking fund will require, if permitted by the First Mortgage and the Debenture Indenture, the setting aside of $500,000, less dividends on such series accrued during the preceding year, to be applied to the purchase or redemption of shares of such series.

HERSHEY CHOCOLATE CORPORATION

DR.—$7,613—"*Earned Surplus*: Premium of $.75 per share on sinking fund redemption of 10,150 shares of Series A preferred stock."

Note 2: The preferred stock is redeemable by the Corporation. During 1956 the optional redemption price is $52.00 per share and the sinking fund redemption price is $50.75 per share. Upon voluntary liquidation such preferred stock is entitled to a preferential amount equal to its then applicable optional redemption price and, upon involuntary liquidation, to $50.00 per share. Such prices and amounts are plus accrued dividends. Dividends on, or purchases of, common stock are (with certain exceptions) conditioned upon compliance with sinking fund provisions requiring the Corporation to have purchased or redeemed a cumulative average of 5,075 shares of the preferred stock per annum. The Corporation has met such sinking fund requirements through 1956.

JOHNSON & JOHNSON

DR.—$188,267—"*Earnings Retained in the Business*: Premium on retirement of preferred stock (1955—12,249 shares)."

THE E. KAHN'S SONS COMPANY

DR.—$13,874—"*Earned Surplus*: Portion of premium on redemption of 14,038 shares of 5% Preferred Stock in excess of capital surplus ($164.00) at October 1, 1955, the date of redemption."

G. R. KINNEY CO., INC.

DR.—$13,334—"*Retained Earnings*: Excess of cost over stated value of $5 prior preferred stock purchased (1955, 300 shares)."

THE MAYTAG COMPANY

DR.—$488,750—"*Retained Earnings*: Excess of amount paid over stated amount of 85,000 shares of $3.00 Cumulative Preference stock purchased and retired."

THE MEAD CORPORATION

DR.—$75,006—"*Earnings Retained in the Business*: Retirement of common shares acquired during the year by merged companies."

METAL & THERMIT CORPORATION

DR.—$26,230—"*Earned Surplus*: Premium paid on 656 shares of preferred stock retired on March 31, 1955."

MONSANTO CHEMICAL COMPANY
DR.—$600,000—"*Earned Surplus*: Premium paid on redemption of Series C Preference Stock."

THE PURE OIL COMPANY
DR.—$2,212,170—"*Earned Surplus*: Premium of $5 per share on 5% cumulative preferred shares called for redemption on April 1, 1955."

RAYONIER INCORPORATED
DR.—$212,910—"*Earned Surplus*: Premium on redemption of preferred stock, equal to accrued dividends."

THE SHERWIN-WILLIAMS COMPANY
DR.—$24,750—"*Earned Surplus*: Premium on preferred stock redeemed."

SUN OIL COMPANY
DR.—$1,397,955—"*Earnings Employed in the Business*: Redemption premium on Preferred Stock."

Financial Results: Preferred Stock Redeemed—The Board of Directors decided in December to exercise the Company's right to call for redemption all preferred stock outstanding. This stock has been shown on the books as Class A Preferred Stock, 4½% Cumulative, $100 Par Value. There were 93,197 shares subject to redemption February 1, 1956. The redemption price was $115 a share.

The Consolidated Statement of Financial Position (*pages 30 and 31*) shows that a cash appropriation of $10,717,655 was made to cover the cost of calling in preferred stock. This sum includes $1,397,955 required to pay the redemption premium of $15 per share.

The overall effect of the redemption is to give common stockholders the right to all the earnings of the Company, since the prior rights of preferred stockholders ceased to exist as of February 1. In this sense, the move strengthens the position of common stockholders.

UNITED AIRCRAFT CORPORATION
DR.—$583,741—"*Earnings Employed in the Business (Earned Surplus)*: Excess of Purchase or Redemption Cost over par value of preferred stock retired."

WILSON & CO., INC.
CR.—$37,762—"*Retained Earnings*: Excess of recorded value over cost of preferred stock retired."

Retained Earnings and Capital Surplus

AMERICAN WINDOW GLASS COMPANY
DR.—$3,419—"*Earnings Retained for Use in the Business*: Excess of cost over par value of 3,805.8 shares of preferred stock cancelled."
CR.—$1,846—"*Additional Paid-In Capital*: Par value of fractional shares of capital stock cancelled during year."

COLONIAL STORES INCORPORATED
DR.—$41,485—"*Earnings Retained and Invested in the Business*: Premium on redemption of 6% cumulative preferred stock of Albers Super Markets, Inc."
CR.—$1,192—"*Capital in Excess of Par Value of Capital Stock*: Net excess of par value over cost of cumulative preferred stock retired through sinking funds."

THE CUNEO PRESS, INC.
DR.—$2,000—"*Capital in Excess of Par Value of Shares.*"
DR.—$500—"*Retained Earnings*: Premium paid on redemption of preferred shares in excess of capital applicable thereto."

FOREMOST DAIRIES, INC.
DR.—$98,009—"*Capital Surplus*: Excess of cost over par value of preferred stock called."
DR.—$397,598—"*Earned Surplus*: Excess of cost over par value of preferred stock called."

MACFADDEN PUBLICATIONS, INC.
DR.—$814,888—"*Capital Surplus.*"
DR.—$53,650—"*Earnings Retained for Use in the Business*: Excess of cost over par value of 30,117 shares of participating preference stock retired in 1955 ($868,538) less available capital surplus ($814,888)."

G. C. MURPHY COMPANY
DR.—$450,000—"*Paid-in Surplus.*"
DR.—$48,600—"*Retained Earnings*: Portion of Redemption price of 4¾ Preferred Stock (Note 1)."

Note 1: At December 31, 1954, there were 100,000 shares of Preferred Stock authorized of which 90,000 shares 4¾% Cumulative Series were issued and outstanding. All outstanding shares were redeemed on May 13, 1955, at $105.54 per share, or a total of $9,498,600. The portion of the excess of the redemption price over par value, which upon issuance of the shares had been credited to paid-in surplus ($450,000), was charged thereagainst and the remaining portion ($48,600) was charged to retained earnings.

SAFEWAY STORES, INCORPORATED
DR.—$540,605—"*Net Income Retained for Use in the Business*: Expenses of sale of 4.40% preferred stock and premium on redemption of 5% preferred stocks of Canada Safeway Limited . . . $540,605."
CR.—$7,832—"Additional Paid-In Capital."

Notes to Financial Statements: Additional Paid-In Capital—Changes in Additional Paid-In Capital of Safeway Stores, Incorporated and subsidiaries during the year consist of net discount on preferred stock acquired $7,832. . . .

UNION OIL COMPANY OF CALIFORNIA
DR.—$285,894—"*Credits in Excess of Par or Stated Value of Shares Issued—Preferred.*"
DR.—$295,356—"*Net Earnings Retained in Business*: Premium on redemption of preferred shares, $581,250 less $285,894 charged to Credits in Excess of Par or Stated Value of Shares Issued, as above."

Capital Surplus

ALLIED STORES CORPORATION
CR.—$18,169—"Within "Statement of Common Stockholders' Equity": Additional Amounts Received for Shares Issued in Excess of $1.00 per Share, and Discounts on Repurchase of Preferred Stock—Discount on repurchase of 4,000 shares of cumulative preferred stock, 4% Series, during the year."

Note C: Under the terms of the Certificate of Incorporation, the Corporation is obligated on or before December 31 of each year to acquire for retirement 5,006 shares of cumulative preferred stock, 4% Series and, until 1971, 1,000 shares of cumulative preferred stock, 4% Second Series, at the sinking fund redemption price of $100 per share and accrued dividends, or by purchase not exceeding such redemption price. Commencing in 1971, the Corporation is obligated to retire 6,000 shares per annum of the Second Series until such series is fully retired. As of January 31, 1955, the Corporation has complied with the retirement provisions of both series and is holding in treasury 68 shares of the 4% Series for future requirements.

The 4% Series of cumulative preferred stock may be redeemed in whole or in part, at $100 per share and accrued dividends. The Second Series may be redeemed in whole or in part, at any time up to December 31, 1955, and at $102 per share plus accrued dividends, and at reduced premiums thereafter. In the event of voluntary liquidation, the holders of both series of such stock are entitled to the current redemption price, other than for sinking fund requirements, and in the event of involuntary liquidation to $100 per share and accrued dividends.

AMERICAN MACHINE AND FOUNDRY COMPANY
CR.—$19,278—"*Capital Surplus*: Excess of par value over cost of preferred stock retired."

Note E: Sinking fund provisions of the Company's preferred stock require the acquisition on or before each July 15th by redemption, or purchase at not exceeding redemption price, of 2,000 shares of the 3.90% series and 500 shares of the 5% series. At

December 31, 1955 the Company held 1,580 shares of the 3.90% series for sinking fund requirements.

AVON PRODUCTS, INC.

CR.—$2,056—"Capital Surplus: Excess of Par Value over Cost of 4% Cumulative Preferred Stock retired."

BEAUNIT MILLS, INC.

CR.—$148,914—"Capital Surplus: Excess of stated amount or of par over cost of parent and subsidiary companies' preferred stock acquired during year."

BOOTH FISHERIES CORPORATION

CR.—$6,816—"Paid-In Surplus: Discount on 378 shares of preferred stock purchased."

To Our Shareholders: . . . The 15,000 shares of Preferred Stock sold in 1946 have been reduced (as at April 30, 1955) to 10,871 shares, an additional 378 shares having been purchased during the fiscal year for retirement under the "Purchase Fund" provisions of the Certificate of Incorporation.

BORG-WARNER CORPORATION

CR.—$20,777—"Capital in Excess of Par Value: Excess of par value of 4,200 shares of preferred stock retired over cost thereof."

BRISTOL-MYERS COMPANY

DR.—$2,242—*"Capital Received in Excess of Par Value of Stock*: Original premium applicable to preferred stock retired."

CR.—$3,187—"Capital Received in Excess of Par Value of Stock: Excess of issue price over cost of 1,500 shares of preferred stock retired."

BURLINGTON INDUSTRIES, INC.

CR.—$280,343—"Capital in Excess of Par Value: Par value over cost of Preferred Stocks reacquired."

A. S. CAMPBELL CO., INC.

CR.—$4,101—"Capital Surplus: Discount on Preferred Stock Retired."

CARRIER CORPORATION

DR.—$2,745—*"Capital Surplus*: Excess of redemption price over par value of 1,220 shares of Preferred Stock $3 Series redeemed."

CHERRY-BURRELL CORPORATION

DR.—$1,000—*"Capital Contributed in Excess of Stated Value of Capital Stock*: Premium on purchase of 4% preferred stock, 1947 series."

CR.—$29,252—"Capital Contributed in Excess of Stated Value of Capital Stock: Discount on purchase of 4% preferred stock, 1946 series."

Note B: The 4% cumulative preferred stock, 1946 series, is callable at $103 per share. Each February 1, general funds must be made available for the purchase and retirement of such shares in an amount to be determined on the basis of earnings after full preferred dividend requirements but not in excess of $100,000 per annum.

The 4% cumulative preferred stock, 1947 series, is callable at $101 per share. Each year on October 31, the Corporation shall redeem 1,000 shares of the 1947 series at $101 per share.

CITY STORES COMPANY

CR.—$1,650,591—"Capital Surplus: Excess of par value over cost of preferred stock reacquired."

CLEVITE CORPORATION

CR.—$120—"Capital in Excess of Par Value (Note 4)."

Note 4: Preferred and Common Stock—As at December 31, 1955 the authorized stock of the corporation consisted of 100,000 preferred shares and 2,500,000 common shares. The preferred stock authorized but unissued and remaining eligible for issue amounted to 32,913 shares at December 31, 1955. Common shares authorized but unissued totaled 692,848.

The Articles of Incorporation provide that each year an amount equal to 10% of consolidated net earnings for the preceding year (after deducting preferred dividends and excluding capital gains and losses from such net earnings) shall be set aside and expended for the purchase and retirement, and/or redemption of preferred stock. This provision is subject to a minimum requirement of 4%, a maximum requirement of 5%, and a limitation of 7% of the maximum aggregate par value of preferred issued.

In accordance with such provision the corporation in 1955 retired 2,669 preferred shares at a cost of $262,659. The Articles of Incorporation prohibit the reissue of these shares. An amount of $120 representing capital acquired through the purchase of preferred stock at a discount in 1955, together with $176,250 representing the excess of market value over par value of 7,500 shares of common stock issued during the year in connection with the acquisition of the assets and business of Technical Instrument Company, has been credited to "capital in excess of par value."

At December 31, 1955 the corporation held 67 preferred shares which had been previously purchased and restored to the status of authorized but unissued shares. The 67 shares, acquired at a cost of $6,073, may be reissued or, subject to certain pro rata redemption provisions, may be applied toward future requirements for the retirement of preferred stock.

The amount to be set aside for retirement of preferred stock in 1956 is $460,400 based upon the percentage of earnings requirement, which was applicable under the above provision.

THE COLORADO FUEL AND IRON CORPORATION

CR.—$43,558—"Capital Surplus: Excess of par value over cost of 5,000 shares of Series A Preferred Stock purchased and cancelled."

COOK PAINT AND VARNISH COMPANY

DR.—$3,331—*"Capital Surplus*: Excess of cost over par value of 695 shares of Series A prior preference stock retired during the year."

CRUCIBLE STEEL COMPANY OF AMERICA

DR.—$51,058—*"Capital Surplus*: Discount (*premium*) on retirement of preferred stock."

ELLIOTT COMPANY

CR.—$11,569—"Additional Capital from premiums on issuance or conversion of shares, etc.: Excess of par value of preferred stock converted or redeemed over par value of common stock issued, or cash cost respectively."

FEDDERS-QUIGAN CORPORATION

CR.—$2,937—"Capital Surplus: Excess of par value over cost to acquire and retire 1,034 shares of 1953 series preferred stock under sinking fund provisions."

FEDERATED DEPARTMENT STORES, INC.

DR.—$444,947—*"Capital in Excess of Par Value of Common Stock*: Premium paid for the redemption of all outstanding preferred stock."

FOOD MACHINERY AND CHEMICAL CORPORATION

CR.—$6,666—"Capital in Excess of Par Value of Capital Stocks: Discount on 6,128 shares of 3¾% preferred stock purchased for retirement."

FRUEHAUF TRAILER COMPANY

CR.—$165,559—"Additional Paid-In Capital: Excess of par value over purchase price of 4% Preferred Stock acquired (1955—16,510 shares)."

GENERAL DYNAMICS CORPORATION

DR.—$5,650—*"Capital Surplus*: Excess of cost over par value of 100 shares of common stock retired."

GENERAL PLYWOOD CORPORATION

CR.—$1,917—"Capital Surplus: Excess of par value over cost of shares of Preferred Stock purchased and retired under the sinking fund provision (1955—800 shares)."

Note 2: Sinking fund requirements, based upon 10% of net income for fiscal year 1955 less preferred dividends, have been fulfilled by the purchase of sufficient shares of Preferred Stock. A provision of the Preferred Stock requires cancellation of all shares purchased and the above shares purchased have been so cancelled.

THE GENERAL TIRE & RUBBER COMPANY

CR.—$27,621—"Capital Surplus: Excess of par value over cost of cumulative preferred stock retired:

6,995 shares of 4¼% series	$18,787
590 shares of 3¾% series	8,834
Total	$27,621"

GIMBEL BROTHERS, INC.

CR.—$36,888—"Paid-In Surplus: Excess of stated value over cost of cumulative preferred stock purchased."

THE HARSHAW CHEMICAL COMPANY

DR.—$4,158—*"Capital Surplus*: Difference between par value and redemption price or cost of 4½% convertible preferred stock retired."

HEYDEN CHEMICAL COMPANY

CR.—$21,315—"Paid-In Surplus: Excess of stated value over cost of $4⅜ cumulative second preferred stock purchased for future purchase fund requirements (2,230 shares in 1955)."

Note 7: The principal provisions in connection with the issue of $4⅜ cumulative second preferred stock are as follows: On thirty days' notice all or any part of the shares may be redeemed at a price of $102.50 per share on or before October 20, 1961, and lesser amounts per share thereafter, plus accumulated unpaid dividends thereon to the redemption date. No dividends may be declared on the common stock except dividends payable in shares junior to the second preferred stock, nor may there be any purchases or redemptions of shares of common stock or distributions of cash or property among the holders of common stock, if, after giving effect thereto, the aggregate of such dividends, purchases, redemptions or distributions subsequent to December 31, 1950 shall exceed the sum of (a) the Corporation's consolidated net earnings subsequent to December 31, 1950, (b) the aggregate of the proceeds of the sale of any additional shares of common stock sold subsequent to December 31, 1950, and (c) the sum of $500,000, less dividends payable subsequent to December 31, 1950 on the preferred stocks. Of the consolidated surplus as at December 31, 1955, $6,184,457.09 was available for dividends under the limitations described next above.

The shares are convertible at any time on or before October 19, 1961 into common stock of the Corporation at an initial conversion price (in each case taking the second preferred stock at the value of $100 per share) equal to $25 per share of common stock.

The Corporation is required, on each March 1 and September 1, beginning March 1, 1954 and ending September 1, 1961, to set aside the sum of $83,000 as a purchase fund for the convertible preferred stock. A sinking fund becomes effective on March 1, 1962.

The Corporation applied an aggregate of 3,293 shares of the $4⅜ cumulative second preferred stock in satisfaction of the purchase fund payments due in 1954 and 1955, and such shares, together with 6 shares converted into common stock, were retired in the manner prescribed by Delaware law, thus reducing the authorized amount of the cumulative second preferred stock from 60,000 shares to 56,701 shares. At December 31, 1955 the Corporation held 4,197 shares in anticipation of future purchase fund requirements, for which it is entitled to credit at the rate of $100 per share.

HOLLY SUGAR CORPORATION

CR.—$53,472—"Paid-In Surplus: Within 'Equity of Common Stockholders' section—Paid-in surplus (increased during the year by $53,472, from preferred stock converted or acquired for sinking fund."

Note 2: Of the 185,000 shares of 5% Cumulative Preferred Stock originally authorized and issued, 39,122 shares had been acquired for the sinking fund and 2,990 shares had been converted into common stock prior to March 31, 1955. In March, 1955, 15,000 shares of such stock were called for redemption on May 1, 1955, at $30 per share; 3,293 of the shares called have been converted into common stock since March 31, 1955.

HUDSON PULP & PAPER CORP.

CR.—$9,557—"Capital Surplus: Excess of par value over cost of Cumulative Preferred Stock acquired during the year."

Financial: Under the sinking fund provisions applicable to the Preferred Stock, 2,000 shares of Series A and 2,400 shares of Series B were redeemed.

INDIAN HEAD MILLS, INC.

DR.—$26,317—*"Capital Surplus*: Excess of purchase price over par value of 789 shares of old capital stock retired at date of merger."

CR.—$30,092—"Capital Surplus: Excess of par value over purchase price of 10,606 shares of preferred stock purchased and to be retired under sinking fund. (Note H)"

Note H: Preferred Stock—The holders of $1.25 cumulative preferred stock are entitled to $25.00 per share and accrued dividends on liquidation or redemption. This stock has the benefit of a sinking fund which requires the deposit on the part of the Company of $30,756 quarterly, which is to be applied to the purchase of preferred shares at not more than the redemption price of $25.00 per share.

As long as any shares of the $1.25 preferred stock are outstanding, the Company shall not declare or pay any dividends (other than stock dividends) or make any other distribution upon the common stock, nor with certain exceptions shall the Company directly or indirectly purchase or redeem common stock, unless:

a. All dividends and sinking fund requirements of the $1.25 preferred stock have been paid and satisfied; and
b. After giving effect to any such proposed transaction, the net worth of the Company shall be equal to at least 150% of the aggregate redemption price of all shares of $1.25 preferred stock then issued and outstanding.

This restriction requires that approximately $1,740,000 be added to the net worth before cash dividends can be considered on common stock.

During the year the Company purchased for retirement through its sinking fund operation 10,606 shares of preferred stock.

KUHLMAN ELECTRIC COMPANY

DR.—$1,223—*"Capital Surplus*: Premiums on purchase of cumulative preferred stocks."

LEAR INCORPORATED

DR.—$519—*"Additional Paid-In Capital*: Premium paid on redemption of 10,372.35 shares of Preferred Stock at $5.05 a share."

JAMES LEES AND SONS COMPANY

CR.—$4,940—"Capital Surplus: Add Profit arising through acquisition for redemption of 3.85% Cumulative Preferred Shares at less than Par Value."

P. R. MALLORY & CO., INC.

DR.—$59,534—*"Paid-In Surplus*: Excess of cost over par value of 9,520 shares of preferred stock acquired for sinking fund requirements (Note 6)."

Note 6: The preferred stock is convertible at par into common stock at $33.35 per share (after adjustment for stock split-up), subject to adjustment to protect the conversion right against dilution. It is redeemable at the option of the Company, in whole or in part, at $52.50 per share until December 31, 1957, and thereafter at decreasing amounts (but not less than $50.00) plus, in each case, accrued dividends.

As a sinking fund for retirement of the preferred stock, the Company is required to make annual provision for the redemption, at $50.00 per share plus accrued dividends, of 4,500 shares. The Company may credit against the sinking fund requirements any shares purchased, or redeemed at the optional redemption price stated above, or retired through conversion into common stock.

The preferred stock is entitled to the currently applicable redemption price upon voluntary liquidation and to $50.00 per share upon involuntary liquidation together, in each case, with accrued dividends.

MARATHON CORPORATION

DR.—$129,907—*"Capital Paid-in in excess of par value of stock issued, etc.*: Premium on redemption of preferred stock (completely redeemed in 1955)."

THE MAY DEPARTMENT STORES COMPANY

CR.—$4,903—"Additional Paid-In Capital: Excess of carrying value ($100 a share) over cost of cumulative preferred stock repurchased."

MIDWEST RUBBER RECLAIMING COMPANY

CR.—$13,967—"Common Stockholders' Capital Invested in the Business: Difference between par value ($60,000) and cost ($46,033) of 1,200 shares of preferred stock retired through sinking fund."

NATIONAL CONTAINER CORPORATION

DR.—$2,439—"*Paid-In Surplus*: Excess of cost over par value of 1,200 shares of $1.25 Convertible Preferred Stock—par value $25.00 purchased pursuant to Purchase Fund requirement and adjustment for fractional treasury stock."

THE NATIONAL SUPPLY COMPANY

CR.—$338—"Capital Surplus: Discount on 4,070 Preferred shares acquired for sinking fund."

PARAMOUNT PICTURES CORPORATION

CR.—$20,272—"Capital Surplus."

DR.—$2,530—"*Capital Surplus*: Capital surplus was charged during the year in the amount of $2,530 representing the cost of single shares of Paramount Pictures Inc., less par value of 63¼ company shares no longer issuable."

Note E: Capital Surplus—Capital surplus increased during the year by $20,272 upon the cancellation of shares formerly reserved for exchange of fractional shares and scrip of the predecessor company.

PARKERSBURG-AETNA CORPORATION

CR.—$548—"Capital Contributed or Assigned in Excess of Stated or Par Value: Excess of stated value over cost of 548 preferred shares acquired for retirement."

PENN-TEXAS CORPORATION

DR.—$6,457—"*Capital Surplus*: Excess of cost of stock purchased over the par value thereof."

CHAS. PFIZER & CO., INC.

CR.—$4,207—"Paid-In Surplus."

Note 6: During 1955 paid-in surplus increased $1,652,813 of which . . . $4,207 is the excess of the par value over the cost of 3½% Cumulative Preferred Stock reacquired.

PHILIP MORRIS, INC.

CR.—$26,919—"Paid-in capital in excess of par value of capital stock: Adjustment due to redemption of preferred stock."

PIPER AIRCRAFT CORPORATION

DR.—$327,015—"*Paid-In Surplus*: Excess of cost over the par value of Convertible Preferred Stock reacquired and retired (1955—50,068 shares)."

Note 3: The terms of the preferred stock issue require that the Company set aside each year as a sinking fund to be applied to the purchase and retirement or redemption of convertible preferred stock the amount by which 15% of net earnings exceeds the dividends accrued on the preferred stock during the year. The cost of preferred stock purchased and retired to September 30, 1955 exceeded redemption requirements by approximately $668,000 which is available as a credit against future sinking fund requirements.

RALSTON-PURINA COMPANY

DR.—$325,000—"*Premium Received on Capital Stock in Excess of Par Value*: Portion of premium paid on redemption equivalent to premium received from sale of preferred stock."

REMINGTON RAND, INC.

CR.—$16,677—"Capital Surplus: Proceeds from stock scrip not redeemed, etc."

JACOB RUPPERT

CR.—$19,110—"Capital surplus (from redemption of preferred stock)."

Note 3: The Company is required to redeem or retire 1,050 shares of outstanding $100 par value 4½% cumulative preferred stock on or before July 1 of each year. At December 31, 1955 the Company has acquired 1,011 shares in anticipation of future requirements and has retired 871 of these shares.

SCOVILL MANUFACTURING COMPANY

CR.—$6,872—"Additional Capital: Excess of par value over cost of 680 shares of 3.65% Cumulative Preferred Stock purchased and retired."

SIGNODE STEEL STRAPPING COMPANY

CR.—$1,258—"Capital Surplus."

Notes to Financial Statements: The net increase in capital surplus in 1955 of $2,307,357 resulted from: . . . (d) $1,258 excess of par value over cost of 1,105 shares of preferred stock retired. . . .

SONOTONE CORPORATION

DR.—$9,307—"*Additional Paid-In Capital*: Excess of cost over par value of preferred stock reacquired."

Note 3: A retirement fund is required to be provided to retire preferred shares. Payments to the fund in each year must aggregate not less than 15% of the consolidated net earnings, as defined, of the preceding fiscal year. These requirements have been met by reacquisition of shares for retirement.

SPIEGEL, INC.

CR.—$46,096—"Capital Surplus: Excess of stated value over cost of 1,000 shares of preferred capital stock retired."

STRUTHERS WELLS CORPORATION

CR.—$6,389—"Additional Capital: Excess of stated value over cost of preferred stock retired."

SYLVANIA ELECTRIC PRODUCTS, INC.

CR.—$2,702—"Additional Paid-In Capital: Stated value over cost of $4 preferred stock acquired for sinking fund."

TEXTRON AMERICAN, INC.

CR.—$263,637—"Paid-In Surplus: Discount on 4% preferred stock retired."

THOMPSON PRODUCTS, INC.

DR.—$1,566—"*Capital in Excess of Par Value of Shares*: Difference between par value and purchase price of Preferred Stock purchased and retired."

UNITED CIGAR-WHELAN STORES CORPORATION

CR.—$52,680—"Capital Surplus."

Note C: Capital Stock and Surplus— . . . During the year 1955 the Corporation retired 2,160 shares of its Convertible Preferred Stock, of which 1,200 shares were purchased during the year. This resulted in an increase of $52,680 in Capital Surplus, representing the excess of the par value of the shares so retired over the cost thereof.

THE UNITED PIECE DYE WORKS

CR.—$67,125—"Additional paid-in capital."

Note 6: Investment of Stockholders—On or before December 31st of each year, the Corporation is required to expend for the repurchase of preferred stock an amount equivalent to 15% of the balance of net earnings of the Corporation and its subsidiaries for the preceding year, after deducting dividends accrued on the preferred stock for the year. Such stock is to be acquired at prices not in excess of $110 per share plus accrued dividends. If more than this amount is expended for the acquisition of preferred stock in any year, the excess may be carried forward to subsequent years. At December 31, 1955, $446,883 has been expended and 9,515 shares have been so acquired. The repurchases to December 31, 1955 exceed by $14,542 the requirements to December 31, 1956. The excess of par value over the cost of preferred stock repurchased during the year, amounting to $67,125, has been credited to additional paid-in capital.

No dividends may be declared or paid on common stock unless and until (1) all preferred dividends have been paid; (2) all arrears in respect to the acquisition of preferred stock have been made good, and (3) the surplus, being the aggregate amount of earnings retained for use in the business and additional paid-in capital accounts of the Corporation (at December 31, 1955—$3,273,750) and its subsidiaries, shall be in excess of $1,500,000.

The aggregate liquidating preference of the 56,932 shares of preferred stock ($110 per share) at December 31, 1955 amounted to $6,262,520, which is $1,992,620 in excess of the amount at which it is stated.

WARD BAKING COMPANY
DR.—$1,553—"*Capital Surplus*: Difference between par value and cost of stock acquired."

WHEELING STEEL CORPORATION
CR.—$52,878—"Additional Paid-In Capital: Excess of amount ($564,000) represented by 5,640 shares of $5 Cumulative Preferred Stock held in the treasury and retired over cost ($511,122)."

THE WHITE MOTOR COMPANY
CR.—$1,088—"Capital in Excess of Par Value of Capital Stock: Excess of par value over cost of 22,111 shares of preferred stock purchased and retired."

Unclassified Surplus

A. E. STALEY MANUFACTURING COMPANY
DR.—$1,278,456—"*Capital Investment*: Decrease in capital resulting from cost of $3.75 series cumulative preference shares acquired for treasury (subsequently cancelled) less proceeds of issuance of common shares."

TREASURY STOCK TRANSACTIONS

Retained Earnings

AMERICAN WRINGER COMPANY, INC.
DR.—$77,127—"*Earned Surplus*: Excess of cost over book value of shares of subsidiary purchased for treasury."

BROWN & SHARPE MANUFACTURING COMPANY
DR.—$438,318—"*Earnings Employed in the Business*: Excess cost of shares in treasury over capital value."

CARNATION COMPANY
DR.—$75,732—"*Accumulated Earnings Retained in the Business*: Excess of Cost Over Stated Value of common shares acquired for treasury."

G. R. KINNEY CO., INC.
CR.—$9,137—"Retained Earnings: Net excess of cost and proceeds on sales over par value of common stock purchased and resold."

TIME INCORPORATED
CR.—$58,998—"Earned Surplus: Recovery of cost of shares (2,126 in 1955) of treasury stock sold."

Retained Earnings and Capital Surplus

AMERICAN HOME PRODUCTS CORPORATION
DR.—$749,623—"*Retained Earnings*: Excess of cost over par value of treasury stock, less amounts charged to capital surplus."
DR.—$299,556—"*Capital Surplus*: Excess of cost over par value of treasury stock, less amounts charged to retained earnings."

Capital Surplus

AINSWORTH MANUFACTURING CORPORATION
CR.—$13,125—"Capital Surplus: Excess of amount received from sale of treasury stock over par value of stock sold."

ARMCO STEEL CORPORATION
DR.—$45,022—"*Capital Contributed in Excess of Par Value of Common Stock*: Common stock scrip certificates purchased, and changes in treasury stock."

ATLAS POWDER COMPANY
CR.—$38,804—"Additional Paid-In Capital."

Notes to Financial Statements: During 1955, additional paid-in capital was increased as follows: . . . Market value over cost of 2,240 shares of reacquired common stock awarded as bonus to employees.

AVCO MANUFACTURING CORPORATION
CR.—$8,369—"Additional Paid-In Capital: Excess of stated value of $2.25 cumulative convertible preferred stock purchased over cost thereof."

BAUSCH & LOMB OPTICAL COMPANY
CR.—$6,278—"Capital Surplus: Excess of proceeds over par value of treasury stock sold."

BELL & HOWELL
DR.—$225—"*Capital in Excess of Par Value of Shares*: Excess of cost over par value of preferred shares purchased for treasury."

THE BORDEN COMPANY
DR.—$3,904,600—"*Capital Surplus."*
CR.—$2,860,392—"Capital Surplus."

Note 4: Capital Surplus—There was charged to Capital Surplus during 1955, $3,628,025 representing the excess of cost over par value of capital stock of the Company held in the treasury December 31, 1954 (and in the accompanying balance sheet as of that date the capital accounts have been restated to conform therewith) and $3,904,600 excess of cost over par value of capital stock of the Company acquired for the treasury during 1955. There was credited to Capital Surplus during 1955, $2,860,392 representing the excess of consideration received over par value of stock reissued from the treasury during 1955. In addition $20,288 was credited to Capital Surplus during the year representing proceeds from disposal of properties previously written off against this account.

BROCKWAY MOTOR COMPANY, INC.
CR.—$19,342—"Capital Surplus."

Note 3: During the year, capital surplus increased by $19,342, representing the excess of cost of treasury stock over par value, which amount was previously deducted directly from capital surplus.

BUCYRUS-ERIE COMPANY
DR.—$375—"*Additional Paid-In Capital*: Common stock, held in treasury, reissued in exchange for old preferred stock."

THE BUDD COMPANY
CR.—$16,072—"Other Capital: Discount on 2,100 preferred shares purchased."

BURLINGTON INDUSTRIES, INC.
DR.—$4,539,171—"*Capital in excess of par value*: Excess of cost over par value of Common Stock acquired for treasury, less excess of option price over par value of treasury shares sold under exercise of option rights."

CANADA DRY GINGER ALE, INCORPORATED
DR.—$3,473—"*Capital Surplus."*

Note E: . . . the excess, $3,473, of the cost of treasury common stock sold upon exercise of stock options.

CLINTON FOODS, INC.
DR.—$164,638—"*Capital Surplus*: Deduct excess of cost of 120,000 shares of Common Stock previously held in treasury over cash received therefor upon exercise of options."

FEDERATED DEPARTMENT STORES, INC.
DR.—$791,467—"*Capital in Excess of Par Value of Common Stock*: Excess of cost over par value of common stock purchased for treasury."

GENERAL ELECTRIC COMPANY
CR.—$5,699,007—"Investment in excess of stated or par value of common stock."

Note 8: Investment in excess of stated or par value of common stock represented profits realized on treasury stock disposed of and the premiums received on original sales of common stock.

GODCHAUX SUGARS, INC.
DR.—$5,450—"*Capital Surplus*: Excess of cost over stated value of Class A stock (109 shares) purchased during the year and held in treasury."

HARBISON-WALKER REFRACTORIES COMPANY
CR.—$203,318—"Capital in Excess of Par Value: the increase represents . . . the excess of proceeds over carrying value of common shares sold from treasury."

HERCULES POWDER COMPANY
CR.—$1,229,064—"Additional Paid-In Capital: Excess of market value over cost of reacquired common stock awarded as bonus."

HOUDAILLE INDUSTRIES, INC.
CR.—$320,718—"Capital in Excess of Par Value of Capital Stock: Premium on sale of 32,830 shares of Houdaille Industries, Inc. common stock to officer (less loss on sale of 17,170 shares of treasury common stock)."

HYGRADE FOOD PRODUCTS CORPORATION
CR.—$654—"Capital Surplus: Par value of 130.74 shares common stock originally reserved for issuance under Allied Packers Plan and Agreement, restored to status of authorized but unissued stock."

R. H. MACY & CO., INC.
CR.—$16,616—"Additional Paid-In Capital: Excess of par value over cost of 1520 shares of Series A preferred stock reacquired during the year."

Investment of Stockholders: Cumulative preferred stock, par value $100 per share—Authorized, 500,000 shares—4¼%, Series A, issued, 165,600 shares, less held in Treasury, 5470 shares . . .

THE MURRAY CORPORATION OF AMERICA
CR.—$22,370—"Capital Paid-In By Shareowners in Excess of Par Value of Capital Stock: Excess of market value over par value of 900 shares of Common Stock issued from treasury."

NATIONAL PRESTO INDUSTRIES
DR.—$23,881—"*Paid-In Surplus*: Excess of cost of treasury stock sold over proceeds."

RADIO CORPORATION OF AMERICA
CR.—$10,646—"Capital Surplus."

Note 10: . . . During 1955 capital surplus was increased by $10,938, representing the excess of award value over cost of 2,060 shares of treasury stock distributed under the RCA Incentive Plan.

REXALL DRUG COMPANY
CR.—$5,822—"Other paid-in capital: Increased in 1955 by $5,822 gain on sale of treasury stock."

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
CR.—$217,844—"Paid-In Capital: Arising from the excess of realization from the sale or exchange of Company's own capital stock over the par value thereof."

UNION TANK CAR COMPANY
CR.—$3,187,129—"Capital Surplus: Arising from sale of reacquired Capital Stock."

VANADIUM-ALLOYS STEEL COMPANY
CR.—$4,514—"Capital in excess of stated value of stock: Net gain on sale of treasury stock."

CHARITABLE FOUNDATIONS

Capital Surplus

CHAIN BELT COMPANY
CR.—$81,816—"Paid-In Surplus: Excess of market value over cost of 2,000 shares of treasury stock issued as a contribution to Chain Belt."

To the Stockholders: The Chain Belt Foundation was organized in 1953 to provide an improved means of making charitable contributions for the Company. During 1955 the Company transferred 2,000 shares of Treasury Stock to the Foundation and this accounts for the change in the Treasury Stock account on the accompanying financial statements.

THE MAY DEPARTMENT STORES COMPANY
CR.—$142,188—"Additional Paid-In Capital: Excess of quoted market price over par value of treasury common stock contributed to The May Stores Foundation, Inc."

The President's Letter to the Stockholders: Stock Contributed to May Foundation—The Company gave 5,000 shares of its treasury common stock to The May Stores Foundation, Inc., in 1954. The Foundation is a non-profit corporation which contributed to worthy charitable and educational institutions. Among these are institutions in cities where our stores are located.

FINANCING EXPENSES

Retained Earnings

BRIDGEPORT BRASS COMPANY
DR.—$314,985—"*Income Retained in the Business*: Expenses of sale of 4½% preferred stock."

THE DRACKETT COMPANY
DR.—$64,849—"*Retained Earnings*: Unamortized balance of 1946 Recapitalization and Refinancing Expenses."

M. H. FISHMAN CO., INC.
CR.—$11,025—"Surplus—Earned: Expenses incurred in obtaining long term loan in 1953—deferred."

HUDSON PULP & PAPER CORP.
DR.—$378,520—"*Earned Surplus*: Expenses in connection with the issuance of 5.7% Cumulative Preferred Stock, Series C, and Cumulative Second Preferred Stock, $1.41 Series."

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY
DR.—$32,138—"*Earned Surplus*: Expenses in connection with the issuance of 3.30% preference stock, less premium received thereon."

NATIONAL GYPSUM COMPANY
DR.—$533,361—"*Earned Surplus*: Underwriting commissions and expense in connection with sale of 463,593 shares of Common Stock."

UNITED AIRCRAFT CORPORATION
DR.—$396,068—"*Earnings Employed in the Business*: Expenses in connection with issuance of preference stock, 4% Series 1955."

Retained Earnings and Capital Surplus

SAFEWAY STORES, INCORPORATED
DR.—$540,605—"*Net Income Retained in the Business*: Expenses of sale of 4.40% preferred stock and premium on redemption of 5% preferred stocks of Canada Safeway Limited."
DR.—$7,385—"*Additional Paid-In Capital*: Pro-rata share of original issue expense."

Capital Surplus

AMERICAN CYANAMID COMPANY
DR.—$20,959—"*Capital Surplus*: Deduct expenses in connection with offering of Cumulative Preferred Stock, Series D, to employees."

AMERICAN ENKA CORPORATION
DR.—$181,630—"*Capital in excess of par value.*"

Note 3: . . . 237,798 shares of common stock were sold resulting in $1,188,990 increase in par value of common stock and $9,575,127 (after deducting applicable expenses of $181,630) in capital in excess of par value.

AMERICAN MACHINE & FOUNDRY COMPANY
CR.—$4,414,800—"*Capital Surplus*: Excess of proceeds (less $250,248 for underwriting commissions and expenses of issuance) over par value of common stock sold."

AMERICAN MACHINE AND METALS, INC.
DR.—$8,587—"*Capital in Excess of Stated or Par Value*: Expenses in connection with the exchange of capital stock of American Machine and Metals, Inc. for the common stock of The Lamb Electric Company."

ARTLOOM CARPET CO., INC.
DR.—$42,744—"*Capital Surplus*: Stock Procurement Expenses."

AUTOMATIC CANTEEN COMPANY OF AMERICA
CR. $1,106,068—"*Investment in Excess of Par Value of Common Stock*: Excess of amounts paid in for common stock sold under subscription rights and employees' options, and to underwriters, over the par value of such shares, net of expenses of $118,024."

CALUMET & HECLA, INC.
DR.—$175,000—"*Capital Surplus.*"

Note 3: Capital Surplus was reduced in 1955 by commissions and fees on the sale of Preferred Stock, Series A in the amount of $175,000. . . .

CARRIER CORPORATION
CR.—$41,059—"*Capital Surplus*: Excess of proceeds from sale of 50,000 shares of Preferred Stock, 4½% Series over par value thereof, less related expenses."

THE GOODYEAR TIRE & RUBBER COMPANY
CR.—$41,004,741—"*Capital Surplus*: Amount received in excess of par value on sale of 998,605 shares of common stock, less expenses of $839,193 relating to 913,531 shares offered for sale July 21, 1955."

NATIONAL CONTAINER CORPORATION
DR.—$32,644—"*Paid-In Surplus*: Expenses incurred for the issuance of 250,000 shares of $1.00 par value Common Stock."

THE NEW BRITAIN MACHINE COMPANY
CR.—$71,690—"*Capital in Excess of Par Value or Stated Capital of Shares*: Excess, over par value, of proceeds received on shares of Common Stock issued under Employee's Stock Purchase Plan, 4524 shares in 1955; less related expenses of $1.625 in 1955."

WESTERN AUTO SUPPLY COMPANY
DR.—$210,827—"*Paid-In Surplus*: Deduct expenses of Preferred Stock issue."

CAPITAL STOCK ISSUED IN ACQUISITIONS OF SUBSIDIARIES OR BUSINESS PROPERTIES

Retained Earnings and Capital Surplus

CORN PRODUCTS REFINING COMPANY
DR.—$3,805,754—"*Earned Surplus*: Adjustments arising from acquisition and liquidation of subsidiaries."
CR.—$2,424,677—"*Capital Surplus*: Excess of market value over par value of common stock issued in connection with the acquisition of the assets of a subsidiary and issued in respect to the exercise of stock options."

Note 9: Acquisition of Companies and Net Assets—As of February 28, 1955 the outstanding capital stock of Laurel Products, Inc. was acquired by cash purchase.

On June 30, 1955 all the assets, subject to liabilities, of New England Grain Products Co., in which the Company then held nearly a three-quarter interest, were acquired by the issuance of 127,116 shares of Corn Products Refining Company common stock and the surrender by Corn Products Refining Company of its stock holdings in New England Grain Products Co. The excess of the market value over the par value of the 127,116 shares of common stock issued resulted in a credit of $2,399,315 to capital surplus. New England Grain Products Co. was liquidated at the same time and was subsequently dissolved, its twelve wholly owned subsidiaries becoming direct subsidiaries of Corn Products Refining Company.

On September 30, 1955 the Bosco Company, Inc. and related assets were acquired by cash purchase and in December, 1955 this company was liquidated and net assets transferred to the parent company.

The net excess of the cost of investment in the foregoing acquisitions and of shares of minority interests in a subsidiary over the net assets acquired amounted to $3,905,607 and is included in goodwill and trademarks.

Capital Surplus

ACF INDUSTRIES, INCORPORATED
CR.—$205,000—"*Capital Surplus*: Additional capital surplus resulting from issuance of common stock at amounts in excess of par—Upon acquisition of net assets of another business."

ADAM HAT STORES, INC.
CR.—$175,000—"*Capital Surplus*: Excess of Market Value over Par Value of 25,000 shares of Common Stock Issued in Exchange for all the Common Stock of Canada Dry Bottling Company of Tokyo, Inc."
CR.—$140,000—"*Capital Surplus*: Excess of Market Value over Par Value of 20,000 shares of Common Stock Issued in Exchange for Canada Dry Franchise for Western Germany."
CR.—$126,000—"*Capital Surplus*: Excess of market value over Par Value of 18,000 shares of Common Stock Issued in Exchange for 74.6269% of the Ownership in Canada Dry G. m. b. H. of Offenbach."

AMERICAN MACHINE AND FOUNDRY COMPANY
CR.—$2,041,250—"*Capital Surplus*: Excess of market value over par value of common stock issued for stock of subsidiaries."

AMERICAN MACHINE AND METALS, INC.
DR.—$395,647—"*Capital in Excess of Stated or Par Value and Retained Earnings*: Excess of stated value of 80,000 shares of American Machine and Metals, Inc. capital stock ($400,000) over par value ($4,353) of 4,353 shares of The Lamb Electric Company common stock received in exchange."

AMERICAN METAL PRODUCTS COMPANY
CR.—$646,714—"*Capital Surplus*: Excess of capital accounts (capital stock and capital surplus) of Alliance Ware, Inc. at April 30, 1955 (date of acquisition) over

par value of 350,000 shares of Common Stock issued in acquisition of that company."

Note B: Acquisition of AllianceWare, Inc.—On April 30, 1955, the Company acquired the net assets and business of AllianceWare, Inc. in exchange for 350,000 shares of its Common Stock. At that date the capital stock and capital surplus accounts of AllianceWare, Inc. aggregated $1,346,714 and its earned surplus was $4,760,306. Upon combining the accounts of the two companies, the stockholders' equity accounts of American Metal Products Company were increased as follows:

Common Stock—350,000 shares at par value	$ 700,000
Capital surplus	646,714
Retained earnings (after deducting expenses of acquisition)	4,645,306
Total	$5,992,202

The consolidated statement of operations for the year includes the operations of AllianceWare, Inc. subsequent to April 30, 1955.

BROWN SHOE COMPANY, INC.
CR.—$104,571—"Additional Capital: Excess of the carrying amount of net assets over par value of Common Stock issued in exchange for the outstanding stock of the T. D. Reilly Company."

THE BUDD COMPANY
CR.—$6,629,798—"Other Capital: Arising from issuance of 405,000 common shares under an agreement with Continental-Diamond Fibre Company."

Note: Consolidation—The consolidated statements include the accounts of the company and all wholly-owned subsidiaries. In 1955 a wholly-owned subsidiary was formed to conduct the business of the former Continental-Diamond Fibre Company, after the purchase of most of the assets, subject to liabilities, for 405,000 common shares of The Budd Company and $642,500 in cash.

BURROUGHS CORPORATION
CR.—$10,772,254—"Other Paid-In Capital."

Note 1: Subsidiary Companies and Principles of Consolidation— . . . During 1955, the Company acquired the net assets of The Todd Company and all the capital stock of the Charles R. Hadley Company in exchange for 466,666 shares and 79,400 shares, respectively, of the Company's common stock. The issuance of these shares increased capital stock account by $2,730,330 and other paid-in capital by $10,772,254. The net income of these companies for the full year 1955 is included in the accompanying financial statements.

CALUMET & HECLA, INC.
CR.—$976,471—"Capital Surplus."

Note 3: Capital Surplus was . . . increased by the amount of $976,471 representing the excess of market value of Calumet & Hecla Common Stock given in exchange for stock of Goodman Lumber Co. over the par value.

CLEVITE CORPORATION
CR.—$176,250—"Capital In Excess of Par Value."

Note 4: Preferred and Common Stock— . . . $176,250 representing the excess of market value over par value of 7,500 shares of common stock issued during the year in connection with the acquisition of the assets and business of Technical Instrument Company, has been credited to "capital in excess of par value."

CURTISS-WRIGHT CORPORATION
CR.—$123,007—"Capital Surplus: Excess of market value over cost of 13,986 shares of treasury stock exchanged for assets of a company acquired."

DRESSER INDUSTRIES, INC.
CR.—$1,971,242—"Common Shareholders' Equity (Note D)."

Note D: $23,745,134 (including [a] the excess amounting to $3,844,934 of par value of Preferred Stock exchanged for Common Stock, less excess of cost over par value of Preferred Stock acquired, and excess [$125,062] of par value over proceeds from sale of Common Stock during the year and [b] the excess totaling $1,971,242 over par value of amounts assigned to assets or stock of other companies in exchange for Common Stock during the year) at October 31, 1955, and $17,928,958 at October 31, 1954, representing principally the excess over par value of amounts either paid in for capital stock or assigned to assets or stock of other companies in exchange for capital stock. . . .

President's Letter to the Shareholders: Sales and Earnings— . . . Sales and earnings . . . include the operations of the Lane-Wells Company, acquired by Dresser Industries effective as of March 1, 1955.

On a per common share basis, net earnings for 1955 were $5.15 in comparison with $5.05 for the 1954 fiscal year, of which $0.33 was non-recurring. It should also be noted that earnings per share for 1954 were calculated on the basis of 1,876,000 shares, the latter being comprised of the 1,300,000 shares outstanding at the beginning of the year together with, on a pro forma basis, the 576,000 shares of common stock given in the acquisition of Lane-Wells. Earnings per share for the 1955 fiscal year were calculated on the basis of 1,991,696 shares, the number of shares outstanding as of October 31, 1955. During the year, 94,671 shares of common stock were issued in connection with the conversion of Dresser's preferred stock and 21,025 shares were issued in connection with the exercise of stock options and the acquisition of minority interests in a subsidiary company.

EX-CELL-O CORPORATION
CR.—$4,365,000—"Capital in excess of par value of shares: Valuation assigned to 45,000 shares issued in exchange for outstanding stock of Michigan Tool Company (Note A)."

Note A: Effective March 1, 1955, Ex-Cell-O Corporation acquired, in exchange for 45,000 shares of its capital stock, the entire outstanding capital stock of Michigan Tool Company, which had net worth based on book value at March 1, 1955, of approximately $5,900,000. For accounting purposes a valuation of $4,500,000 was assigned to the shares issued by Ex-Cell-O Corporation, and the excess of the net worth of the subsidiary over that amount is shown under the shareholders' equity caption on the accompanying balance sheet. Sales and operating results of Michigan Tool Company are included in the statement of consolidated earnings for the period from acquisition through November 30, 1955.

Note B: Ex-Cell-O Corporation has agreed, subject to certain conditions, to acquire all outstanding shares of Cadillac Gage Company on June 1, 1956, or such later date as may be designated by the parties, in exchange for a minimum (reducible in the event of unforeseen claims) of 28,000 or a maximum of 38,000 shares of Ex-Cell-O stock dependent upon earnings of Cadillac Gage Company to May 31, 1960.

FOOD MACHINERY AND CHEMICAL CORPORATION
CR.—$3,618,784—"Capital in Excess of Par Values of Capital Stock: Excess of market value over par value of 113,087 shares of common stock issued in exchange for outstanding capital stock of Chiksan Company."

FOREMOST DAIRIES, INC.
CR.—$4,100,741—"Capital Surplus: Excess of assigned value over par value of common stock issued in connection with acquisitions of subsidiaries and purchases of assets."

THE GARLOCK PACKING COMPANY
CR.—$612,890—"Excess of stockholders' investment over par value of Common Stock."

Note 5: All of the outstanding capital stock of the United States Gasket Company was acquired as of August 30, 1955 in exchange for 30,528 shares of the Company's previously authorized and unissued common stock. This acquisition resulted in an increase of $30,528 in the par value of common stock outstanding, and an increase of $612,890 in the excess of stockholders' investment over par value of common stock.

GENERAL AMERICAN TRANSPORTATION CORPORATION
CR.—$348,642—"Capital Surplus: Market price in excess of par value of 5,947 shares of Common Stock issued for capital stock of subsidiary."

To the Stockholders: In November we acquired the Sutorbilt Corporation, Los Angeles, California in exchange for 5,947 shares of our common stock.

GIDDINGS & LEWIS MACHINE TOOL COMPANY
CR.—$607,994—"Paid-In Surplus: Excess of market value of 22,750 shares of common stock over par value thereof, issued in part payment for the capital stock of The Cincinnati Bickford Tool Company."

(Refer also to example, this section, *Excess of Net Assets Acquired Over Cost of Investment in Subsidiary*.)

HAMILTON WATCH COMPANY

CR.—$94,500—"Capital Assigned to Common Shares in Excess of Stated Value: Arising from exchange of 35,000 common shares held in treasury for entire capital stock of Hathaway Instrument Company—market value of treasury shares exchanged in excess of cost of shares."

HUNT FOODS, INC.

CR.—$131,076—"Capital Surplus."

Note 4: Capital Surplus—Capital surplus increased $2,565,074 during the year ended November 30, 1955 consisting of: (a) $131,076, excess of market value over par value of common stock issued in acquisition of capital stock of subsidiary companies. . . .

INTERNATIONAL PAPER COMPANY

CR.—$4,425,000—"Capital Surplus: Excess of assigned value . . . over par value of 50,000 common shares issued in exchange for all outstanding stock of Hygrade Containers Limited."

THE KENDALL COMPANY

CR.—$315,000—"Capital in excess of par value of common stock."

Operations: Andrews-Alderfer Acquisition— . . . The assets and business of the Andrews-Alderfer Company were acquired by the issue of 15,000 shares of Kendall common stock together with the payment of $870,000 in cash and the assumption of the Andrews-Alderfer liabilities and obligations, except tax liabilities, by the Kendall Company. In addition, The Kendall Company agreed to a maximum of $600,000 of deferred payments contingent upon the net earnings of the Andrews-Alderfer operations over the next seven years.

LINK-BELT COMPANY

CR.—$4,822,272—"Additional Paid-In Capital: Excess of amount recorded for 133,952 shares of stock issued to December 31, 1955, over par value thereof for acquisition of Syntron Company."

To the Stockholders: Following the special meeting, a plan to exchange common shares of Link-Belt Company and Syntron Company of Homer City, Pennsylvania, was offered to the Syntron shareholders on the basis of 5.4 shares of Link-Belt $5 par value common for one share of Syntron stock. The plan became effective with the deposit of over 99% of the 24,895 shares of Syntron stock by the closing date of the offer, November 1, 1955. Shares from the increased authorization were used in the exchange.

P. R. MALLORY & CO., INC.

CR.—$215,000—"Paid-in Surplus: Excess of assigned value over stated value in respect of 5,000 shares issued for remaining 20% interest in Electronic Timers Corporation."

MC GRAW ELECTRIC COMPANY

CR.—$1,942,000—"Additional Paid-In Capital: Excess over par value of the value assigned to the 19,075 shares (before stock split) of common stock issued in acquisition of Lonergan Manufacturing Company."

MONSANTO CHEMICAL COMPANY

CR.—$1,410,667—"Paid-In Surplus: Excess of minority interest acquired in subsidiary company over the par value of common capital stock issued therefor."

NATIONAL LEAD COMPANY

CR.—$3,807,260—"Capital Surplus: Excess of amounts based on market quotations over costs of 72,850 shares of common treasury stock issued for capital stock of other companies."

THE NEW BRITAIN MACHINE COMPANY

CR.—$78,588—"Capital in Excess of Par Value or Stated Capital of Shares: Excess of market value over cost of 14,000 shares of treasury Common Stock used as part consideration for the purchase of all the outstanding stock of Koehler Aircraft Products Company."

THE PURE OIL COMPANY

CR.—$10,146,937—"Paid-In Surplus: Excess of average market value ($31.95 per share) over par value ($5 per share) of common shares issued in acquisition of marketing companies."

THE QUAKER OATS COMPANY

CR.—$1,923,581—"Amount in Excess of par value."

Report to Stockholders: . . . On June 20, 1955, we acquired the assets and business of Flako Products Corporation of New Brunswick, New Jersey—producers of baking mixes, by an exchange of 75,000 Quaker Oats common shares.

SHELL OIL COMPANY

CR.—$2,014,000—"Capital—Amount in Excess of Par Value: Excess of the recorded value, being the market value at the date of the agreement, over the par value of $397,500 for 53,000 shares issued.

Note 6: Capital—The common stock outstanding was increased by the issuance of 53,000 shares in exchange for the balance (50%) of the outstanding capital stock of Shell American Petroleum Company. . . .

SINCLAIR OIL CORPORATION

CR.—$899,596—"Other Paid-In Capital: Excess of market value over cost of treasury stock delivered in connection with acquisition of properties."

CR.—$12,209,675—"Other Paid-In Capital: Excess of market value over par value of shares issued to stockholders of Venezuelan Petroleum Company in exchange for shares of capital stock of Venezuelan Petroleum Company."

STEWART-WARNER CORPORATION

CR.—$612,500—"Capital in excess of par value: Approximate fair value of 24,500 shares of capital stock issued in connection with purchase of assets of John W. Hobbs Corporation."

THE TEXAS COMPANY

CR.—$2,411,250—"Excess of value assigned to properties acquired over par value of capital stock issued therefor."

WALWORTH COMPANY

CR.—$5,162,170—"Paid-In Capital: Value determined by the Board of Directors of properties acquired during the year for 483,039 shares of Walworth Company common stock, less par value of such common stock carried to capital stock account."

To the Stockholders: Financing for Expansion—In connection with the acquisition of the four new businesses later described, Walworth issued 536,576 additional shares of Common Stock including 53,537 shares issued January 3, 1956. This represented an increase of approximately 40% in the outstanding shares of Common Stock. At the end of 1955 there were 1,841,797 shares of Common Stock outstanding. The 53,537 shares issued in January, 1956 were for the acquisition of Conoflow Corporation in accordance with an agreement made in November, 1955, so that at present there are outstanding 1,895,334 shares of Common Stock. . . .

Alloy Steel Products Company: The business of Alloy Steel Products Company was acquired on September 12, 1955. This acquisition was made with payment of $2,929,661 in cash and the issuance of 70,000 shares of Common Stock of Walworth.

Conoflow Corporation: The Conoflow business was acquired on January 3, 1956 by the issue of 53,537 shares of Common Stock of Walworth for all the outstanding Common Stock of Conoflow Corporation.

M & H Valve and Fittings Company: The M & H business was acquired on August 10, 1955. In connection with this acquisition, there were issued 306,000 shares of Common Stock of Walworth.

Southwest Fabricating & Welding Co., Inc.: The Southwest business was acquired on October 13, 1955. There were issued in connection with this acquisition 107,039 shares of Common Stock of Walworth.

WESTINGHOUSE ELECTRIC CORPORATION

CR.—$29,430,103—"Other (Capital Surplus): Principally amount paid the Company for capital stock in excess of par value (Note)."

Note: Increase due to (a) sale of Common Stock under Employe Stock Plan and Restricted Stock Option Plan; (b) Common Stock issued in acquisition of consolidated subsidiaries; and (c) equity in net tangible assets of Canadian Westinghouse Company, Limited, at date control was obtained in excess of cost.

EXCESS OF NET ASSETS ACQUIRED OVER COST OF INVESTMENT IN SUBSIDIARY

Capital Surplus

THE AMERICAN HARDWARE COMPANY

CR.—$197,577—"Capital Surplus: Excess of book value of net assets of two Canadian subsidiaries at date of acquisition in 1955 over cost of investment."

BORG-WARNER CORPORATION

CR.—$211,528—"Capital in Excess of Par Value: Excess of net assets of subsidiary acquired over cost of common treasury stock of Corporation exchanged therefor."

BURLINGTON INDUSTRIES, INC.

CR.—$10,243,256—"Capital in Excess of Par Value: Value assigned over par value of Common Stock issued for the acquisition of capital stock of subsidiary companies."

CR.—$12,034,812—"Capital in Excess of Par Value: Book value of subsidiary companies as of dates of acquisition over cost of investment therein."

CHESAPEAKE INDUSTRIES, INC.

CR.—$727,727—"Capital Surplus: Excess of fair value of assets acquired over par value of stock issued therefor."

CONTAINER CORPORATION OF AMERICA

CR.—$1,503,963—"Stockholders' Investment in Excess of Par Value (*Paid-In Surplus*): Excess of fair value of investment in Wayne Paper Box and Printing Corporation over par value of 26,666 shares of common stock issued therefor."

GIDDINGS & LEWIS MACHINE TOOL COMPANY

CR.—$1,069,000—"Paid-In Surplus: Excess of market value of 40,000 shares of common stock over par value thereof, issued in exchange for all of the capital stock of Kaukauna Machine Corporation."

CR.—$137,661—"Paid-In Surplus: Excess of book value of underlying net assets of Kaukauna Machine Corporation at date of acquisition over cost of investment."

Note 1: Subsidiaries—The Company acquired all of the capital stock of The Cincinnati Bickford Tool Company and Kaukauna Machine Corporation on September 1, 1955. These subsidiaries were liquidated as of the close of business December 31, 1955. The Company thus acquired the assets and assumed the liabilities of the subsidiaries at that date and realized the net income from their operations for the period from September 1 to December 31. The results of operations of the subsidiaries for the period from September 1 to December 31 are included in the accompanying statement of income. After eliminating intercompany transactions, the aggregate net sales and net income of the two subsidiaries for the period amounted to $2,648,637 and $145,439, respectively. The operations formerly carried on by the subsidiaries are now conducted by Divisions of the Company.

THE HARSHAW CHEMICAL COMPANY

CR.—$1,173,839—"Capital Surplus: Excess of equity in subsidiary at date of acquisition of its capital stock over par value of 21,250 shares of common stock issued therefor."

MARMON-HERRINGTON COMPANY, INC.

CR.—$1,305,083—"Excess of net assets of subsidiary applicable to common stock thereof at date of acquisition over cost in cash of such stock to parent (Note A)."

Note A: In June, 1955 the Company acquired for cash all of the outstanding common stock of Cardox Corporation. The consolidated financial statements include the operations of that corporation since June 1, 1955.

THE MAY DEPARTMENT STORES COMPANY

CR.—$1,768,826—"Additional Paid-In Capital: Excess of consideration received over par value of treasury common stock issued in the acquisition of The Sharon Store Company."

To Our Stockholders: New Store Acquired in Youngstown Area—We acquired The Sharon Store in Sharon, Pennsylvania, on November 1, 1954, through an exchange of 53,027 shares of our treasury common stock for all of the assets of the Sharon Store Company. The net book value of the Sharon Company's assets was approximately $2,035,000 at the time of the transaction.

THE PITTSTON COMPANY

CR.—$116,851—"Capital Surplus: Excess of book equity over cost of capital stock of a subsidiary acquired during the year."

H. K. PORTER COMPANY, INC.

CR.—$3,372,259—"Capital Surplus: Excess of book value of net assets acquired over par value of preferred stock issued."

CR.—$393,580—"Capital Surplus: Excess of book value of subsidiaries acquired over cost of investments to company."

To the Stockholders: . . . As of July 1, 1955, the Company acquired substantially all of the stock of Vulcan Crucible Steel Company, a producer of electric furnace tool steel.

On July 15, 1955, all the stock of Electric Service Engineering Company (Eseco) manufacturer of electrical devices, was acquired.

In November, 1955, the Company acquired substantially all of the net assets of Henry Disston & Sons, Inc., in exchange for $6,000,000 of the new 4¼% voting preferred stock authorized during 1954.

SCOVILL MANUFACTURING COMPANY

CR.—$412,997—"Additional Capital: Excess of net assets acquired from De Long Hook & Eye Company over par value of Common Stock issued therefor."

SHOE CORPORATION OF AMERICA

CR.—$30,827—"Capital Surplus: Excess of parent's equity in net assets of subsidiaries at acquisition over its investments therein."

SUTHERLAND PAPER COMPANY

CR.—$2,823,330—"Capital Contributions in Excess of Par Value of Capital Stock: Excess of net worth of subsidiary at date acquired over par value of capital stock issued therefor."

Note 1: Principles of Consolidation—As of the close of business October 31, 1955, the Company acquired the total outstanding capital stock of Fort Orange Paper Company in exchange for 60,000 shares of the Company's capital stock. The accounts of this subsidiary are consolidated in the accompanying financial statements for the year ended December 31, 1955, including its results from operations for the two months since the date of acquisition.

UNIVERSAL MATCH CORPORATION

CR.—$65,874—"Capital in Excess of Par Value (*Capital Surplus*): Excess of net book value of acquired subsidiary over purchase cost."

EXCESS OF COST OF INVESTMENT IN SUBSIDIARY OVER NET ASSETS ACQUIRED

Retained Earnings

ANDERSON, CLAYTON & CO.

DR.—$6,756—"*Earned Surplus*: Excess of Equity (Cost) over Cost (Equity) Applicable to Change in Ownership of Securities of Consolidated Subsidiaries."

DAYSTROM INCORPORATED
DR.—$732,000—*"Profits Reinvested in the Business*: Excess of cost over net assets of wholly-owned subsidiary company acquired."

SHOE CORPORATION OF AMERICA
DR.—$148,996—*"Earned Surplus*: Excess of cost of investment in subsidiary over net assets thereof at date of acquisition."

Retained Earnings and Capital Surplus

AMERICAN BOX BOARD COMPANY
CR.—$381,600—"Paid-In Capital in Excess of Par Value: Excess of approximate market value of 14,400 shares of $1 par common stock over par value issued upon acquisition of stock of subsidiaries."
DR.—$293,978—*"Earnings Retained in the Business*: Excess of cost of investment in subsidiaries over underlying book values—attributable to intangibles."

Capital Surplus

CHESAPEAKE INDUSTRIES, INC.
DR.—$493,054—*"Capital Surplus*: Revaluation of acquisition cost of Intercoast Petroleum Company, Inc. based on consideration received on disposition (Note 1d)."

Note 1: Principles of Consolidation— . . . (d) The investment in Intercoast Petroleum Company, Inc. which had been acquired with Colonial Trust Company as of December 27, 1954, was sold in June, 1955; the difference between the consideration received and the net equity at which the company was originally carried has been considered as an adjustment of the acquisition cost. Intercoast did not contribute significantly to the Consolidated Operations of Chesapeake.

CROWN ZELLERBACH CORPORATION
DR.—$233,000—*"Other Capital*: Net excess of cost over equity acquired on purchase of shares of subsidiaries."

GOODWILL—INTANGIBLE ASSETS

Retained Earnings

AUTOMATIC CANTEEN COMPANY OF AMERICA
DR.—$115,818—*"Reinvested Earnings*: Unamortized cost at October 2, 1954 of franchises of subsidiaries not then consolidated plus $50,000 of a similar cost in the current year."

BUCYRUS-ERIE COMPANY
DR.—$2,338,510—*"Unappropriated Earnings Retained in the Business*: Write-off of goodwill, consisting of engineering, development, trademarks and patents."

CHICAGO RAILWAY EQUIPMENT COMPANY
DR.—$200,000—*"Earnings Employed in the Business*: Partial write-off of goodwill."

THE CURTIS PUBLISHING COMPANY
DR.—$2,000,000—*"Undivided Profits*: Reduction of Goodwill in accordance with resolution of Board of Directors."

GENERAL MILLS, INC.
DR.—$1,761,846—*"Earnings Employed in the Business*: Unamortized balance of intangibles resulting from acquisition of assets and business of O-Cel-O, Inc. (Note 5)."

Note 5: Goodwill, Trade-Marks, Trade Names and Other Intangibles—The Board of Directors in May, 1955, after careful appraisal of current operations, determined that the unamortized balance of the intangibles as of May 31, 1955, arising from the acquisition of the assets and business of O-Cel-O, Inc., should be charged to Earnings Employed in the Business, thereby giving recognition to the apparent decreased value of these intangibles.

HEARST CONSOLIDATED PUBLICATIONS, INC.
DR.—$61,518,896—*"Earned Surplus*: Elimination of various items of circulation, press franchises, reference libraries, and goodwill."

Note 1: The intangible assets described as "Circulation, press franchises, reference libraries, and goodwill" are stated at amounts paid for in cash or its equivalent or in capital stock, or in some cases constituting excesses of the costs of investments over the net assets of companies acquired and since merged with the Company or a subsidiary.

PITTSBURGH BREWING COMPANY
DR.—$100,000—*"Earned Surplus*: Amortization of Trade Names and Goodwill."

Note 1: (Trade Names and Goodwill) Represents the excess of par value of Capital Stock issued at organization of the company in 1899, over the aggregate of the net tangible assets received in exchange therefor, $11,408,854.55 less writedowns . . . $9,908,854.55.

Capital Surplus

UNIVERSAL MATCH CORPORATION
CR.—$50,000—"Capital in Excess of Par Value (Capital Surplus): Proceeds from sale of goodwill previously charged off."

ADJUSTMENTS ARISING IN CONSOLIDATION

Retained Earnings

AMERICAN METAL PRODUCTS COMPANY
CR.—$28,008—"Retained Earnings: Undistributed earnings from date of acquisition to December 31, 1954 of Canadian subsidiaries consolidated in 1955."

Note A: Consolidation of Canadian Subsidiaries—The wholly owned Canadian subsidiaries (acquired November 1, 1954) have been included in the consolidation in 1955 but were excluded in 1954. The net assets of these subsidiaries were $1,442,291 at December 31, 1955, including net current assets of $733,781. The difference between the amount of dividends received from these subsidiaries and the amount of their net earnings for the year included in consolidation was not material.

THE ATLANTIC REFINING COMPANY
DR.—$13,516,902—*"Net Income Retained for Use in the Business*: Retained income of Brazilian marketing subsidiary eliminated from consolidation January 1, 1955 (Note 1)."

Note 1: All subsidiaries have been consolidated except a Brazilian subsidiary (eliminated from consolidation as of January 1, 1955, because of unfavorable exchange conditions) and certain minor subsidiaries. The deconsolidation had no material effect on 1955 consolidated net income. The Eastern Hemisphere marketing subsidiaries were sold as of the end of their respective 1954 fiscal years. Certain other subsidiaries operating in a foreign country have been consolidated on the basis of a fiscal year ending November 30. Intercompany profits have been eliminated from the consolidated statements except for relatively unimportant items.

At December 31, 1955, the equity of the consolidated companies in the net assets of subsidiaries not consolidated (principally the Brazilian subsidiary) exceeded by $13,573,000 the amount at which the investments in such subsidiaries is carried on the balance sheet. In 1955 dividends received from subsidiaries not consolidated approximated the net income of such subsidiaries; in 1954 their net income was not significant and no dividends were received.

In view of the afore-mentioned deconsolidation of the Brazilian subsidiary and sale of the Eastern Hemisphere marketing subsidiaries, the 1954 consolidated financial statements have been reclassified to include the net assets of the Brazilian subsidiary in investments and advances to subsidiaries not consolidated and to show in a single item ($3,831,339) in the income statement the income from Eastern Hemisphere marketing operations less the loss of the Brazilian subsidiary. The 1954 consolidated net income and retained net income previously reported have not been changed; however, as of January 1, 1955, the investments and advances to subsidiaries not consolidated and net income retained for use in the business have been reduced by $13,516,902 representing the excess of the Company's equity in the net assets of the Brazilian subsidiary over its investment in the subsidiary.

CITY STORES COMPANY
DR.—$55,118—*"Earned Surplus*: Accumulated earnings of real estate subsidiary eliminated from consolidated statement of financial condition at January 29, 1955."

SHELL OIL COMPANY
CR.—$1,025,663—"Earnings Employed in the Business: Equity in prior years' earnings of subsidiary company consolidated."

Note 3: Investments— . . . Shell Development Company, previously owned 65%, became a wholly-owned subsidiary consolidated at December 31, 1955. This occurred as the result of Shell Development Company reacquiring and retiring all shares of capital stock held by the owner of the other 35% interest.

SIGNODE STEEL STRAPPING COMPANY
CR.—$80,861—"Earnings Retained in the Business: Equity in prior years' earnings of Canadian companies (Note 4)."

Note 4: In 1955, Signode International Ltd., a consolidated subsidiary, acquired the remaining 70% of the outstanding stock of two previously affiliated Canadian companies for cash of $1,165,000. The assets and liabilities of the Canadian companies at December 31, 1955, and their operations for the year ended that date have been included in the accompanying consolidated financial statements.

UNIVERSAL LEAF TOBACCO CO., INC.
CR.—$339,122—"Earned Surplus: Increase due to inclusion in Consolidated Statements of the assets and liabilities of affiliated companies previously not wholly owned (Note 1)."

Note 1: Kinston Tobacco Co., Inc., and W. L. Robinson Co., Inc. (Investment therein previously carried as Investment in Affiliates) became wholly owned subsidiaries as of July 1, 1954, and their assets, liabilities and operations are now included in the consolidated financial statements. The increase above also includes $136,775.32 being adjustments of amount added as of July 1, 1952 for Universal Leaf Tobacco Co. of China, Federal, Inc., U.S.A., due principally to cancellation of certain Reserves created by that Company prior to consolidation in these statements.

YORK CORPORATION
CR.—$759,452—"Earnings Retained for Use in the Business: Credit representing undistributed earnings of English subsidiaries to September 30, 1954."

Note 1: Change in Principles of Consolidation—The consolidated financial statements for the year ended September 30, 1955 include the two English subsidiaries for the first time. The net income of these subsidiaries for the year ended September 30, 1955 (after dividends on preference shares) amounted to $142,163, which compares with dividends of $23,100 received from these subsidiaries in the year ended September 30, 1954 and included in consolidated income for that year.

Retained Earnings and Capital Surplus

THE BILLINGS & SPENCER COMPANY
DR.—$11,921—*"Capital Surplus*: Capital Surplus of Subsidiary, The Peck, Stow and Wilcox Company applicable to Minority Interest (Note 2)."
DR.—$416,388—"Capital Surplus: Capital surplus of Subsidiary, The Peck, Stow and Wilcox Company applicable to Minority Interest (Note 2)."
CR.—$429,614—"Capital Surplus: Capital Surplus of Subsidiary, The Peck, Stow and Wilcox Company at acquisition date, March 31, 1954."
DR.—$28,853—*"Earned Surplus*: Elimination from Earned Surplus of the portion applicable to Minority Interest, The Peck, Stow and Wilcox Company (Note 2)."
CR.—$987,228—"Earned Surplus: Earned Surplus of Subsidiary, The Peck, Stow and Wilcox Company, at acquisition date March 31, 1954."

Note 2: The Billings & Spencer Company owned 97,225 shares of the capital stock of The Peck, Stow and Wilcox Company, representing 97.225% of the total of 100,000 shares of common stock issued and outstanding, par value of $10.00 per share at September 30, 1955.

HUNT FOODS, INC.
CR.—$243,197—"Earned Surplus: Earned Surplus at beginning of year (includes $243,197 applicable to equity in earnings of United Can & Glass Company for the year ended November 30, 1954, now consolidated)."
CR.—$1,818,976—"Capital Surplus."

Note 4: Capital Surplus—Capital surplus increased . . . (c) $1,818,976, excess of book value over cost of subsidiary companies' capital stock at dates of acquisition or dates consolidated for first time.

REMINGTON RAND, INC.
CR.—$1,579,032—"Earnings Retained for Use in the Business: Reinstatement of investments (charged off in 1942) in subsidiaries in France and Germany plus their undistributed earnings to March 31, 1954."
CR.—$2,973,253—"Capital Surplus: Excess of acquired equity in net assets of subsidiary consolidated as of April 1, 1954 over cost of investment therein."

Notes to Financial Statements: Principles of Consolidation—(1) The consolidated financial statements include the accounts of the company, all its active wholly-owned subsidiaries, and its active majority-owned domestic subsidiary. The accounts of wholly-owned subsidiaries in France and Germany (excluded from consolidation since 1942) were reinstated as of April 1, 1954.

Capital Surplus

ARDEN FARMS COMPANY
CR.—$4,027—"Capital Surplus: Capital surplus arising in consolidation."

THE CUDAHY PACKING COMPANY
CR.—$339,851—"Capital Surplus: Adjustments to deficit in earned surplus which was transferred to capital surplus as of October 30, 1954: Book value of net assets as of October 30, 1954, of wholly-owned English subsidiary included in the 1955 financial statements and not previously consolidated."

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY
CR.—$205,252—"Paid-In and Other Capital Surplus: Balance January 1, 1955 (including $205,252 applicable to foreign subsidiaries not previously consolidated. . . ."

CORPORATE MERGERS—BUSINESS COMBINATIONS

Retained Earnings

BAYUK CIGARS INCORPORATED
CR.—$791,397—"Earnings Retained for Use in the Business: Transferred from wholly owned unconsolidated subsidiary by merger August 31, 1955."

THE MEAD CORPORATION
CR.—$32,935,819—"Earnings Retained in the Business: Balance at Beginning of Period (Revised to give retroactive effect to the mergers in November, 1955 of The Chillicothe Paper Company and The Mead Sales Company with and into The Mead Corporation—see Note A)."
DR.—$4,072,899—*"Earnings Retained in the Business*: Deduct excess of par value ($6,643,175) of 265,727 Common Shares issued in 1955, pursuant to mergers, over the aggregate common shares and additional capital of merged companies at the dates of mergers."

Note A: Mergers—In November 1955, The Chillicothe Paper Company and The Mead Sales Company were merged with and into

The Mead Corporation (the continuing corporation). This was effected by the issuance of 265,727 of its Common Shares by The Mead Corporation to the shareholders of The Chillicothe Paper Company and The Mead Sales Company and the transfer of the businesses and assets subject to the liabilities of those companies to Chillicothe Paper Co. and Mead Papers, Inc., respectively, newly organized wholly-owned subsidiaries of The Mead Corporation.

The accompanying consolidated statement of net earnings includes the results of operations of all interests combined in the mergers for the years (52 weeks) ended December 25, 1955 and December 26, 1954. The consolidated statement of financial condition at December 26, 1954 presented herein for purposes of comparison has been revised to give retroactive effect to the mergers. It includes all the assets and liabilities of the constituent companies as well as the retroactive reflection of the issuance of 265,727 Common Shares of The Mead Corporation in November 1955 in connection with the mergers including related adjustments to earnings retained in the business.

RICE-STIX, INC.

CR.—$1,481,273—"Unappropriated Income: Gain (net) on disposition of subsidiary companies during the year."

Note 3: During the year 1955, the company disposed of investments in certain subsidiaries, sustaining a loss of $166,500 thereon, and liquidating other subsidiaries, receiving net assets of $1,647,773 in excess of the investment in these liquidated subsidiaries. . . .

SQUARE D COMPANY

CR.—$24,475,921—"Earnings Retained for Use in the Business: Balance at January 1, 1955: Square D Company and consolidated subsidiaries."

CR.—$6,275,991—"Earnings Retained for Use in the Business: Balance at January 1, 1955: The Electric Controller & Manufacturing Company."

DR.—$531,436—*"Earnings Retained for Use in the Business*: Excess of the par value of 318,847 shares of Common Stock of Square D Company (plus $26, paid for one-half share) issuable as result of merger over the par value of 212,565 shares of Common Stock of The Electric Controller & Manufacturing Company received for conversion."

CR.—$289,741—"Earnings Retained for Use in the Business: Additional paid-in capital of The Electric Controller & Manufacturing Company."

Note A: Merger with The Electric Controller & Manufacturing Company—On December 30, 1955, The Electric Controller & Manufacturing Company was merged into Square D Company. As a part of the merger 1½ shares of the Common Stock (a total of 318,847 shares) of Square D will be issued in conversion of each share (a total of 212,565 shares) of the Common Stock of Electric Controller. The accounts of Square D Company and consolidated subsidiaries and of The Electric Controller & Manufacturing Company have been combined in the accompanying financial statements for both 1955 and 1954. Net earnings of Electric Controller were $991,737 for 1955 and $1,003,117 for 1954.

Retained Earnings and Capital Surplus

ANDERSON, CLAYTON & CO.

DR.—$412,471—*"Earned Surplus*: Unappropriated: Transferred to capital surplus in connection with merger of Subsidiary (Note 10)."

CR.—$954,469—"Capital Surplus."

Note 10: As of July 31, 1955, 18,087 shares of capital stock with a par value of $394,296.60 were issued for the account of the minority stockholders of Southland Cotton Oil Company in connection with its merger with the Company. The excess of the book value of net assets acquired over the sum of the par value of the capital stock issued and the cost of the Company's original investment in Southland Cotton Oil Company is included in capital surplus. As a result of these transactions consolidated capital surplus was increased during the year by $954,469.21.

ARDEN FARMS COMPANY

DR.—$567—*"Earned Surplus*: Deficit of previously unconsolidated subsidiary, merged during year."

CR.—$5,124—"Capital Surplus: Arising in merger of previously unconsolidated subsidiary."

AUTOMATIC CANTEEN COMPANY OF AMERICA

CR.—$1,533,622—"Reinvested Earnings: Net earnings for the year—$1,947,387—Less net earnings of The Rowe Corporation and subsidiaries for the period prior to acquisition $413,765."

CR.—$2,604,781—"Reinvested Earnings: Reinvested earnings of The Rowe Corporation and subsidiaries carried forward in merger."

DR.—$686,472—*"Investment in excess of par value of common stock."*

Note 1: Basis of Consolidation—The merger of The Rowe Corporation and Automatic Canteen Company of America, with the latter being the surviving corporation, became effective September 30, 1955.

The accompanying financial statements include all active subsidiaries at October 1, 1955. The accounts of four small subsidiaries were not consolidated for the fiscal year ended October 2, 1954.

The consolidated balance sheet gives effect as of October 1, 1955, to the issuance on October 21, 1955, of the new notes payable under loan agreements and to the repayment of the former term notes payable by the Company and by The Rowe Corporation aggregating $5,983,000.

The statement of consolidated earnings reflects the results of operations of the interests combined in the merger for the fiscal years ended October 1, 1955 and October 2, 1954. In other words, the statement is prepared as if the merger had been effective on October 3, 1953. The statement was prepared by adding to the earnings of Automatic Canteen Company of America and subsidiaries for the fiscal year ended October 1, 1955, and the earnings of The Rowe Corporation and subsidiaries for the nine months ended September 30, 1955, as audited by Peat, Marwick, Mitchell & Co., one-fourth of the earnings of The Rowe Corporation and subsidiaries for the calendar year 1954, as included in that corporation's annual report to its stockholders. Similarly, the earnings for the preceding fiscal year include three-fourths of the earnings of The Rowe Corporation and subsidiaries for the calendar year 1954 and one-fourth of their earnings for the calendar year 1953 as included in the annual reports to stockholders.

In the preparation of the consolidated statements all inter-company sales and other inter-company accounts are eliminated except as to sales to the Company by The Rowe Corporation and subsidiaries. The net profit on such sales applicable to the period of ownership by the Company is not relatively material.

Note 4: . . . excess of the par value of Company's common stock issued in connection with the merger with The Rowe Corporation over applicable portions of par value of capital stock and capital surplus of latter company.

To the Stockholders: The Canteen Rowe Merger—In our last annual report we announced that an agreement had been entered into pursuant to which Automatic Canteen Company of America acquired 262,500 shares of Common Stock, $1 par value, of The Rowe Corporation at a price of $15 per share, representing approximately 52.1% of the outstanding common stock of Rowe.

While a controlling interest in Rowe was obtained by the purchase of this stock, your management considered it in our best interests that Rowe should be entirely integrated with the Company. In order to accomplish this, an Agreement of Merger was adopted by the Boards of Directors of the respective companies which provided, in substance, that: (1) Rowe should be merged into Automatic, with the latter being the surviving corporation; (2) Automatic would acquire all of the assets, property, business and good will of Rowe and would assume all of the liabilities and obligations of Rowe; and (3) except for the shares of Rowe common stock held by Automatic, which would be cancelled upon the merger becoming effective, each share of common stock, $1 par value, of Rowe, would be converted into four-fifths of one share of common stock, $5 par value, of Automatic so that stockholders of Rowe, except Automatic, would be entitled to receive four shares of Automatic common stock for each five shares of Rowe common stock held by them.

At special meetings of the stockholders of Automatic Canteen Company of America and The Rowe Corporation held on September 22nd and September 23rd, respectively, the Agreement of Merger between the two companies was overwhelmingly approved and became effective as of the close of business on September 30, 1955.

BORG-WARNER CORPORATION

CR.—$151,487,852—"Retained Earnings: Amount at December 31, 1954 (including Byron Jackson Co. $6,212,606)."

CR.—$3,226,050—"Capital in Excess of Par Value: Excess of par value of Byron Jackson Co. capital stock over par value of common stock of Corporation exchanged therefor."

Note 1: . . . The statement of consolidated earnings includes the operations of Byron Jackson Co. (merged with the corporation on September 1, 1955) for the entire year 1955.

BROWN SHOE COMPANY, INC.

CR.—$548,000—"Additional Capital: Excess of carrying amount of the net assets of Regal Shoe Company over the par value of Brown Shoe Company, Inc. Common Stock issued therefor, less portion credited to retained earnings."

CR.—$369,648—"Retained Earnings: Portion of Regal Shoe Company's retained earnings carried forward upon its merger into the parent Company as of November 30, 1954."

CARRIER CORPORATION

CR.—$15,657,571—"Capital Surplus: Balance as of beginning of year."

CR.—$9,216,644—"Capital Surplus: Affiliated Gas Equipment, Inc. as of October 31, 1954."

DR.—$7,413,880—*"Capital Surplus*: Excess of par value of shares of Carrier Corporation over par value of shares of Affiliated Gas Equipment, Inc. exchanged therefor, plus expense related to merger."

CR.—$25,078,050—"Earned Surplus: Balance as of beginning of year."

CR.—$6,647,515—"Earned Surplus: Affiliated Gas Equipment, Inc. as of October 31, 1954, as adjusted."

Note 1: Affiliated Gas Equipment, Inc. was merged into the Corporation as of March 1, 1955. In the consolidated balance sheet as of October 31, 1954 the accounts of Carrier Corporation and the former Affiliated Gas Equipment, Inc. have been combined, and this combined balance sheet gives effect, retroactively, to the exchange of stock involved in the merger. The results from operations for 1954 reflect the earnings of Carrier for its fiscal year ended October 31, 1954 and of Affiliated Gas for its fiscal year ended December 31, 1954.

The financial statements of the Corporation for fiscal 1955 include the earnings of Affiliated Gas from November 1, 1954, the beginning of such fiscal period.

COLONIAL STORES INCORPORATED

CR.—$11,457,639—"Earnings Retained and Invested in the Business: Balance at Beginning of Year: Colonial Stores Incorporated."

CR.—$7,226,249—"Earnings Retained and Invested in the Business: Balance at Beginning of Year: Albers Super Markets, Inc."

CR.—$666,073—"Earnings Retained and Invested in the Business: Balance at Beginning of Year: Stop and Shop Enterprises."

DR.—$28,500—*"Earnings Retained and Invested in the Business*: Amount transferred in 1955 to common stock account of Stop and Shop Enterprises in connection with a merger transaction."

CR.—$21,778—"Earnings Retained and Invested in the Business: Net profit of Stop and Shop Enterprises for the 5 weeks ended January 1, 1955."

CR.—$2,489,577—"Capital in Excess of Par Value of Capital Stock: Balance at Beginning of Year: Colonial Stores Incorporated."

CR.—$619,441—"Capital in Excess of Par Value of Capital Stock: Balance at Beginning of Year: Albers Super Markets, Inc."

DR.—$672,028—*"Capital in Excess of Par Value of Capital Stock*: Amount transferred in 1955 to common stock account in connection with business combinations (excess of par value of 442,934 shares of Colonial Stores Incorporated common stock over capital stock accounts of Albers Super Markets, Inc. and Stop and Shop Enterprises)."

Note 1: Business Combinations—As of June 18, 1955 and November 26, 1955, respectively, the businesses, assets and liabilities of Albers Super Markets, Inc. and Stop and Shop Enterprises (an affiliated group of corporations) were combined with those of Colonial Stores Incorporated. In connection with these combinations, Colonial Stores Incorporated issued 442,934 shares of its common stock to such companies or their stockholders.

Accordingly, the financial statements for the year ended December 31, 1955 include the stockholders' equities and operating results of such predecessor companies for the periods prior to the respective dates of the combinations.

CROWN ZELLERBACH CORPORATION

CR.—$141,126,000—"Income Retained in the Business: Balance at the beginning of the year—Crown Zellerbach Corporation."

CR.—$36,671,000—"Income Retained in the Business: Balance at the beginning of the year—Gaylord Container Corporation."

CR.—$34,297,000—"Other Capital: Balance at the beginning of the year—Crown Zellerbach Corporation."

CR.—$12,036,000—"Other Capital: Balance at the beginning of the year—Gaylord Container Corporation."

DR.—$18,422,000—*"Other Capital*: Excess of par value of 2,695,519 shares of Crown Zellerbach common stock over par value of Gaylord common stock at date of merger, plus expenses of merger aggregating $375,000."

Note 1: Basis of Reporting—The accompanying financial statements comprise the consolidated accounts of Crown Zellerbach Corporation and all of its subsidiaries. The amounts for Canadian companies are taken into the statements at parity of exchange.

The presentation of comparative statements at December 31, 1955 and 1954, and for each of the two years then ended, reflects a change in reporting policy; the last previous audited financial statements of Crown Zellerbach Corporation and its subsidiaries were as of April 30, 1955 and for the 12 months then ended.

On November 30, 1955 Gaylord Container Corporation was merged into Crown Zellerbach Corporation. As this merger was based on a pooling of interests, the two companies' amounts of income retained in the business have been combined and the accompanying financial statements include the results of operations of Gaylord for the periods under report.

FOREMOST DAIRIES, INC.

CR.—$1,926,540—"Capital Surplus: Capital Surplus arising from pooling of interests with Western Condensing Company (Note 1)."

DR.—$1,487,045—*"Capital Surplus*: Net adjustments arising in connection with merger with Philadelphia Dairy Products Company, Inc. (Note 1)."

CR.—$5,406,958—"Earned Surplus: Earned surplus of Western Condensing Company, as of April 1, 1955 (Note 1)."

CR.—$2,754,618—"Earned Surplus: Portion of consolidated earned surplus of Philadelphia Dairy Products Company, Inc. as of January 1, 1955 (Note 1)."

Note 1: Principles of Consolidation—Reference should be made to the letter to stockholders and employees appearing elsewhere in this Annual Report for information relating to the simplification of the capital structure during the year and to recent major acquisitions of subsidiaries and affiliates.

The consolidated financial statements include the accounts of Philadelphia Dairy Products Company, Inc. since January 1, 1955, and the accounts of Western Condensing Company since April 1, 1955 (the start of its fiscal year). Substantially all of the common stocks of these two companies were acquired by Foremost during the year 1955 and mergers are being carried out under formal plans presently effective.

The consolidated financial statements also include the accounts of subsidiary companies from the respective dates of their acquisitions.

GENERAL DYNAMICS CORPORATION

CR.—$8,746,080—"Earned Surplus: Merger adjustment: Earned surplus of Stromberg-Carlson Company as at January 1, 1955."

CR.—$1,980,668—"Capital Surplus: Merger adjustment: Capital surplus of Stromberg-Carlson Company as at January 1, 1955."

CR.—$7,950,861—"Capital Surplus: Excess of par value of 71,799 shares of preferred stock of Stromberg-Carlson Company (converted into 100,513 shares of common stock of Stromberg-Carlson Company in 1955 prior to merger) and 509,115 shares of common stock of Stromberg-Carlson Company outstanding at the end of 1954 over par value of 609,628 shares of the Corporation issued in exchange therefor."

Note 1: Merger—Stromberg-Carlson Company was merged with and into the Corporation effective at the close of business June 30, 1955, in accordance with an agreement of merger under which the outstanding shares of Stromberg-Carlson Company common stock at the date of the merger were exchanged for shares of common stock of the Corporation on a share-for-share basis.

To provide a basis for comparison of the consolidated financial position at December 31, 1955, the consolidated balance sheet of the Corporation and its subsidiary and the balance sheet of Stromberg-Carlson Company as at December 31, 1954, have been combined.

The Statement of Consolidated Income combines the consolidated operating results of the Corporation and its subsidiaries for the year 1955 and for the year 1954, with the operating results of Stromberg-Carlson Company for the six months ended June 30, 1955, and the year 1954, respectively.

MOHASCO INDUSTRIES, INC.

CR.—$12,979,273—"Earned Surplus (Deficit): (See below)."

DR.—$12,979,273—*"Capital Surplus*: Transfer of earned surplus (deficit) (to capital surplus) pursuant to Certificate of Consolidation approved by shareowners on December 21, 1955 (Note 1)."

Note 1: Merger of Mohawk Carpet Mills, Inc., and Alexander Smith, Incorporated—Effective December 31, 1955, Mohawk Carpet Mills, Inc. was merged with and into Alexander Smith, Incorporated, as approved by the respective shareowners on December 21, 1955. The surviving corporation was renamed Mohasco Industries, Inc.

In the accompanying financial statements effect has been given to the Agreement of Consolidation and Certificate of Consolidation (filed with the Secretary of State of the State of New York on December 31, 1955) and the related actions of the shareowners, whereby:

(a) The consolidated earned surplus (deficit) of Alexander Smith, Incorporated, as of the effective date of the merger, was eliminated by a charge to the consolidated capital surplus of that company.

(b) All of the shares of both classes of preferred stock of Alexander Smith, Incorporated continued as fully paid preferred stock of Mohasco Industries, Inc.

(c) The common stock of Alexander Smith, Incorporated, comprising 942,925 shares of the par value of $5 per share, continued as fully paid common stock of the par value of $5 per share of Mohasco Industries, Inc. The common stock of Mohawk Carpet Mills, Inc., comprising 531,000 shares of the par value of $20 per share, became 2,124,000 fully paid shares of common stock of the par value of $5 per share of Mohasco Industries, Inc. Accordingly, the aggregate issued and outstanding common stock of Mohasco Industries, Inc. is represented by 3,066,925 shares of a par value of $5 per share; a total of 3,500,000 shares are authorized.

Note 2: Principles of Combination and Consolidation—Mohasco Industries, Inc.:

The accompanying balance sheet of Mohasco Industries, Inc. represents a combination of the consolidated balance sheets of its constituent companies as of December 31, 1955.

Mohawk Carpet Mills, Inc.:

The financial statements of Mohawk Carpet Mills, Inc. and its domestic subsidiaries represent a consolidation of the accounts of the parent company and those of its domestic subsidiaries (all wholly-owned) at December 31, 1955, immediately prior to the merger of the company with Alexander Smith, Incorporated, and for the year then ended. The foreign subsidiary, in which the company's equity is somewhat in excess of the investment cost, is not consolidated.

Alexander Smith, Incorporated:

The financial statements of Alexander Smith, Incorporated and its subsidiaries represent a consolidation of the accounts of the parent company and those of all its subsidiaries at December 31, 1955, immediately prior to the merger of the company with Mohawk Carpet Mills, Inc., and for the year then ended.

MONSANTO CHEMICAL COMPANY

CR.—$100,267,244—"Earned Surplus: Balance at beginning of year."

CR.—$59,223,251—"Earned Surplus: Lion Oil Company."

DR.—$1,574,669—*"Earned Surplus*: Adjustment in valuation of certain assets made incident to merger."

CR.—$32,639,786—"Paid-In Surplus: Excess of stated value of common stock of Lion Oil Company outstanding at the time of merger over the par value of common capital stock issued in exchange therefor."

Financial Review: Consolidated financial statements which combine the accounts of Monsanto Chemical Company and its domestic and Canadian subsidiary companies are presented. . . . They include also for the entire year, the accounts of Lion Oil Company which was merged into Monsanto on September 30, 1955. . . .

PENN-TEXAS CORPORATION

CR.—$22,142,277—"Earned Surplus: Earned surplus of Niles-Bement-Pond Company at January 1, 1955."

DR.—$20,622,629—*"Earned Surplus*: Transfer to capital of earned surplus at September 30, 1955 on merger with Niles-Bement-Pond Company."

CR.—$2,084,681—"Capital Surplus: Excess of par value of company's stock received in exchange for Niles-Bement-Pond Company stock over the cost thereof."

CR.—$253,495—"Capital Surplus: Gain on sale of portion of Niles-Bement-Pond Company capital stock held by Penn-Texas Corporation less applicable taxes."

CR.—$9,663—"Capital Surplus: Excess of liability assumed in connection with purchase of stock over the net settlement thereof."

DR.—$10,508,334—*"Capital Surplus*: Capital surplus as of September 30, 1955 transferred to capital on merger with Niles-Bement-Pond Company."

CR.—$4,528,752—"Capital Surplus: Surplus arising from the election by Niles-Bement-Pond Company's stockholders on or before October 7, 1955 to receive all common stock in lieu of common and preferred stock of Penn-Texas Corporation."

DR.—$3,600,437—*"Capital Surplus*: Excess of par value of Penn-Texas Corporation's preferred and common stocks issued at merger date (September 30, 1955) over the consolidated net assets of the companies which were merged at that date."

Note 1: Mergers and Acquisitions During Year—The operations of Niles-Bement-Pond Company, which was merged into the parent company as of September 30, 1955, are included in the accompanying statements from January 1, 1955. Subsequently the net assets of the former Niles-Bement-Pond Company were transferred to a new wholly-owned subsidiary, Pratt & Whitney Company, Incorporated.

The operations of the former Colt's Manufacturing Company and Liberty Products Corporation, the net assets of which were acquired as of December 2, 1955 and December 12, 1955, respectively, are included from the respective dates of acquisition.

Capital Surplus

THE GENERAL TIRE & RUBBER COMPANY

CR.—$723,177—"Capital Surplus: Excess of net assets acquired in merger over par value of stock and cash given therefor."

HOOKER ELECTROCHEMICAL COMPANY

CR.—$4,728,070—"Capital Surplus: Balance per annual accounts at November 30, 1954, transferred from capital arising from conversion of Cumulative Second Preferred Stock."

CR.—$1,181,016—"Capital Surplus: Excess of par value of capital stock of Niagara Alkali Company over par value of 958,577 shares of common stock of Consolidated Corporation (less $17,209 arising from cancellation of shares of Niagara owned by Hooker)."

DR.—$3,992,854—*"Capital Surplus*: Excess of par value of 1,650,000 shares of common stock of Consolidated Corporation over the par value of shares of Durez Plastics and Chemicals, Inc. exchanged therefor; less $1,507,146 capital surplus of Durez."

DR.—$277,838—*"Capital Surplus*: Expenses of consolidations (partly estimated)."

Note 1: As of April 29, 1955, and November 30, 1955, respectively, Durez Plastics & Chemicals, Inc. and Niagara Alkali Company were consolidated with Hooker Electrochemical Company. The accounts of the companies have been combined under the accounting principle which recognizes such consolidations as pooling of interests.

Inasmuch as the accounts of Durez have been regularly maintained on a quarterly rather than a monthly basis, with annual closings as of December 31 each year, it has been necessary to restate income and earned surplus insofar as it applies to the operations of that company to a fiscal year ended November 30. Such restatement has been made by reallocation of sales, cost of sales and other expenses for the month of December to fiscal years ended November 30. Cost of sales and other expenses have been arrived at by considering them to be the same percentage of sales for December as such costs and expenses were to sales for the quarter ended December 31. A similar adjustment has been made with respect to inventories at November 30, 1954.

HOUDAILLE INDUSTRIES, INC.

DR.—$1,060,000—"*Capital in Excess of Par Value of Capital Stock*: Transfer to common stock of amount representing the excess of the aggregate par value of 397,500 shares of Houdaille Industries, Inc. common stock issued in connection with the acquisition of the net assets of Frontier Industries, Inc. over the aggregate par value of Frontier Industries, Inc. capital stock exchanged therefor."

INDIAN HEAD MILLS, INC.

CR.—$142,389—"Capital Surplus: Excess of equity acquired in merger over the par value of common stock issued."

CR.—$248,993—"Capital Surplus: Excess of par value over provision for appraisal claims in respect of 34,062 shares of old capital stock formerly held by dissenting stockholders (Note A)."

Note A: Merger—At special meetings of stockholders of Naumkeag Steam Cotton Company and Indian Head Mills, Inc., both of which were held February 14, 1955, it was voted to merge Indian Head Mills, Inc. with and into Naumkeag Steam Cotton Company. Upon effectiveness of the merger, among other things,

a. Naumkeag Steam Cotton Company assumed all the assets and liabilities of Indian Head Mills, Inc. and changed its name to Indian Head Mills, Inc.
b. The Company increased its authorized capital stock to 246,055 shares of $1.25 cumulative preferred stock (par value $20.00 per share) and 1,000,000 shares of common stock (par value $1.00 per share).
c. The Company issued shares of $1.25 cumulative preferred stock upon conversion of the outstanding shares of capital stock ($20.00 par value) of Naumkeag Steam Cotton Company after cancellation of 789 shares held in Treasury.
d. The Company issued 229,000 shares of common stock ($1.00 par value) upon conversion of the outstanding 229,000 shares ($1.00 par value) of Indian Head Mills, Inc.

There are outstanding demands of six former holders of 34,062 shares of Naumkeag Steam Cotton Company capital stock, who voted against the merger, for payment of such shares. These demands aggregate $851,550 at the demand price of $25.00 per share (including one demand in an unspecified amount relating to 100 shares). The Company has offered $12.69 per share to these claimants. The Board of Directors has authorized the establishment of a reserve to be used for such purpose in the amount of $432,246.78. Where the parties fail to agree, Massachusetts law provides that the value of these former shares be ascertained by three disinterested appraisers. The Company regards its offer of $12.69 as fair. The status of shares of preferred stock otherwise issuable to these six claimants is not clear under Massachusetts law, but for purpose of simplification the Company treats them as authorized but unissued.

SUNRAY MID-CONTINENT OIL COMPANY

CR.—$94,599,068—"Capital in Excess of Par Value of Stock: Balance at Beginning of Year: Sunray Oil Corporation."

CR.—$15,941,196—"Capital in Excess of Par Value of Stock: Balance at Beginning of Year: Mid-Continent Petroleum Corporation."

DR.—$61,960,866—"*Capital in Excess of Par Value of Stock*: Excess of par value of Sunray stock issued in merger over par value of Mid-Continent stock retired."

DR.—$434,805—"*Capital in Excess of Par Value of Stock*: Expenses in connection with the merger."

Financial Comments: Accounting Policies—The financial statements include the accounts of all subsidiaries more than 50 per cent owned.

On May 16, 1955, Mid-Continent Petroleum Corporation was merged into Sunray Oil Corporation and the name of the continuing company was changed to Sunray Mid-Continent Oil Company. A wholly-owned subsidiary, D-X Sunray Oil Company, was organized to carry on the refining and marketing activities of the two companies. The statement of income combines the operations of the two companies prior to their merger as though they had pooled their respective interests at January 1, 1955.

TEXTRON AMERICAN, INC.

CR.—$25,992,608—"Paid-In Surplus: Amount resulting from merger with American Woolen Company and Robbins Mills, Inc."

Notes to Financial Statements: On February 24, 1955 American Woolen Company and Robbins Mills, Inc. were merged with and into Textron Incorporated and the name of the surviving corporation became Textron American, Inc. Under the terms of the merger agreement the Company issued $21,392,595 principal amount of 5% subordinated sinking fund debentures, 333,728 shares of $1.25 convertible preferred stock and 1,562,736 shares of common stock in exchange for the capital stock of American Woolen Company and Robbins Mills, Inc. (except shares held by the Company). After allowing for expenses in connection with the merger and the cost of the investment of Textron Incorporated in these companies, the net assets of American Woolen Company and Robbins Mills, Inc. were $25,922,608 in excess of the par or stated value of the securities issued to their stockholders, which amount was credited to paid-in surplus.

LIQUIDATION OF SUBSIDIARY

Retained Earnings

CORN PRODUCTS REFINING CO.

DR.—$3,805,754—"*Earned Surplus*: Adjustments arising from acquisition and liquidation of subsidiaries."

(Refer also to example, this section, under *Capital Stock Issued In Acquisition of Subsidiaries.*)

SUBSIDIARY OR AFFILIATE INCOME OR EARNINGS

Retained Earnings

AVON PRODUCTS, INC.

DR.—$12,464—"*Earnings Retained in Business*: Deficit of Avon Cosmetics, S. A. (1954 operations)."

BURROUGHS CORPORATION

DR.—$681,303—"*Income Invested in the Business*: Earnings in 1955 of two subsidiary companies prior to their acquisition in 1955."

(Refer also to example, this section, under *Capital Stock Issued In Acquisition of Subsidiaries.*)

CRUCIBLE STEEL COMPANY OF AMERICA

CR.—$858,552—"Retained Earnings: Equity in prior earnings of Midland Coke Company."

Note: Investments in Affiliated Companies— . . . The voting preferred stock of Midland Coke Company was acquired in 1955 and the accounts of that company are included in the consolidated statements for that year.

DECCA RECORDS, INC.

DR.—$195,239—"*Earned Surplus*: Reduction in equity attributable to cost of warrants purchased by Universal Pictures Company, Inc. charged to earned surplus."

GENERAL ELECTRIC COMPANY

DR.—$1,169,683—"*Reinvested Earnings*: Undistributed earnings of nonconsolidated affiliates (Notes 4 and 10)."

Note 4: Investments—Carrying values of investments in nonconsolidated affiliates represented the sum of outstanding advances to, and equity in the net worth of, each nonconsolidated affiliate at the close of the year. The net worth of each nonconsolidated affiliate was determined on the same accounting basis as was employed by the consolidated companies, including (a) the elimination of unrealized intercompany profits, and (b) the application of safety factor discounts to foreign currency values.

In addition to advances made to nonconsolidated affiliates included in investments, there were also amounts due on open account included in Receivables totaling $57,970,288, $54,730,167, and $54,078,578 at the end of 1955, 1954, and 1953 respectively.

Amounts due to nonconsolidated affiliates included in Accounts

Payable totaled $3,261,744, $4,078,458, and $3,923,367 at December 31, 1955, 1954, and 1953.

Borrowings by domestic nonconsolidated affiliates from outside sources as of December 31, 1955, amounted to $155,299,500 borrowed by General Electric Credit Corporation and $85,550,000 by General Electric Distributing Corporation.

Investment in General Electric Common Stock represented the cost of 577,947 shares held for corporate purposes on December 31, 1955, the aggregate quoted market value of which was $33,376,439.

Miscellaneous securities were valued at cost except for certain investments which were written off some years ago as war losses and have subsequently been recovered in part. On December 31, 1955, their estimated market or fair value was $32,434,307.

Note 10: Undistributed earnings represented the difference between the equity (as determined on the basis described in Note 4) of the consolidated companies in the net earnings or losses of, and the dividends from, the nonconsolidated affiliates.

Capital Surplus

ARMOUR & COMPANY
CR.—$653,715—"Capital and paid-in surplus: Foreign subsidiaries (undistributed earnings)."

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LTD.
CR.—$429,919—"Capital Surplus: Gain from sale by a subsidiary of 5,856 shares of common stock and 7 shares of $100 par preferred stock of the Company."

EMPLOYEE STOCK PLANS

Stock Options

Additional reports which disclosed stock options include the following companies: *Co. Nos. 4, 17, 36, 47, 62, 76, 143, 153, 158, 165, 178, 186, 218, 224, 233, 236, 276, 306, 309, 320, 347, 352, 364, 377, 382, 388, 406, 413, 419, 440, 444, 446, 457, 473, 475, 477, 516, 520, 526, 528, 544, 592 595.

Capital Surplus

ALLEGHENY LUDLUM STEEL CORPORATION
CR.—$158,000—"Capital Surplus."

Note 4: Capital Surplus—During the year 1955, 88.346 additional shares of common stock were issued as a result of conversions of preferred stock and the exercise of options under the employees' stock option plan. The increase in capital surplus resulting from these transactions is shown. . . . Excess of the option price of $40.50 over the par value of 4,000 shares common stock issued under employees' stock option plan.

ALLIED CHEMICAL & DYE CORPORATION
CR.—$1,256,093—"Capital Surplus."

Notes to Financial Statements: . . . balance of the increase resulted from sale to employees of 20,248 shares under the incentive stock option plan. No options were granted during the year and the unexercised portion of options previously granted, after adjustment for stock dividend, was 55,153 shares at December 31, 1955.

ALUMINUM COMPANY OF AMERICA
CR.—$4,920,059—"Additional Capital: Excess of amounts received over the aggregate par value of Common Stock issued under Employees' Stock Option Plan (Note F)."

Note F: Employees' Stock Option Plan—On May 15, 1952 and February 26, 1954, options were granted under an employees' stock option plan entitling the holders thereof to acquire common stock at a price equal to at least 95 per cent of the fair market value on the dates the options were granted. Such options covered 1,057,600 shares at a price of $17.6875 per share and 174,700 shares at a price of $29.375 per share. At December 31, 1955, options for 819,263 shares had been exercised and options for 5,406 shares had been canceled or expired, leaving unexercised options for 407,631 shares. In addition, 729,398 shares were reserved for issuance under the plan for which options had not been granted, making a total of 1,137,029 shares of common stock, reserved at December 31, 1955. Amounts and shares shown above are after giving effect to the stock split-ups in 1953 and 1955.

AMERICAN VISCOSE CORPORATION
CR.—$10,000—"Capital in excess of par value."

Note 4(b): . . . Issued 977 shares during the year under stock options.

Note 4(c): Stock Options—The shareholders approved a plan in 1950 providing for the grant of options to officers, executives and key managerial employees to purchase 100,000 common shares. Pursuant to this plan, options for 100,000 common shares were granted and proportionate adjustment was made in respect of options which had not been exercised at the time of distribution of the 25% stock dividend in November, 1955.

The options were granted at prices ranging from $28.60 to $48.40, representing the market prices of the stock on the date of grant of the options (after adjustment for the 25% stock dividend).

At December 31, options to purchase 117,036 shares were outstanding, of which 56,651 were exercisable at that date. In 1955, options for 877 shares were exercised at a price of $35.75 (prior to the stock dividend) and 100 shares were exercised at a price of $28.60 per share (after adjustment for the stock dividend).

One-seventh of the shares under each option is exercisable on and after each anniversary date of the option except options to employees expected to retire in less than seven years from the date of the grant.

AUTOMATIC CANTEEN COMPANY OF AMERICA
CR.—$1,106,068—"Investment in Excess of Par Value of Common Stock."

Note. 4: Investment in Excess of Par Value of Common Stock—The net increase during the fiscal year ended October 1, 1955 is summarized as follows:

Excess of amounts paid in for common stock sold under subscription rights and employees' options, and to underwriters, over the par value of such shares, net of expenses of $118,024	$1,106,068

General Comments: Under the Company's stock option plans there were 20,560 shares under option at the end of the last fiscal year, and options for 2,100 shares had been forfeited. During the current fiscal year options were granted for the purchase of 5,000 shares, of which 2,000 were from options previously forfeited. Options for 6,317 shares were exercised and options with respect to 200 shares were forfeited. At October 1, 1955, there were 19,043 shares under option and 300 shares, on which options had been forfeited, for which options can be granted.

In conjunction with the agreements leading to the merger of The Rowe Corporation with Automatic, the Company granted restricted stock options for the purchase of 27,500 shares of its $5 par value common stock to four of the principal executive officers of Rowe. The options must be exercised within three years of the date they were granted at a price equivalent to 95% of the mean market price as reported on the New York Stock Exchange on the dates the options were granted. As of October 1, 1955, no options with respect to these shares had been exercised.

The Rowe Corporation had granted options with respect to 16,500 shares of its $1 par value common stock to certain key employees of its subsidiaries. These options, none of which had been exercised as of October 1, 1955, may be exercised for the Company's $5 par value common stock on the basis of four-fifths of a share of Automatic stock for each share of Rowe stock which the option holders are entitled to purchase.

AVON PRODUCTS, INC.
CR.—$150,040—"Capital Surplus: Excess of option price over par value of Common Stock issued pursuant to stock option plans."

Notes to Financial Statements: . . . During 1955, the Stockholders authorized setting aside 20,000 shares of Common Stock for options to officers and key employees. Options for 15,000 shares have been granted, of which options for 1,700 shares have been exercised. Under an earlier plan, options for 360 shares have not been exercised.

BENDIX AVIATION CORPORATION
CR.—$571,628—"Capital Surplus: Excess of sales price over par value of common stock sold to employees under Stock Option Plan."

Note 8: Capital Stock and Surplus—As of March 4, 1955, the common stock of the Corporation was split on a 2-for-1 basis.

*Refer to Company Appendix Section.

On November 29, 1955, the Corporation's Board of Directors declared a 5% stock dividend on the outstanding common stock. The stock dividend is payable January 21, 1956 to stockholders of record on December 9, 1955. In connection with the payment of the stock dividend the earned surplus account will be charged and the capital stock and capital surplus accounts will be credited in the total amount of $12,797,848, representing the total number of shares to be issued as a stock dividend, based on the shares outstanding at September 30, 1955, at the closing market price of $56 a share on November 28, 1955.

Under a Stock Option Plan, approved by the stockholders on February 27, 1952, and after giving effect to the stock dividend described in the preceding paragraph, the number of shares reserved for issuance to eligible employees will be increased from 174,702 shares at September 30, 1955 to 183,437 shares. At September 30, 1955, after adjustments for a stock dividend paid during the year ended September 30, 1954 and the stock split during the current year, options had been granted and were unexercised for 62,304 shares at $26.43 per share and 8,100 shares at $47.18 per share, which may be exercised through November 23, 1962 and November 16, 1964, respectively. During the year ended September 30, 1955 options were exercised before the stock split for 10,952 shares at $52.85 per share and after the stock split for 2,220 shares at $26.43 per share.

BORG-WARNER CORPORATION

CR.—$1,902,748—"Capital in Excess of Par Value: Excess of option price over par value of 90,844 shares of common stock of Corporation and 7,818 shares of Byron Jackson Co. common stock (prior to merger) issued under stock option plans."

Note 6: A restricted stock option plan, approved by the stockholders of the corporation April 25, 1952, authorized the granting of options to officers and key employees to purchase up to 450,000 shares of the corporation's unissued common stock at a price not less than 95% of the fair market value of such shares at the time of granting the option. At December 31, 1955 options expiring June 30, 1958 had been granted for the purchase of 338,308 shares at prices of $22.92, $23.75, $25.96, and $41.50. Options had been exercised for 171,296 shares at December 31, 1955. In addition, the corporation has assumed the obligation under the Byron Jackson Co. option plan and substituted options expiring at various dates through April 23, 1958 for 12,561 shares at $28.075 per share (subject to possible minor upward adjustment) to certain Byron Jackson Co. employees in replacement of options held by them to purchase shares in that company.

BROWN SHOE COMPANY, INC.

CR.—$129,857—"Additional Capital Paid-In: Excess of option price over par value of 9,205 shares of Common Stock issued under stock option plan."

Note A: Ten year options to purchase in annual installments, commencing eleven months after granting, an aggregate of 55,935 shares of common stock of the Company were held at October 31, 1955 by certain of the Company's employees including directors and officers. The options were granted over a period of years at market prices at dates of granting ranging from $26.00 to $83.00 a share. At October 31, 1955, options for 8,155 of such shares were exercisable at prices ranging from $26.00 to $81.25 a share. During the year options for 9,205 shares were exercised by the optionees at prices ranging from $24.00 to $79.50 a share.

THE BRUNSWICK-BALKE-COLLENDER COMPANY

CR.—$4,201—"Capital Surplus: (the increase in 1955 of $323,543 is the excess of market over stated value of common stock distributed as a stock dividend and 600 shares of common stock sold under the stock option plan)."

Note 3: On November 2, 1954, the Board of Directors authorized 27,500 shares of common stock for sale to officers and key employees. This stock option plan was approved by the stockholders at the annual meeting on April 18, 1955. The number of authorized shares has since increased to 28,845 through the distribution of a 5% stock dividend in 1955. At December 31, 1955, options on 21,180 shares have been granted to officers and employees at a price of 85% of the market value at date of grant, and options on 20,580 have not yet been exercised.

COLONIAL STORES INCORPORATED

CR.—$274,366—"Capital in Excess of Par Value of Capital Stock: Excess of consideration received over par value of common stock issued to employees (including shares issued upon exercise of options—Note 5)."

Note 5: Options to Purchase Common Stock—Pursuant to authorization by the Board of Directors, options were granted in 1950 to certain executive employees of the company to purchase an aggregate of 19,800 shares of the authorized but unissued common stock of the company at $25.21 per share. Such options were exercisable when granted; they expire on December 31, 1960 or at such earlier dates as the optionees cease to be employees of the company. The quoted market value of the common stock at the date the options were granted was $29.58 per share.

During the year 1955, options relating to 2,272 shares were exercised at the option price of $25.21 per share. The excess ($9,929) of the quoted market value of such shares at the date the options were granted over the option price is included among the operating expenses of the year. At December 31, 1955 there remained unexpired options relating to 11,525 shares which have since been exercised.

Subject to approval by a majority vote of the stockholders at their next annual meeting, additional options were granted in 1955 to certain executive employees of the company to purchase an aggregate of 20,000 shares of the authorized but unissued common stock of the company at $48.50 per share. Such options are exercisable on and after January 1, 1957; they expire on November 8, 1965 or at such earlier dates as the optionees cease to be employees of the company. The quoted market value of the common stock at the date the options were granted was $51.00 per share.

CONTINENTAL OIL COMPANY

CR.—$498,413—"Capital Surplus."

Note 3: The Company has had in effect since June 1, 1952 a restricted stock option plan for officers and key employees (the President and the Chairman of the Board waived all rights to participate). Under the Plan, options running not longer than ten years may be granted at not less than 95% of the market value on the date of the grant. Options are generally not exercisable until at least two years after they are granted. Of the maximum of 300,000 shares which may be optioned under the Plan, options for 109,175 shares were granted to December 31, 1955. At that date, options for 99,625 shares were outstanding of which options for 76,175 shares were then exercisable. During 1955, options for 9,550 shares were exercised, the excess ($498,413) of the option price over the par value thereof being credited to capital surplus. The Company has agreed with an officer under an employment contract that if he remains with the Company he is to be granted an option for 5,000 shares on March 1, 1956.

CROWN ZELLERBACH CORPORATION

CR.—$1,584,000—"Other Capital: Proceeds in excess of par value of common stock sold under Selected Employees Stock Option Plan."

Note 6: Common Stock—Under the Selected Employees Stock Option Plan four series of options to purchase common stock have been granted. Authorized and unissued common shares reserved for issuance on exercise of options at December 31, 1955 were as follows:

Dates options granted	Number of shares	Option prices
October 23, 1951	23,650	$16.59
February 10, 1953	28,805	20.00
August 3, 1954	52,275	32.17
August 30, 1955	18,000	50.12
Total	122,730	

Option prices were not less than 95% of market prices on the dates options were granted. Each option is exercisable in whole, or in part, any time within 10 years after grant, except that (1) no option is exercisable after termination of employment other than, for specified limited times, in the event of death or approved retirement, and (2) options dated August 3, 1954 and August 30, 1955 are exercisable only after two years from date of grant, and then at the maximum rate of 20% per annum, cumulatively.

FREEPORT SULPHUR COMPANY

CR.—$ Amount Indeterminable—"Excess of amount paid in over par value of common stock."

Note 4: In order to provide additional capital to assist in plans to expand its earnings, the Company, in July 1955, sold 100,000 shares of its previously authorized but unissued capital stock to a small number of investors at $80 per share, which was approximately the market price at the time of sale.

Under a Key Employees' Stock Ownership Plan approved by the stockholders in 1954, the Board of Directors is authorized to grant to key employees rights to purchase up to 100,000 shares of the Company's common stock. Under the Plan the price at which each right is granted is the higher of (a) the last sale price on the New York Stock Exchange on the day such right is granted, or (b) the average of the daily last sale prices during the preceding 30 days. The shares subject to each right to purchase become purchasable in annual installments over a period of 10 years. The first installment consists of 10 per cent of the shares subject to the right and becomes purchasable one year after the right is granted. An additional installment of 10 per cent becomes purchasable at the end of each of the following seven years, and the final installment of 20 per cent becomes purchasable nine years after the right is granted. During 1955 options for 85 shares were exercised at $60.63 per share. At December 31, 1955, options to purchase a total of 62,365 shares were outstanding at prices ranging from $60.63 to $97.88 per share. Of this total, 5,055 shares had on December 31, 1955, become purchasable at a price of $60.63 per share. No options have been granted to the Chairman of the Board or the President.

GENERAL CABLE CORPORATION

CR.—$3,907,561—"Capital Surplus: Adjustment arising from conversion of Second Preferred Stock and exercise of stock options."

Note 6: On April 14, 1954 the stockholders approved the adoption of a Stock Option Plan for certain officers and key employees of the Corporation under which options could be granted from time to time to purchase Common stock of the Corporation not to exceed 150,000 shares in the aggregate. These shares are issuable from authorized but unissued or reacquired shares. The option price is the fair market value of the stock as of the date each option is granted. During the years 1954 and 1955 options were granted for a total of 145,750 shares of which 74,050 shares have been issued from the authorized but unissued Common stock of the Corporation.

THE GILLETTE COMPANY

CR.—$1,215,050—"Additional Paid-In Capital: Add amounts arising from issue of common stock under stock options (Note 4)."

Note 4: The status at December 31, 1955 of the options granted pursuant to the Company's Employee Stock Option Plan was as follows:

The Stock Option Plan adopted in March 1952 and extended in March 1955 authorized the grant prior to December 31, 1959 of options to purchase an aggregate of 200,000 shares of the Company's common stock. The Plan provides for proportionate adjustment in the number of shares to be received on the exercise of options to reflect common stock dividends paid after the grant of an option; accordingly, optionees holding options granted prior to September 16, 1955, but exercised subsequently, will receive twice the number of shares specified in the option because of the two-for-one stock split effected in the form of a 100% stock dividend paid to stockholders of record on that date.

Shares of common stock issued pursuant to the exercise of stock options were as follows:

The aggregate price for the 126,400 shares of stock issued in 1954 and 1955 was $3,639,950. Of this amount $2,966,786 was received in cash and the balance of $673,164 (included in the consolidated balance sheet in the amount shown under "Due from Employees") represents the balance outstanding on December 31, 1955 of the purchase price for the shares being paid for in instalments by those optionees who elected that method of payment. The $1,215,050 added to paid-in capital in 1955 represents the excess of the purchase price over the aggregate par value, $53,900, of the stock issued during 1955.

Options for an additional 51,600 shares (exclusive of the two-for-one stock split), being the remainder of the 200,000 shares originally authorized by the stockholders, may be granted prior to December 31, 1959 at not less than 95% of the market price for the stock on the date of grant. Although the Company believes that the Plan in its present form permits proportionate adjustment of the authorized amount to reflect the stock split of September 16, 1955 and accordingly authorizes the grant of options for 103,200 shares on the present basis (the equivalent of 51,600 available prior to the stock split), counsel has advised that the Plan be amended to make this clear. The Board of Directors has recommended that the Plan be amended in this respect and a clarifying amendment will be submitted to a stockholder vote at the Annual Meeting in March 1956. Options run for a seven-year period but no option may be exercised for at least eighteen months after the grant of the option.

Options granted but not exercised at December 31, 1955 for 33,200 shares, and options for the 51,600 shares not granted at December 31, 1955 together account for 84,800 shares, which when adjusted for the two-for-one stock split, represent the 169,600 shares of authorized but unissued common stock reserved under the Stock Option Plan.

HUDSON PULP & PAPER CORP.

CR.—$304,510—"Capital Surplus: Excess of proceeds over par value of 18,500 shares of Common Stock, Class A, issued to executives of the Company during the year, pursuant to the Stock Option Plan."

Note E: During the year ended August 31, 1955, the Company issued the following capital stock: 18,500 shares, Common Stock, Class A, upon the exercise of options (expiring April 1955) by certain executives of the Company, excluding directors, granted under a Stock Option Plan. Outstanding under the Plan at August 31, 1954 were options for 19,000 shares at the option price of $17.46 per share, being 95% of the fair market value at the date the options were issued. At August 31, 1955 there were no options outstanding. The excess of the option price over the par value of $1 per share of the shares issued, aggregating $304,510, was credited to Capital Surplus. The aggregate market value of the shares as at the dates the options were exercised approximated $518,000 ($28 per share).

JONES & LAUGHLIN STEEL CORPORATION

CR.—$1,815,000—"Capital in excess of par value."

Note F: Shareholders' Investment—At December 31, 1955, 198,850 shares of common stock were subject to options to purchase by certain officers and other key employes at prices ranging from $27.94 to $50.00 per share. Of the shares subject to outstanding options, 30,900 shares were covered by options granted in 1955, which do not become exercisable until various dates in 1956. During 1955, options for 101,150 shares were exercised at a price of $27.94 per share, and the excess ($1,815,000) of the proceeds over par value was credited to capital in excess of par value.

The indenture for the first mortgage bonds and the bank credit agreements provide certain restrictions on the payment of dividends. At December 31, 1955, $65,000,000 of income retained in the business was free of these restrictions.

The shares of common stock in the treasury have been contingently credited to the accounts of certain officers as a part of a deferred rewards fund.

KELLOGG COMPANY

CR.—$163,350—"Other Capital."

Note 5: Options were granted as of December 21, 1953 to certain officers and employees of the company and its subsidiaries for the purchase of 68,200 shares of common stock at $21.8875 per share (85% of fair market value as determined by Managers under the Option Plan). Each option was for 10 years from date of grant and 20% of the number of shares may be purchased at any time after the end of one year following the date of grant and 10% after the end of each succeeding year but only while the optionee is employed by the company or its subsidiary companies or within 90 days after termination of employment. In the event of the death of the optionee while in the employ of the company or its subsidiary companies, or within 90 days after cessation of such employment, the option shall be exercisable by his heirs or legatees within 180 days after his death but only to the extent he is entitled to exercise the option at the date of his death. At December 31, 1955 the quoted market price exceeded the option price. The difference between the option price of $21.8875 and fair market value as of the date of granting the options is being charged to income in equal annual installments over a ten-year period. To December 31, 1955 options for 10,918 shares had been exercised and options for 1,820 shares had been surrendered or terminated without having been exercised. The excess of market value, at the date of granting the options, over par value of shares exercised has been credited to other capital. Options for 55,462 shares were outstanding at the year end.

MONSANTO CHEMICAL COMPANY

CR.—$2,495,813—"Paid-In Surplus: Excess of amounts received over the par value of common capital stock issued under stock option plan."

Financial Review: . . . Ninety options to purchase 503,947 shares of the company's common stock were outstanding on December 31, under the Stock Option Plan authorized by shareowners. Option prices range from $28.27 to $46.00 a share, representing the closing prices of the stock on the New York Stock Exchange on the dates options were granted. The prices have been adjusted for the 3-for-1 split of July 11, 1955 and the two per cent stock dividend paid December 20, 1955. Options covering 92,145 shares were exercised during 1955.

THE NEW YORK AIR BRAKE COMPANY

CR.—$11,121—"Capital Surplus: Excess of amount received for 800 shares of Common Stock issued pursuant to stock option agreement over par value thereof—see Note B to Balance Sheet."

Note B: At December 31, 1955, the Company had reserved 48,700 unissued shares of Common Stock under Incentive Stock Option Plan for Executives and Key Employees. During 1952, the Company granted an option with cumulative provisions to purchase, beginning in 1953, 1,000 shares each year for seven years at a price of $18.90 per share (not less than 95% of market at date of grant), 1,300 shares of which have been exercised.

PARKE, DAVIS & COMPANY
CR.—$122,449—"Additional Paid-In Capital."

Within "Stockholders Investment: Additional paid-in capital including $122,449 added in 1955 with respect to stock options."

Note C: Stock Options—At December 31, 1955, all of the authorized but unissued shares of Capital Stock (96,979) and such shares of the treasury stock which might not be purchased under options previously granted (a maximum of 1,440 shares) are reserved for the Executive Stock Option Plan.

At December 31, 1955, options were outstanding for 49,074 shares at $29.12 and 2,100 shares at $35.49 a share, being 85% of the highest market price at the dates the options were granted. Options for 6,178 shares were exercised during 1955 and options for 8,208 shares were exercisable at the end of the year.

In addition an option granted to an officer in 1950 was outstanding at December 31, 1955, for 750 shares of treasury stock at $31.99 a share. Under this option, 250 shares were purchased during 1955.

PITTSBURGH PLATE GLASS COMPANY
CR.—$2,883,580—"Capital Contributed for Stock in Excess of Par Value."

Note 4: Under the provisions of a Stock Option Plan effective in 1952, 450,000 shares of the Company's capital stock were reserved for the granting of options to employees. An additional 10,699 shares were reserved in 1955 as a result of a 5% stock dividend. At December 31, 1955 there were outstanding options expiring in 1957 on 88,104 shares of capital stock at $39.43 per share (adjusted for the stock dividend in 1955), and the employees had made partial payments thereon aggregating $906,144. During 1955, 97,981 shares were issued on the exercise of similar options, making a total of 226,224 shares which had been issued to December 31, 1955 under the Employees' Stock Option Plan.

THE PROCTER & GAMBLE COMPANY
CR.—$2,855,292—"Additional Paid-In Capital."

Note 2: Under the Stock Option Plan, adopted by the shareholders on October 9, 1951, ten year options were granted on April 28, 1952, January 26, 1953, and October 19, 1954, to certain officers and employees to purchase common shares of the Company at the market price on the granting dates. At June 30, 1955 options were outstanding in respect to 51,237 shares at $64.75 per share, 116,095 shares at $67.375 per share and 53,875 shares at $89.625 per share. During the year ended June 30, 1955 options were exercised and shares issued to the extent of 29,483 shares at $64.75 per share, 15,805 shares at $67.375 per share and 25 shares at $89.625 per share. Of the proceeds received $120,835 was allotted to common share capital and $2,855,292 to additional paid-in capital.

SONOTONE CORPORATION
CR.—$74,972—"Additional Paid-In Capital: Excess of proceeds of sale of 25,000 shares of common stock over par value thereof (Note 3)."

Notes to Financial Statements: On February 9, 1955, the President exercised his option to purchase from the Company, at $4.00 per share, 25,000 of its authorized and unissued shares of common stock. The closing price of the common stock on the American Stock Exchange on the date of exercise was $5.00. The option was granted to the President on September 26, 1950, at which time the closing market price of the common stock on the American Stock Exchange was $3.87½. There are presently no outstanding options.

STANDARD BRANDS INCORPORATED
CR.—$98,075—"Capital Surplus: Excess of proceeds over stated value of 6,400 shares of common stock issued under stock option agreements."

Note 1: At December 31, 1955, options to purchase 37,950 shares of common stock are held by officers and key employees at option prices which represent market prices at time of grant. During the year, options for 26,000 shares were granted, and 6,400 shares were issued upon exercise of options.

UNION OIL COMPANY OF CALIFORNIA
CR.—$51,055—"Credits in excess of par or stated value of shares issued: Option prices ($29.85 and $49.125 per share) in excess of par value of common shares sold (Note 4)."

Note 4: Common Shares Reserved—Authorized and unissued Common Shares at December 31, 1955, include 1,015,400 shares reserved for issuance upon exercise of conversion rights of the $60,000,000 3% Convertible Debentures (Subordinate) and 270,650 shares reserved for issuance and sale to officers and employees pursuant to options which have been or may be granted to them by the Board of Directors.

At the end of 1955, outstanding options held by officers and key employees covered 30,250 common shares at $29.85 per share, 84,150 common shares at $44.66 per share and 50,416 common shares at $49.43 per share, the latter having been granted during 1955; such common shares and prices per share, which initially were the market prices at the time of granting of the several options, reflect adjustment, where applicable, to give effect to the share dividends declared in 1955 and 1953 in accordance with the terms of the option agreements. Such option agreements contain certain termination provisions in the event of termination of employment, etc., and may be proportionately exercised, cumulatively, over their exercisable periods, which in no case exceeds ten years. During 1955, options were exercised with respect to 6,050 common shares at $29.85 per share and 900 common shares at $49.125 per share, the latter price per share being that effective prior to the declaration of the share dividend in November 1955, and options were terminated with respect to 3,520 common shares as a result of the holders thereof leaving the employ of the Company.

THE WAYNE PUMP COMPANY
CR.—$84,870—"Other Capital."

Note 8: Stock Options—Options granted in 1952 and extending to 1962 to purchase 9,020 common shares were held by an officer and five key employees at November 30, 1955. The option prices, $12.50 as to 8,720 shares and $13.25 as to 300 shares are not less than 95% of the fair market value of the shares at the grant dates. Options for 7,380 shares were exercised in 1955 for $92,250 when their market value was $139,000.

THE YALE & TOWNE MANUFACTURING COMPANY
CR.—$132,550—"Capital Surplus."

Note 8: Officers' and Employees' Stock Option Plan—Under the Officers' and Employees' Stock Option Plan, options covering 10,000 shares are outstanding at December 31, 1955, such options having been granted: in 1951, 500 shares at a price of $43.50 per share; and in 1953, 9,500 shares at a price of $38.25 per share. The option price per share, payable in full at the time of purchase, may not be less than the closing price on the New York Stock Exchange on the day preceding the day of granting of such option. Three years of consecutive employment must elapse after granting an option before it may be exercised. Within the next ensuing two years it may, under certain conditions, be exercised in whole, or from time to time in part. No additional options were granted during 1955. During 1955, options covering 10,800 shares were exercised at an average price of $37.27, and at December 31, 1955 options for 500 shares are exercisable.

Restricted Stock Options

Additional reports which disclosed Restricted Stock Options include the following: *Co. Nos. 105, 200, 203, 252, 295, 366, 369, 398, 433, 449, 471, 490, 492, 511, 563, 573.

Capital Surplus

BELL AIRCRAFT CORPORATION
CR.—$329,394—"Capital Surplus: Excess of amounts paid in over par value of shares of common stock issued under restricted stock option agreements, and employees' stock purchase plan (Note 3)."

Note 3: Common Stock—At December 31, 1955, 30,000 shares were reserved for issuance to an officer under a restricted stock option agreement which provides that the shares may be purchased under certain conditions at $6.84375 per share. The option was exercisable on September 7, 1951 (date of grant) and expires on September 7, 1961. During 1955, 30,000 shares were sold at $6.84375 a share under the terms of restricted stock option agreements. The average of the quoted market prices at the time of sales was $23.56 a share, or an aggregate market value of $706,875.

Pursuant to an employes stock purchase plan which expires on December 31, 1961, 34,650 shares were reserved at December 31, 1955 for issuance to certain eligible employes at prices to be determined by the Board of Directors. Of the shares reserved, 400 shares

*Refer to Company Appendix Section.

had been authorized for sale at $5.00 a share at various dates to June 12, 1956. During 1955, 5,550 shares were sold at $5.00 a share and 400 shares were sold at $3.00 a share.

BELL & HOWELL

CR.—$28,000—"Capital in Excess of Par Value of Shares: Excess of proceeds over par value of common shares issued under stock option plan."

Note F: Restricted Stock Option Plan—The Company has reserved 47,231 common shares for sale to executives. During the year ended December 31, 1955, options were exercised on 4,000 shares. At December 31, 1955, options were outstanding for 43,725 shares at prices ranging from $14.77 to $32.45 per share.

BLISS & LAUGHLIN, INC.

CR.—$316,875—"Paid-In Surplus: Premium on 16,900 shares of common stock sold pursuant to option agreement."

To the Stockholders: . . . The stockholders approved a restricted stock option plan on April 3, 1951, which expires April 2, 1956, and which it is believed has been beneficial to the Company. Your Board of Directors at its meeting on December 9, 1955, voted to submit another restricted stock option plan to the stockholders at their annual meeting on April 3, 1956. Information with respect to the proposed new plan will be found in the Proxy Statement accompanying the notice of the meeting.

BOHN ALUMINUM & BRASS CORPORATION

CR.—$61,125—"Additional Paid-In Capital: Excess of option price over par value of 3,260 shares of Common Capital Stock issued under 1952 Restricted Stock Option Plan."

Note C: Stock Options—At December 31, 1955, 56,740 shares of Common Capital Stock were reserved for options outstanding under the 1952 Restricted Stock Option Plan at prices of $23.75 for 56,240 shares and $24.25 for 500 shares, being 95% of the market price on the dates of grant; options for 25,350 of these shares were exercisable.

A. S. CAMPBELL CO., INC.

CR.—$62,089—"Capital Surplus: Excess Over Par Value Received for 4,967 Shares of Common Stock Issued Under the Restricted Stock Option Plan."

Note 2: The stockholders voted on January 31, 1956, to increase the number of authorized shares of common stock from 150,000 shares, with a par value of $1.00 per share, to 300,000 shares, likewise with a par value of $1.00 per share. A 100% common stock dividend has been declared payable on February 14, 1956, to the holders of common stock on January 31, 1956.

Note 3: In 1953 the company acquired 15,000 shares of its common stock for the sum of $270,000 ($18.00 per share). The company paid $225,000 ($15.00 per share), and an officer paid $45,000 ($3.00 per share) of the purchase price. In return for the officer's payment he received an option on the 15,000 shares at $15 per share. In 1955 the company paid the officer $45,000 for the release of the option. The $45,000 has been added to the cost of the stock which is now held in the treasury.

CORN PRODUCTS REFINING COMPANY

CR.—$25,362—"Capital Surplus."

Note 8: Stock Options—The number of shares of common stock and market prices in respect to stock options have been computed on the basis of the three for one stock split in 1955 and reduction of the par value from $25 to $10 per share.

Pursuant to a restricted stock option plan, approved by the shareholders April 24, 1951, 210,000 shares of authorized but unissued $10 par value common stock were reserved for key executive employees. On November 1, 1951 and March 16, 1955, options were granted to purchase an aggregate of 21,000 shares at $21.7708 and 136,500 shares at $26.8375, respectively, which is 95% of the market price on the date the options were granted. Options on 9,550 shares have been exercised and at December 31, 1955 there remained outstanding options for 147,950 shares. The options expire ten years from the date they are granted. The excess of the proceeds of the 1,450 shares of common stock issued upon the exercise of stock options in 1955, plus $1,968, representing the difference between the market value on date options were granted and the option value, resulted in an addition of $25,362 to capital surplus. On February 15, 1956, options were granted to purchase 52,500 shares of common stock at $28.8562 and, as of that date, options for the total 210,000 shares reserved for stock options had been granted.

FRUEHAUF TRAILER COMPANY

CR.—$393,757—"Additional Paid-In Capital: Excess of fair value (option price) over par value of Common Stock sold under Restricted Stock Option Plans (1955—16,530 shares)."

Note E: Share for Share Distribution and Reservation of Common Stock—On November 9, 1955, the Board of Directors declared a share for share distribution of Common Stock payable on January 31, 1956, to holders of record as of the close of business on January 13, 1956.

At December 31, 1955, and after giving effect (1) to the acquisition as of January 1, 1956, of certain net assets of Strick Company and Strick Plastic Corporation, as described in Note F, and (2) to the share for share distribution of Common Stock discussed above, 3,647,267 shares of Common Stock were reserved for all purposes as follows:

	Shares
Issued on January 9, 1956, for the net assets acquired from the two Strick companies	228,028
Reserved for conversion of 3¾% Convertible Subordinated Debentures	329,140
Reserved for Restricted Stock Option Plans	515,449
Share for share distribution of Common Stock on January 31, 1956	2,574,650
Total	3,647,267

Of the 515,449 shares reserved for Restricted Stock Option Plans, options for 74,788 shares, including options presently exercisable for 12,295 shares, are outstanding at prices ranging from $12.00 to $16.51 a share under two 1951 Plans, and options for 367,167 shares are outstanding at prices ranging from $19.02 to $23.17 a share under the 1955 Plan. These prices are 95% of the market prices on the dates the options were granted or accepted, adjusted to give effect to stock dividends paid subsequent to those dates and the share for share distribution in January 1956.

LILY-TULIP CUP CORPORATION

CR.—$75,749—"Capital Surplus."

Note D: Capital Stock—At December 31, 1955, under the Lily-Tulip Stock Option Plan of 1951, there were reserved for issuance to certain key employees and officers of the Company and its Canadian subsidiary 36,185 shares of Common Stock. The right to purchase shares is represented by restricted option warrants issued in three series which expire respectively on October 1, 1956, 1957 and 1958. As at December 31, 1955, the number of shares so reserved and their option prices were 4,654 shares at $20.6459 per share, 13,155 shares at $21.3334 per share and 18,376 shares at $22.8334 per share.

LONE STAR CEMENT CORPORATION

CR.—$55,476—"Paid-In Surplus."

Note 6: Under the provisions of the restricted stock option plan approved by stockholders in 1952, options have been granted to 107 officers and key employees to buy, within 10 years, 100,000 shares of stock of the Corporation at prices not less than 95% of the fair market value of such stock at the time the options were granted. To December 31, 1955, such options had been exercised with respect to 46,866 shares.

MACK TRUCKS, INC.

CR.—$291,179—"Paid-In Surplus."

Note 5: Under a plan approved by shareholders in 1952, a committee of the Board of Directors from time to time grants to officers and other key employees restricted options to purchase shares of the Company's common stock at prices not less than 95% of the market prices on the dates the options are granted. Each option is exercisable after one year from date granted and expires five years after date granted subject to earlier expiration in the event of the option holder's death or termination of employment.

At December 31, 1955 there were outstanding options granted in 1953 and 1954 on 30,838 shares at prices ranging from $10.693 to $18.364 per share and options granted in 1955 on 33,825 shares at $17.755 per share. (The foregoing shares and option prices reflect the effect of the 10% stock dividend paid in 1955.) In addition, 18,981 shares were reserved at December 31, 1955 for options which may be granted thereafter.

During 1955 the Company received $474,454 for 36,655 shares issued upon exercise of options granted in prior years, resulting in a credit of $291,179 to paid-in surplus.

P. R. MALLORY & CO., INC.

CR.—$133,481—"Paid-In Surplus: Excess of proceeds over stated value of 5,700 shares of common stock (equivalent to 8,200 shares after adjustments for stock split-up) issued under restricted stock option plan (Note 9)."

Note 9: Pursuant to a restricted stock option plan approved by the stockholders in 1951, there were 53,612 shares under option at December 31, 1955, for purchase by certain officers and key employees during various option periods ending December 31, 1965. Option prices range from $16.97 to $34.79 per share (being 95% of market value at date of grant), or an aggregate of $1,169,836. The plan provides that 20% of each option may be exercised one year after the date of grant and an additional 20% at the end of each of the next four years. Options on 5,700 shares (equivalent to 8,200 shares after adjustment for stock split-up) were exercised during 1955 at an average price of $16.97 per share (an aggregate of $139,181). At December 31, 1955, options for 14,675 shares were exercisable at option prices of approximately $17.00 per share, an aggregate of $249,236, and there remained 23,875 shares available for future options.

SUNRAY MID-CONTINENT OIL COMPANY

CR.—$852,295—"Capital in Excess of Par Value of Stock: Excess of amount received over par value of stock issued on employees' options."

Financial Comments: Stock Options—At December 31, 1955, options on 350,158 shares of common stock were outstanding under the company's restricted stock option plan to 386 officers and key employees. Of these shares, 138,565 were granted on May 16, 1952 at $20.375 per share; 61,093 were granted on October 5, 1953 at $15.75 per share and 150,500 were granted on December 16, 1955 at $21.875 per share. Generally, the options are exercisable annually at the rate of one-tenth of the total beginning one year after date of grant. Options for 18,442 shares were exercised during 1955.

Under an Employees' Incentive Stock Option Plan approved by the stockholders of the former Mid-Continent Petroleum Corporation in 1952, there remained under option at December 31, 1954, 200 shares of Mid-Continent's common stock at $63.75 per share and 29,360 shares at $65.35 per share. Through the exercise of options these amounts had been reduced at the merger date to 100 shares at $63.75 and 20,010 shares at $65.35. In accordance with the provisions of the merger agreement, the company assumed these options in a modified form by substituting therefor 100 units of Sunray Mid-Continent stock at $64.82 per unit and 20,010 units at $66.42 per unit; each unit being comprised of three shares of common, one share of 4½% preferred, series A, and one-half share of 5½% cumulative, convertible second preferred, series of 1955. At December 31, 1955, options had been exercised in respect to 330 substituted units at the option price of $66.42 per unit.

SUTHERLAND PAPER COMPANY

CR.—$63,900—"Capital contributions in excess of par value of capital stock: Excess of sales price over par value of common stock sold to officers under stock option plan."

Note 3: Stock Options—At December 31, 1955, 62,100 shares of common stock were reserved for sale to officers and other executives under the Company's restricted stock option plan. Under the stock option plan, as adopted February 25, 1952, 85,000 shares were reserved and at December 31, 1955 options had been granted for 51,500 shares of which options had been exercised for 22,900 shares.

SYLVANIA ELECTRIC PRODUCTS, INC.

CR.—$88,181—"Additional Paid-In Capital: Market value of 2,283 shares of common stock issued under Executive Compensation Plan over par value of such shares."

CR.—$55,736—"Additional Paid-In Capital: Option price of 2,375 shares of common stock over par value of such shares issued under Executive Stock Option Plan."

Note 5: In 1952, the Company, with approval of the stockholders, adopted a restricted stock option plan as an added incentive for key employees including officers. At December 31, 1955, 92,452 shares of common stock were under option at prices ranging from $28.18 to $45.75 per share and options were exercisable as to 20,067 of such shares. Options for 2,375 shares of common stock were exercised in 1955 at an average price of $30.97 per share.

Financial: Executive Stock Option Plan—Thirty-seven officers and key executives are participants in the Executive Stock Option Plan the purpose of which is to furnish additional incentive to those employees who have the primary responsibility for Sylvania's financial success.

During 1955, additional stock options were granted to the extent of 13,801 shares at $45.75 per share. This price was not less than 95% of the market value of the stock on the date the options were granted. During the year, options previously granted were exercised in the extent of 2,375 shares, and options totalling 12,588 shares expired, leaving options outstanding at year end of 92,452 shares.

UNITED ENGINEERING AND FOUNDRY COMPANY

CR.—$6,391—"Capital in Excess of Par Value of Shares (Note 5)."

Note 5: Restricted Stock Option Plan—In 1953 the shareholders approved a Restricted Stock Option Plan for executive and other administrative employees, reserving 100,000 shares of the authorized but unissued common stock of the Company, the purchase price to be not less than 95% of the fair market value at the time of the granting of the option. As of June 1, 1953 options were granted in respect to the entire number of shares reserved (100,000), at a price of $13.30 per share. The term of the options granted was for a period of seven years from the date granted, and under the terms of the plan become exercisable after one year from the date granted. The plan expires December 31, 1960 except as to options then outstanding.

As of December 31, 1955, options in respect to 7,900 shares had been forfeited by retirement of employees. Options had been exercised during 1955 in respect to 770 shares, the payment for which has been reflected in the Company's cash account in the amount of $10,241, the common capital stock account being increased by $3,850 and paid-in surplus (Capital in Excess of Par Value of Shares) being credited with $6,391.

Incentive Stock Options

Additional reports which disclosed incentive stock options include the following companies: *Co. Nos. 191, 456.

Capital Surplus

THE ATLANTIC REFINING COMPANY

CR.—$79,359—"Capital in Excess of Par Value of Stock: Excess received over par value of common stock issued under Incentive Stock Option Plan."

Note 6: Options to purchase shares of the Company's $10 par value stock have been granted to selected executives and key employees under an Incentive Stock Option Plan adopted in 1952, which limits the aggregate number of shares for which options may be granted to 300,000 shares of $10 par value common stock. The options outstanding at December 31, 1955, are exercisable in segments (a) as to 71,387 shares at $32.0625 until September 7, 1959, and (b) as to 15,700 shares at $32.8125 until November 16, 1961, and (c) as to 10,300 shares at $35.875 until October 18, 1962.

CERTAIN-TEED PRODUCTS CORPORATION

CR.—$73,400—"Capital in Excess of Par Value."

Note 5: Stockholders' Equity—Pursuant to an incentive plan, options to purchase 1700 shares of the Company's common stock (granted to officers and key employees) were outstanding at December 31, 1955 at an option price of $14.14 a share. During the year 5655 shares were issued under the plan resulting in an increase of $73,400 in capital in excess of par value.

INTERNATIONAL PAPER COMPANY

CR.—$1,839,055—"Capital Surplus: Excess of assigned value, or sales proceeds, over value—of 42,489 common shares sold under Incentive Stock Option Plan."

Notes to Financial Statements: At December 31, 1955, there were reserved for use under the Company's Incentive Stock Option Plan for Key Employees, as amended, 353,799 shares of common stock, of which 207,840 shares were covered by outstanding options and 145,959 shares remained available for future grant. To December 31, 1955 a total of 59,638 shares were issued, 56,369 shares on purchases under outstanding options and 3,269 shares as stock dividends on such purchased shares.

STOKELY-VAN CAMP, INC.

CR.—$21,185—"Capital Paid-In in Excess of Par Values of Capital Stock: Excess of amounts received over par value of 1,785 common shares issued in connection with Incentive Stock Option Plan."

Note 1: Under an Incentive Stock Option Plan adopted by the Company in 1951, 52,500 shares of common stock were reserved for a period of ten years for the granting of options to such officers and employees as may be designated by a Committee of the Board

*Refer to Company Appendix Section.

UNITED STATES HOFFMAN MACHINERY CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUMMARY OF CONSOLIDATED EARNED SURPLUS

for the years ended December 31, 1955 and 1954

	1955	1954
Balance at beginning of year	$ 5,200,468	$ 4,955,194
Net income for year	2,302,134	632,905
Total	7,502,602	5,588,099
Deduct:		
Cash dividends:		
On 4¼% preferred stock — $4.25 per share	105,081	109,863
On common stock:		
At $1.55 per share (basis of $1.65 par)	1,323,127	
At $0.50 per share ($5 par)		129,993
Cash distributed instead of fractional shares for stock dividends shown below	16,233	3,942
Common stock dividends:		
4%—34,362 shares ($1.65 par) payable January 6, 1956 (at fair market value of $35.437 per share)	1,217,686	
2% — 5,061 shares ($5 par) paid January 5, 1955 (at fair market value of $28.42 per share)		143,833
Total	2,662,127	387,631
Balance at end of year (Note 5)	$ 4,840,475	$ 5,200,468

SUMMARY OF CONSOLIDATED CAPITAL SURPLUS

for the years ended December 31, 1955 and 1954

	1955	1954
Balance at beginning of year	$ 2,432,853	$ 2,297,182
Add:		
Discount on 4¼% preferred stock purchased and retired — 750 shares in 1955 and 600 shares in 1954	9,149	17,142
Excess of fair market value of stock dividends over aggregate par value of stock issued or to be issued in payment thereof	1,160,989	118,529
Credit arising in reduction of par value of common stock from $5 to $1.65 per share	13,252	
Excess of fair market value of common stock issued or to be issued (to acquire subsidiaries) over related par value (Note 2)	1,957,502	
Excess of sale price over related par value of common stock sold under stock option plan (Note 8)	155,743	
Balance at end of year	$ 5,729,488	$ 2,432,853

The accompanying Notes to Financial Statements are an integral part of this statement of Directors at not less than 95% of the fair market value at the date options are granted. Options (exercisable during a period of five years from date of grant) were granted in 1951 for 22,048 shares at $14.38 per share, and in 1953 for 1,575 shares at $12.67 per share. During the year ended May 31, 1955, 210 shares of those options granted in 1951 and all of the shares of the options granted in 1953 were exercised at the respective option prices.

Warrants are outstanding which may be exercised, without time limit, to purchase 14,594 shares of common stock of the Company at $30 per share.

Unclassified Surplus

PULLMAN, INCORPORATED

CR.—$13,825—"Surplus: Excess of option price of capital stock issued over stated value (Note B)."

Note B: Stock Options—Under the Stock Option Incentive Plan for officers and key employees, options were outstanding at December 31, 1955 to purchase 41,200 shares of the authorized but unissued capital stock of Pullman Incorporated, 24,500 at a price of $41.50 per share, 6,700 at $41.375 and 10,000 (granted in 1955) at $57.00. Options for 31,200 shares are now exercisable.

During the current year, options for 9,400 shares were exercised, 7,200 at $41.50 per share and 2,200 at $41.375. The excess of the amounts paid for the shares over the stated value of the stock ($40 per share) has been credited to capital surplus.

Note C: Composition of Surplus—Surplus of $73,150,081 at December 31, 1955 is made up of a net amount of $81,380,847 arising in connection with capital transactions (excess of value of property acquired by issue of capital stock over the stated value thereof, the amount arising from subsequent reduction in the stated value of the capital stock, etc.), plus earnings to December 31, 1955 since date of reorganization, April 30, 1927, aggregating $254,240,074 less dividends paid to December 31, 1955 amounting to $262,470,840.

Stock Options and Stock Purchase

Capital Surplus

ARMSTRONG CORK COMPANY

CR.—$441,249—"Capital in excess of par value or stated capital applicable to outstanding shares (Note 6)."

Note 5: Under an "Employees' Stock Option and Stock Purchase Plan" approved by the stockholders in 1952 there remained outstanding on December 31, 1955 options granted to employees to purchase 174,143 shares of common stock at $16.92 per share and 15,600 shares at $28.67 per share, such prices being not less than 95% of the market price when granted, adjusted for the stock-split. An additional 163,140 shares are reserved for the granting of future options.

Note 6: The increase of $7,508,801 in the capital in excess of par value or stated capital applicable to outstanding shares consisted of: . . . (b) $441,249, excess of proceeds over stated or par value resulting from the exercise of options to purchase 27,295 shares of common stock at $16.92 per share. . . .

ATLAS POWDER COMPANY

CR.—$46,164—"Additional Paid-In Capital."

Notes to Financial Statements: Additional Paid-In Capital—During 1955 additional paid-in capital was increased as follows: Excess of—Proceeds over par value of 3,251 shares of Common Stock sold to employees pursuant to exercise of stock options.

Notes to Financial Statements: Common Stock—Under the stock option plan authorized by the stockholders in 1952, options exercisable on a cumulative basis over a period of ten years or less have been granted to officers and key employees to purchase common stock at a price equal to 95% of the market price on the date of granting. At December 31, 1955 options for 20,380 shares were outstanding and 861 shares were reserved for the granting of future options under the plan.

In addition to the shares available for option, 7,693 shares of authorized but unissued common stock are reserved for sale to employees.

CONTINENTAL CAN COMPANY, INC.

CR.—$326,900—"Capital Surplus."

Note C: Capital Surplus decreased during the year by $30,922,647, reflecting a $326,900 excess of consideration received over the par value of Common stock sold under the Employees' Stock Purchase Plans and an appropriation of $31,249,547 for the Common stock distribution on February 15, 1956.

Financial & Operating Review: At December 31, 1955, 96 key employees held options to purchase a total of 123,563 shares (247,126 shares after 100% stock distribution of February 15, 1956) of Common stock under the existing plan. Of this total, 30,107 shares were granted in June, 1951, at a price of $35.00 per share, 9,509 shares in December, 1951, at a price of $42.75 per share, 39,047 shares in June, 1953, at a price of $48.25 per share, and 44,900 shares in December, 1955, at a price of $77.50 per share. All of these options are exercisable in equal annual installments from the date granted and expire on June 21, 1961. The price of the shares in each case is approximately 95% of the market price on the date the option was granted.

NATIONAL GYPSUM COMPANY

CR.—$3,254,183—"Capital Surplus: Surplus resulting from issuance of Common Stock in connection with exercise of stock options by employees and payment of stock dividend."

Note B: Common Stock Option and Employees' Common Stock Purchase Plans—Under the Company's "Restricted Common Stock Option Plan" certain key employees (including officers) at December 31, 1955 held options to purchase 23,963 shares of Common Stock, as follows: 16,597 shares at $18.02 a share prior to March 25, 1957, 4,998 shares at $44.61 a share prior to December 21, 1959, and 2,368 shares at $49.88 a share prior to December 12, 1960, including 2,790 shares under options exercisable at December 31, 1955. Options covering 9,124 shares at $18.38 a share and 100 shares at $45.50 a share were exercised during the year ended December 31, 1955. The Plan requires that each option shall be for a period of five years and that the option price shall be not less than 95% of the market price at the time of granting, subject to change to the extent equitably required in the event of stock dividends and certain other changes in issued Common Stock. Shares covered by any lapsed options may be optioned prior to May 1, 1962.

Under the Company's "Employees' Common Stock Purchase Plan" employees may purchase, through their agents appointed by the Board of Directors, Common Stock of the Company on the open market from funds received from the participants not in excess of 10% of their base pay. The Company contributes, as additional remuneration, amounts equal to 15% of the employees' payments. Contributions by the Company applicable to the year ended December 31, 1955 amounted to approximately $78,000.

PITTSBURGH STEEL COMPANY

CR.—$51,662—"Other Capital: Excess of amounts received over the par value of 7,047 shares of common stock issued to employees under the Company's stock option plan."

Supplementary Financial Information: Under the Stock Option Plan approved by the shareholders, 64,955 shares of the unissued common stock are reserved for sale to officers and key employees at December 31, 1955; 49,037 of these shares are subject to nontransferable options granted to 55 persons (including 14,200 shares granted in 1955) at prices ranging from $13.12 to $25.50 per share. Subject to certain conditions, each option runs for ten years from its date and is exercisable at any time during the term of the agreement. The options provide for an exercisable price per share at the closing market price of the common stock on the date the options were granted, adjusted for subsequent stock dividends paid. During 1955, options were exercised on 12,364 shares of common stock at adjusted prices ranging from $14.11 to $25.50 per share, for total proceeds of $215,454.

Pursuant to stock purchase agreements concluded between the company and two officers as inducements to them to accept employment by the company, the company is obligated, if tender is made within the time limit set forth in the respective agreements, to repurchase from said officers the shares of prior preferred stock and common stock of the company purchased by them from the company. These shares were purchased at prices above and at the market price at the time of their employment, for aggregate amounts of $252,000 and $246,600, respectively. The shares covered by these commitments are pledged to secure the loans made to said officers, except for certain shares which, in accordance with the terms of the agreements, have been released upon partial payments of the loans. The loans, enforceable only against the collateral in case of nonpayment, are included in long-term investments and receivables. As of December 31, 1955, the loans amounted to $184,500 and $164,400 and the market value of the collateral so held was $472,200 and $196,400, respectively.

SINCLAIR OIL CORPORATION

CR.—$9,492,680—"Other Paid-In Capital: Excess of sales price over par value of shares issued or over cost of treasury stock delivered under amended stock purchase and option plan."

Note (c): At December 31, 1955, options were outstanding under the Company's Amended Stock Purchase and Option Plan for the purchase of 1,700 shares at $39.50 per share, 26,335 shares at $34 per share and 63,200 shares at $41.25 per share, all presently exercisable. Such prices per share were not less than "closing market" on the day preceding the dates on which the options were granted. The options were granted on July 2, 1951, November 24, 1953 and April 14, 1954 respectively and expire five years from the dates of grant or prior thereto in certain contingencies. No further options can be granted pursuant to the Plan under which the authorization to grant options expired May 18, 1954. During 1955 options were exercised for the purchase of 3,300 shares at $39.50 per share, 179,400 shares at $34 per share and 136,400 shares at $41.25 per share. The Company holds 250,600 shares as collateral security for amounts outstanding at December 31, 1955 under options exercised for the purchase of said shares.

WESTINGHOUSE ELECTRIC CORPORATION

*CR.—amount indeterminable—"Other (Capital Surplus) —Principally amount paid the Company for capital stock in excess of par value.**

*Increase due to (a) sale of Common Stock under Employee Stock Plan and Restricted Stock Option Plan; . . .

Financial Review: The Employe Stock Plan, which was initiated on March 1, 1950, and extended for two additional annual periods, ended on April 30, 1955. Under this Plan, 1,050,000 shares of authorized but unissued common stock were made available for purchase by the employes through payroll deductions. At the conclusion of the Plan, 896,654 shares had been purchased by employes. During 1955, a total of 64,456 shares were purchased by 19,402 employes.

Review of Operations: Under the Restricted Stock Option Plan, approved by the stockholders in 1951, the Company during the year granted options to 268 executives for a total of 116,680 shares. The price at which these options may be exercised is not less than 95 per cent of the highest market price per share of the stock on the day the option was granted.

During the year, options previously granted under the Plan were exercised for a total of 22,690 shares by 65 executives, or by representatives of deceased executives to whom they had been granted.

Stock Purchases

Additional reports which disclosed stock purchases include the following companies: *Co. Nos. 244, 251, 263, 451.

Capital Surplus

AMERICAN CYANAMID COMPANY

CR.—$29,790—"Capital Surplus: Premium on shares of Cumulative Preferred Stock issued under employees' stock purchase contracts: series D ($9.00 per share)."

THE DOW CHEMICAL COMPANY

CR.—$894,964—"Capital Surplus: Excess of selling price over par value of Common Stock issued to employees."

Note D: Sale of Common Stock to Employees—In August 1954, the Company made an offering of Common Stock to its employees and employees of its subsidiary and associated companies at a price of $33 a share, payable on an instalment basis generally through payroll deductions. At May 31, 1955 there were unfilled subscriptions under the offer for 112,407 shares. These subscriptions, which may be canceled at any time at the option of the employee but must be settled by August 1955, have not been recorded in the Company's books and are not reflected in these financial statements. However, partial payments on the subscriptions, aggregating $2,645,034, are included in current liabilities in the consolidated balance sheet at May 31, 1955.

In the case of previous similar offerings, the most recent of which was in October 1952, the Company charged income with the difference between the offering price and the quoted market price on dates of delivery of stock sold, based upon the number of shares delivered. During the current year the Company changed its accounting practice and made no charge against income for the aforementioned difference, which aggregated approximately $450,000 for the shares delivered to May 31, 1955 under the 1954 Employees' Stock Purchase Plan. The charge against income for the year ended May 31, 1954, under the plan immediately preceding the 1954 plan, was approximately $400,000. The amounts represent allowable deductions by the companies for Federal income tax purposes.

*Refer to Company Appendix Section.

GENERAL PLYWOOD CORPORATION

CR.—$24,584—"Capital Surplus: Excess of amount received over par value of shares of Common Stock issued to officers and employees under stock purchase agreement (1955—14,307 shares)."

CR.—$54—"Capital Surplus: Excess of amount received over cost of Common Treasury Stock issued to officers and employees under stock purchase agreement (1955—8,878 shares)."

Within "Non-Current Asset Section: Notes receivable from officers and employees under stock purchase agreements (see contra) $184,940."

Within "Non-Current Liabilities Section: Common Stock subscriptions from officers and employees under stock purchase agreements (see contra) (Note 2) $184,940."

Note 2: The 5% Cumulative Convertible Preferred Stock is of par and involuntary liquidation values of $20 per share and of voluntary liquidation and redemption values of $21 per share (except redemption through the sinking fund of not in excess of $20 per share).

Each share of Preferred Stock is convertible into three shares of Common Stock with provision for adjustments of this ratio on occurrence of certain events.

Of the presently remaining 1,352,439 shares of Common Stock authorized but unissued, 240,459 shares are reserved as follows:

	Shares
For the conversion of the presently outstanding 42,526 shares of Preferred Stock	127,578
For issuance to officers and employees under stock purchase agreements:	
Presently subscribed for under stock purchase agreements	86,920
Unsubscribed	25,961
	240,459

LINK-BELT COMPANY

CR.—$435,512—"Additional Paid-In Capital: Excess of market over par value of 9,499 shares of stock sold to officers and employees."

Notes to Financial Statements: Common Stock—The stockholders have authorized the sale of 107,932 unissued shares of common stock to employees at the discretion of the Board of Directors at not less than book value at the close of the year immediately preceding the year of sale. Of the unissued shares at December 31, 1955, 16,639 shares are registered under the Securities Act of 1933 for sale to a selected group of officers and employees of the company and its subsidiaries. All shares remaining unsold on April 1, 1956, will be withdrawn from registration.

THE NEW BRITAIN MACHINE COMPANY

CR.—$71,690—"Capital in Excess of Par Value or Stated Capital of Shares: Excess, over par value, of proceeds received on shares of Common Stock issued under Employees' Stock Purchase Plan, 4,524 shares in 1955."

Note B: Employees' Stock Purchase Plan—At December 31, 1955, 44,586 shares of unissued Common Stock were reserved for employees' stock subscriptions and for sale to employees from time to time and at terms and conditions as the Board of Directors may determine. The Company, in June, 1955, offered to employees and accepted subscriptions for 5,000 shares at a price of $36.95 per share (based on average bid price during the week ended May 28, 1955). During the year 1955, subscriptions for 4,524 shares became fully paid and the shares were issued; at December 31, 1955, partial payments on stock subscriptions for 4,353 additional shares totaled $90,742.

J. P. STEVENS & CO., INC.

CR.—$21,046—"Capital Surplus."

Note F: Stock Purchase Plan for Employees—Under a Stock Purchase Plan for Employees, 55,850 shares of the Company's capital stock are reserved as at October 29, 1955 for issuance to employees (including 14 officers) on payment of their subscriptions at an average price of $40.65 per share. Payments received and credits applied under the Plan on subscribed shares not yet issued are included as a current liability in the accompanying consolidated balance sheet.

In accordance with the provisions of the Plan, the annual installment payments due subsequent to May 1952 have been deferred for those members of the Plan so desiring.

Capital Surplus was increased during the year ended October 29, 1955 by $21,046 upon issuance of 820 shares under the Stock Purchase Plan for Employees.

Stock Option and Profit Sharing

Capital Surplus

BURLINGTON INDUSTRIES, INC.

CR.—Amount Indeterminable—"Capital in excess of par value: Excess of cost over par value of Common Stock acquired for treasury, less excess of option price over par value of treasury shares sold under exercise of option rights."

CR.—$1,274,810—"Market Value over Par Value of authorized Common Stock issued to Employees' Profit Sharing (Retirement) Plan."

Note C: Capital Stock— . . . (4) As of October 1, 1955, after required adjustments to give effect to the issuance of additional shares of Common Stock in September, 1955 in payment of a 10% stock dividend on such stock then outstanding, there were outstanding options with certain officers and employees to purchase 220,250 shares of Common Stock of the Corporation. The options were all granted in connection with employment contracts entered into during the last four years and are generally exercisable, in whole or in part, at any time during the periods of the respective contracts, which expire from November 30, 1956 to July 5, 1961. The option price in each case was equal to 95% of the price on the New York Stock Exchange on the date of the respective contract, such prices (after adjustments for the above-mentioned stock dividend) ranging from $9.50 to $17.69 per share. The aggregate option price for the optioned shares at the dates the options were granted amounted to $2,454,972 in comparison with an aggregate market value (New York Stock Exchange) of approximately $2,584,000 at the same dates, after giving effect to the above-mentioned adjustments. During the fiscal year options to one officer and three employees aggregating 85,500 shares were exercised at option prices ranging from $10.26 to $15.50 per share, an aggregate of $1,142,974, in comparison with the fair value thereof at the dates the options were exercised of from $18.06 to $20.94 per share, or an aggregate fair value of $1,590,969. No accounting is made for options until they are exercised at which time the aggregate option price is credited to common stock and capital surplus accounts.

The Corporation has granted subsequent to October 1, 1955, options for an aggregate of 12,000 shares to two officers on the same general terms as the options granted to other officers and employees.

(5) The issued and outstanding Capital Stock as shown in the balance sheet is after giving effect to the issuance in November, 1955, of 79,058 shares of authorized Common Stock in part settlement of the liability at October 1, 1955, to the Profit Sharing (Retirement) Plan; and is after deducting stock held in treasury, as follows: (1) 8,835 shares of 4% Preferred Stock; (2) 3,345 shares of 3½% Preferred Stock; (3) 9,760 shares of 4½% Second Preference Stock; and, (4) 217,671 shares of Common Stock.

Profit Sharing

Capital Surplus

McGRAW ELECTRIC COMPANY

CR.—$990,000—"Additional Paid-In Capital: Excess over par value of the value assigned to common stock issued to employee trusts (18,000 shares in 1955)."

SIGNODE STEEL STRAPPING COMPANY

CR.—$181,207—"Capital Surplus."

Note 5: . . . The net increase in capital surplus in 1955 resulted from: . . . (c) $181,207 excess of market over par value of 6,838 shares of common stock contributed to profit-sharing trust funds. . . .

Incentive Compensation

Capital Surplus

DICTAPHONE CORPORATION

CR.—$378,658—"Capital Surplus."

Note 3: . . . During the year, capital surplus of $378,658 arose through the issuance of 3,182 shares of common treasury stock under the company's incentive compensation plan.

Stock Bonus—Additional Compensation

Additional reports which disclosed stock bonus—additional compensation include the following companies: *Co. Nos. 203, 233.

Capital Surplus

BEAUNIT MILLS, INC.

CR.—$9,087—"Capital Surplus: Excess of market over cost of treasury stock distributed to employees as additional compensation."

E. I. DU PONT DE NEMOURS & COMPANY

CR.—$317,253—"Paid-In Surplus: Difference between cost and value placed on treasury Common Stock transferred to bonus accounts in accordance with the Bonus Plans."

LEAR, INCORPORATED

CR.—$93,304—"Additional Paid-In Capital: Excess of option price over par value of 28,995 shares of Common Stock sold to officers and employees under stock option plans."

CR.—$1,511—"Additional Paid-In Capital: Excess of fair value over par value of 195 shares of Common Stock issued to employees as compensation."

CR.—$229,979—"Excess of fair value over par value of 30,161 shares of Common Stock issuable as of December 23, 1955 to employees as compensation."

Note D: As of December 31, 1955, 300,000 shares of Common Stock, par value 50 cents a share, were reserved for conversion of the 4¼% Convertible Subordinated Debentures dated December 1, 1955, and issued in January 1956, and 172,225 shares were reserved for stock option plans. At December 31, 1955, options for 88,225 shares were outstanding (of which options for 22,225 shares were exercisable) at prices ranging from $3.625 to $8.75 a share—the fair market value of the shares on the dates of grant. In addition, there were options outstanding for 2,500 shares at $7.57 a share and for 2,000 shares at $9.63 a share—110% of the fair market value of the shares on the dates of grant. During the year ended December 31, 1955, options for 28,995 shares were exercised at an aggregate price of $107,800.

The 30,161 shares of Common Stock issuable as of December 23, 1955, to employees are in partial payment of bonuses under the Company's Incentive Bonus Plan. The issuance of the stock has been deferred pending qualification of the shares in the various states and with the American Stock Exchange.

STANDARD OIL COMPANY (INDIANA)

CR.—$2,963,196—"Capital in Excess of Par Value: 142,548 shares issued under the old Savings and Stock Bonus Plan for Employees."

CR.—$393,802—"Capital in Excess of Par Value: 14,578 shares issued under the new Employee Savings Plan (in addition to 92,509 shares bought in the open market)."

Financial: Employee Savings Plans—A new employee savings plan approved by stockholders at the annual meeting, became effective July 1 for the parent company and certain subsidiaries. In these companies it replaced the Savings and Stock Bonus Plan. The latter plan ended its fifth year on March 31, and was continued on an interim basis until the new plan went into effect.

*Refer to Company Appendix Section.

In the new plan, an eligible employee may choose a long-term or a short-term savings method, or a combination of the two. If he chooses the long-term method, or a combination of both, he may invest up to 6 per cent of his pay in either Company stock or United States Savings Bonds. If he elects the short-term method only, he may invest up to 4 per cent. For each dollar he saves, the Company contributes 50 cents to be used for the purchase of Company stock.

Under provisions of both the old and new plans, the Company stock may be taken from previously unissued shares or may be bought in the open market.

Financial: Incentive Stock Option Plan for Key Executives—Under an incentive stock option plan approved by stockholders in 1953, certain key executives in the Company and subsidiaries have been granted options to buy Company stock at slightly over 95 per cent of the market price on the date granted. On December 31, options were outstanding to 295 individuals to buy 28,320 shares at an average price of $33.386 per share, 209,830 shares at an average price of $38.871 per share, and 166,820 shares at an average price of $41.375 per share. Practically all of these options were granted in May of 1953, 1954, and 1955 respectively.

The plan permits options to be exercised not earlier than two years and one day after they are granted. No options may be granted after May 7, 1958. All options expire if unexercised in 10 years.

During the year, 178,400 shares were purchased by holders of options granted in 1953. All options were filled by stock purchased by the Company for this purpose during prior years at an average cost of $35.07 per share.

Through December 31, options for 7,360 shares had been terminated.

APPROPRIATIONS OF RETAINED EARNINGS

Inventory Purposes

THE AMERICAN HARDWARE CORPORATION

CR.—$1,300,000—"Earned Surplus: Transfer of balance in general reserve for inventories."

BUFFALO-ECLIPSE CORPORATION

CR.—$800,000—"Retained Earnings Used in the Business: Prior year appropriations—for possible future decline in inventory values."

THE COLORADO MILLING & ELEVATOR COMPANY

CR.—$240,000—"Earned Surplus: Transfers of reserves no longer required: Valuation of Containers and Supplies."

CRANE CO.

CR.—$5,948,796—"Earned Surplus: Reserves deducted from inventories at December 31, 1954, restored to earned surplus."

GEO. E. KEITH COMPANY

CR.—$200,000—"Earned Surplus: (Deficit)—Surplus reserves returned to earned surplus—Reserve for inventory."

G. R. KINNEY CO., INC.

CR.—$150,000—"Retained Earnings Unappropriated: Transfer from earnings previously appropriated for future inventory price declines."

DR.—$150,000—*"Retained Earnings from July 1, 1936—Appropriated*: For future inventory price declines: Amount required to reduce Lifo inventories to estimated market value."

Note 1: Approximately 90% of the inventories of the company and its subsidiaries are valued at last-in, first-out (Lifo) cost, less the amount required to reduce the aggregate of these inventories to estimated market value. The remainder of the inventories are valued at the lower of cost or market.

The amount required to reduce Lifo inventories to estimated market value was $450,000 at December 31, 1955, compared with $300,000 at December 31, 1954; the difference of $150,000 accumulated for the year was charged to retained earnings.

MARSHALL FIELD & COMPANY

CR.—$3,600,000—"Earned Surplus: Transfer from reserve for possible future decline in market value of inventories."

To the Shareholders: In 1954 we discontinued the practice followed since 1946 of increasing or decreasing our inventory reserve by an amount approximating the effect of price increases or decreases upon our inventory valuation, and charging or crediting these amounts to current earnings in determining net income. This does not impair the comparability of our 1954 and 1953 operating data, however, because in 1953 no adjustment was made, due to the fact that prices remained stable during that year. With the discontinuance of the practice of adjusting our inventory reserve each year-end we have transferred the $3,600,000 balance in that reserve to earned surplus.

THE MAYTAG COMPANY

CR.—$1,274,000—"Retained Earnings: Adjustment of Lifo Reserve."

UNITED STATES SMELTING, REFINING AND MINING COMPANY

DR.—$689,441—*"Earned Surplus*: Amount appropriated to Reserve for Metal Price Fluctuations equal to the above gain from fluctuations of metal prices subsequent to production or purchase of ores."

Property Purposes

BUFFALO-ECLIPSE CORPORATION

CR.—$328,253—"Retained Earnings Used in the Business: Prior year appropriations—for accelerated depreciation."

CANADA DRY GINGER ALE, INCORPORATED

DR.—$291,826—*"Earned Surplus*: Increase in reserve for cases, for balance sheet purposes, to amount equal to 50% of ledger value of cases."

THE DUPLAN CORPORATION

DR.—$1,650,000—*"Earnings Retained."*

Note C: At September 30, 1955 the weaving mills were operating, although, with the exception of Hazelton, they were in the process of being closed and offered for sale. A provision of $1,650,000 has been made for possible losses on disposal of weaving properties and other related costs.

GEO. E. KEITH COMPANY

CR.—$150,000—"Earned Surplus (Deficit): Deduct—Surplus reserves returned to earned surplus—Reserve for depreciation—building."

NATIONAL CONTAINER CORPORATION

CR.—$12,216—"Earned Surplus: Transfer from surplus from revaluation of assets included in statement of profit and loss under caption 'Other Income.'"

WEYERHAEUSER TIMBER COMPANY

CR.—$1,054,252—"Earned Surplus (Income Retained in the Business): Realization in 1955 of March 1, 1913 increase in timber value."

Contingency Purposes

ACF INDUSTRIES INCORPORATED

CR.—$7,121,588—"Retained Earnings: Restoration to retained earnings of contingency reserve no longer deemed necessary."

ABBOTT LABORATORIES

CR.—$2,100,000—"Earnings Employed in the Business: Contingency reserve returned to earnings employed in the business, less exchange adjustments of $1,527,423 resulting from foreign currency devaluation—Note A."

(Refer also to example, this section, *Foreign Exchange Adjustment*).

BENDIX AVIATION CORPORATION
CR.—$750,000—"Earned Surplus: Reversal of portion of Reserve for Contingencies no longer required."

BUCYRUS-ERIE COMPANY
CR.—$1,250,000—"Unappropriated Earnings Retained in the Business: Restoration of retained earnings previously appropriated for general contingencies."

CURTIS PUBLISHING COMPANY
DR.—$1,000,000—*"Undivided Profits*: Amount transferred to Reserve for Contingencies in accordance with resolution of Board of Directors." (Ed. Note: Income in 1955 was also charged with an amount of $415,000—Reserve for Contingencies.)

GEO. E. KEITH COMPANY
CR.—$35,000—"Earned Surplus (Deficit): Surplus reserves returned to earned surplus—reserve for contingencies."

MACFADDEN PUBLICATIONS, INC.
CR.—$150,000—"Earnings Retained for Use in the Business: Reserve for contingencies—no longer required."

THE MASTER ELECTRIC COMPANY
CR.—$550,000—"Earnings Retained for Use in the Business: Transferred from Reserve for Contingencies."

REMINGTON RAND INC.
CR.—$958,624—"Earnings Retained for Use in the Business: Transfer balance of appropriation for contingencies at March 31, 1954."

RICE-STIX, INC.
CR.—$3,000,000—"Unappropriated Income: Restoration of income appropriated for general contingencies."

SUNRAY MID-CONTINENT OIL COMPANY
CR.—$2,000,000—"Earnings Retained in the Business: Transfer from reserve for contingencies."

UNIVERSAL MATCH CORPORATION
CR.—$100,000—"Retained Earnings (Earned Surplus): Restoration of Reserve for Contingencies to surplus."

Foreign Activity Purposes

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY
DR.—$19,909—*"Earned Surplus*: Transfers to capital reserves of foreign subsidiaries."
CR.—$19,909—"Paid-In and Other Capital Surplus: Additions to capital reserves of foreign subsidiaries."

UNITED MERCHANTS AND MANUFACTURERS, INC.
DR.—$72,680—*"Earned Surplus*: Appropriation to Statutory Reserves."

"Within Capital Stock and Surplus: Statutory Reserves, South American Subsidiaries $241,052."

Capital Structure Purposes

ALLEN B. DU MONT LABORATORIES, INC.
DR.—$8,197—*"Earnings Reinvested in the Business*: Amounts appropriated for the retirement of preferred stock."

"Within Stockholders' Equity: Earnings reinvested in the business—Appropriated for retirement of preferred stock $150,000."

Note 9: 5% Cumulative Convertible Preferred Stock—Each share of preferred stock is entitled to cumulative dividends at the rate of $1.00 per share per annum, and is redeemable at any time at $22.00 per share plus all dividends accrued or in arrears.

In the event of liquidation or dissolution, the holders of the preferred stock shall be entitled to receive $22.00 per share if such liquidation is voluntary, or $20.00 per share if involuntary, plus in either case all dividends accrued or in arrears, before any distribution is made to the holders of any other class of stock.

The preferred stock is convertible into common stock of the Company. The initial conversion price is $18.19, subject to adjustment (or an initial conversion ratio of 1.1 shares of common stock for each share of preferred stock).

The preferred stock shall be subject to purchase (at price not in excess of $22.00 per share) through the operation of a retirement fund to be set apart on the Company's books, in a quarterly amount equal to 2½% of the net earnings of the Company after dividends on the preferred stock, for the preceding fiscal year. However, if on any installment date the amount required to be set apart, alone or together with any unexpended balance, shall equal or exceed $150,000, the Company shall be required to set apart only such portion, if any, of such installment as shall, when added to such balance, be sufficient to bring the total amount in the fund up to $150,000. All of the balances of any installments unexpended after one year from the date on which they were originally set apart are no longer required to be set apart but may thereafter be used by the Company for any purpose.

MOORE DROP FORGING COMPANY
DR.—$17,845—*"Earnings Retained in the Business*: Sinking fund requirements for the year ended October 31, 1955, for preferred stock."

Guarantee or Warranty Purposes

THE PERMUTIT COMPANY
CR.—$265,000—"Earned Surplus: Transfer of portion no longer required, of reserves made in prior years: Reserve for guarantees."

Insurance Purposes

ALPHA PORTLAND CEMENT COMPANY
CR.—$500,000—"Earned Surplus: Reserve for Compensation and Other Insurance—no longer required."

THE COLORADO MILLING & ELEVATOR COMPANY
CR.—$100,000—"Earned Surplus: Transfers of reserves no longer required—self-insurance."

ELGIN NATIONAL WATCH COMPANY
CR.—$200,000—"Retained Earnings Invested in the Business: Reserve for casualty insurance restored to retained earnings."

Employee Benefit Purposes

THE BABCOCK & WILCOX COMPANY
CR.—$2,250,000—"Retained Earnings: Transfer from pension reserve (no longer required following establishment of funded plans)."

CRADDOCK-TERRY SHOE CORPORATION
DR.—$42,442—*"Earned Surplus*: Appropriated for contingencies: Provision for retirement pay in excess of current requirements."

McGRAW-HILL PUBLISHING COMPANY, INC.
CR.—$1,600,000—"Income Retained in the Business: Reserve for pensions no longer required."

Review of 1955 Operations: Financial— . . . Late in 1955 the Board of Directors voted to prepay the estimated cost of past service benefits under the pension plan which the Company had originally planned to liquidate over a period of years. Accordingly, such a payment was made in December, 1955, to The Equitable Life Assurance Society of the United States. Because of this payment and after a reappraisal of the estimated amount that might be required for pensioners not covered by the formal pension plan, it was decided that $1,600,000 of the Reserve for Pensions no longer was needed, and that amount was restored to Income Retained in the Business.

Tax Purposes

ALUMINUM COMPANY OF AMERICA

DR.—$33,769,919—*"Retained Earnings*—Note A."

Note A: Change in Accounting Policy in Respect to Computing Depreciation—The Company and its wholly owned domestic subsidiaries, for tax purposes, elected to amortize over a period of sixty months that portion of the cost of facilities constructed under the 1951 expansion program covered by Certificates of Necessity. Prior to November 30, 1955, such allowances were also recorded in the accounts, while the portion of the cost which was not covered by necessity certificates, as well as the remaining book amounts of all other properties, plants and facilities, was depreciated in the accounts at annual rates based upon the estimated economic useful lives of the assets. During the last half of 1955, this accounting policy was re-examined and, on December 22, 1955, the Board of Directors authorized a change, retroactive to and including the calendar year 1951 (the earliest year that any amortization was recorded), whereby, for accounting purposes, the certified portion of the cost of facilities constructed under the program would be depreciated at the same annual rates as noncertified assets. Also, an appropriate reserve has been provided for future taxes on income, thereby recognizing the taxes which will be payable when recorded depreciation will exceed the amount deductible for tax purposes. The accompanying consolidated financial statements have been adjusted to reflect the change in accounting policy. . . .

ANDERSON, CLAYTON & CO.

CR.—$808,922—"Earned Surplus: Transferred from Surplus Appropriated for Contingent Tax Liability (Note 4)."

Note 4: The Company and its subsidiaries have made full provision as of July 31, 1955 for all known liabilities in respect of U. S. and local foreign income taxes to which they are subject. In addition, there has been appropriated from Earned Surplus a provision for theoretical tax liability which would have been incurred by the Company had it received in dividends during the year the distributable Earned Surplus of all subsidiaries. This appropriation is adjusted annually through Earned Surplus. However, no such tax liability has been incurred; it may never be incurred, depending on the needs of the particular subsidiary; and the amount, if ever incurred, is presently indeterminable, being dependent upon income tax rates in effect at the actual time of transfer. As of July 31, 1955 this appropriation for theoretical tax liability amounted to $6,035,253.32 as compared with $6,844,176.17 as of July 31, 1954 a decrease of $808,922.85 for the current year.

The reserve for Contingencies includes as of July 31, 1955 reserves for tax claims, fire losses, lawsuits, etc. aggregating $942,194.49 provided by foreign subsidiaries through charges to income in the amount of $906,442.79 and to surplus in the amount of $35,751.70.

HEYDEN CHEMICAL CORPORATION

DR.—$207,184—*"Earned Surplus*: Deferred federal income taxes applicable to excess amortization under necessity certificates (Note 4)."

Note 4: At the beginning of 1955 the estimated remaining useful lives of certain facilities acquired in prior years under Certificates of Necessity were revised. The undepreciated cost of these facilities at December 31, 1954 is being charged against income at normal rates of depreciation rather than over a five year period as in 1954 and prior years. Amortization on a five year basis will be continued for tax purposes. However, during the period of amortization for tax purposes, a reserve will be accumulated by charges to income equal to the estimated tax on the amount of amortization in excess of normal depreciation, to provide for the tax that would otherwise have to be charged against income of future years. As a result of this change net income for the year 1955 was increased by $124,579.

Under Certificates of Necessity issued during World War II, the Corporation had fully amortized certain other facilities by September 30, 1945. As such facilities were of continuing usefulness, they were reinstated on the books at September 30, 1945 at original cost less normal depreciation. Thereafter the income statement has been charged with normal depreciation which has not been deductible for tax purposes. As at December 31, 1954 the undepreciated net book value of these facilities, nondeductible for tax purposes, amounted to $398,430.99. Consistent with the accounting change outlined in the preceding paragraph, as at January 1, 1955, a deferred income tax reserve was created out of earned surplus equal in amount to the estimated future income tax on the non-deductible depreciation on these facilities. As a result of this change net income for the year 1955 was increased by $48,320.

Renegotiation or Price Redetermination Purposes

ACF INDUSTRIES, INCORPORATED

DR.—$1,823,891—*"Retained Earnings*: Provision for price redetermination and other charges relating to prior years."

ALCO PRODUCTS, INC.

CR.—$3,300,000—"Net Income Retained in the Business (Earned Surplus): Provision for liabilities in prior years, no longer considered necessary (Note 8)."

Note 8: Based on determinations of final billing prices and settlements to date of renegotiation in connection with the substantial sales in prior years under the combat tank and other Government contracts, which were subject to price redetermination and renegotiation, and based on the examination by the Federal Government of income and excess profits tax returns through 1952, the portions of provisions made in prior years for these items which appeared excessive at December 31, 1955 and 1954, respectively, were credited to net income retained in the business (earned surplus).

BOEING AIRPLANE COMPANY

DR.—$8,746,702—*"Earnings Retained for Use in the Business*: Deduct provision for renegotiation refunds for prior years (Net of Taxes):

1952	$2,946,702
1953	2,000,000
1954	5,000,000
	9,946,702
Less amount previously provided	1,200,000
	$8,746,702

Notes to Financial Statements: Renegotiation and Restatement of Prior Years' Earnings—In 1955 The Renegotiation Board in Washington, D. C., issued to the company a unilateral order that excessive profits of $9,822,340 were realized for the year 1952, even though the Los Angeles Regional Renegotiation Board had previously determined that there were no excessive profits. The cost to the company is $2,946,702 after taxes. Taking into consideration the allowance of $1,200,000 previously provided, the charge to earnings for that year is $1,746,702.

In view of the Board's order, provision has been made in the accounts for the 1952 refund and the estimated amounts that may be required to be refunded for the years 1953 and 1954 based upon the company's interpretation of the controlling criterion used by the Board for the year 1952. Use of the same criterion indicates that no refund will be required for the year 1955 and no provision therefor has been made in the accounts.

The net earnings statements for the years 1952, 1953, and 1954 have been restated and the balance sheet accounts have been retroactively adjusted for renegotiation in the company's five-year condensed comparative financial statements.

It is the company's belief that no excessive profits were realized in any of the aforementioned years. An appeal from the Board's decision for the year 1952 has been taken to the Tax Court of the United States.

GRUMMAN AIRCRAFT ENGINEERING CORPORATION

DR.—$165,000—*"Earnings Retained for Use in the Business*: Provision for refunds under renegotiation for years 1952 and 1951, respectively (Note 3)."

Note 3: Proceedings under renegotiation have been concluded to December 31, 1950. The Company has paid a refund for 1951 as determined by the Renegotiation Board for which provision was made in 1954. However, the Company has petitioned the Tax Court of the United States for a redetermination of the excessive profits, if any, for 1951.

With respect to the year 1952, the Company has accepted a proposal of the New York Regional Renegotiation Board, subject to approval of the Washington Board, which will result in a net refund approximating $165,000 after tax adjustments. Substantially all of the sales for 1953, 1954, and 1955 are subject to the Renegotiation Act of 1951. Management believes that profits for these years are not excessive and, therefore, has made no provision for a refund.

Other Purposes

ANDERSON, CLAYTON & CO.

CR.—$362—"Earned Surplus—Unappropriated: Reserves previously established from Earned Surplus no longer required."

MONTGOMERY WARD & CO.
CR.—$10,247,985—"Earned Surplus: Reserve adjustments applicable to prior years."

PEOPLES DRUG STORES, INC.
CR.—$10,000—"Earned Surplus: Reduction in reserve for possible losses on educational loans."

THE PERMUTIT COMPANY
CR.—$100,000—"Earned Surplus: Transfer of portion no longer required, of reserves made in prior years: Reserve for doubtful accounts."

APPROPRIATIONS OF CAPITAL SURPLUS

Property Purposes

REPUBLIC STEEL CORPORATION
CR.—$2,504,753—"Capital Surplus: Transfer of allowance for revaluation of property, plant, and equipment."

Sinking Fund Purposes

INTERCHEMICAL CORPORATION
DR.—$28,910—*"Capital Surplus*: Amounts set aside from (net of amounts restored to) preferred share sinking fund."

NONRECURRING LOSSES AND GAINS

Retained Earnings

ALCO PRODUCTS, INC.
CR.—$3,242,058—"Income Retained in the Business: Profit on sale of Montreal Locomotive Works, Limited, common stock."
CR.—$1,025,020—"Income Retained in the Business: Profit on sale of General Steel Castings Corporation common stocks."
DR.—$279,000—*"Income Retained in the Business*: Federal capital gains tax applicable to sales of Montreal Locomotive Works, Limited, and General Steel Castings Corporation stocks."

To Our Stockholders: . . . Another important 1955 event was the sale of 250,000 shares of Alco's holdings in the Montreal Locomotive Works, Limited to Canadian underwriters for resale to the Canadian public. An additional 31,700 shares were sold to various Canadian resident officers and directors of that Company. This action is in line with Alco's policy of giving Montreal Locomotive Works, Limited the benefit of increased Canadian participation in ownership. We continue, however, to retain a considerable interest in the Canadian operation. Alco has agreed with the Canadian underwriters to hold no less than 100,000 shares of MLW common stock for at least five years, and will continue to permit Montreal to manufacture products of our design under a license agreement on a fee basis. . . .

Review of Operations: General Steel Castings Corporation—The remaining 53,000 shares of the Company's holdings of General Steel Castings Corporation common stock were sold in January, 1955 for $1,025,000. This amount has been included in earned surplus.

AMERICAN BANK NOTE COMPANY
CR.—$738,759—"Consolidated Statements of Income and Earned Surplus: Special Item—Amount from terminated contract, net after taxes of $880,000."

AMERICAN OPTICAL COMPANY
DR.—$1,494,216—*"Income Retained for Use in the Business*: Flood loss, less Federal Income taxes of $1,-618,734."

AMERICAN WRINGER COMPANY, INC.
DR.—$112,480—*"Earned Surplus*: Loss on sale of land, buildings and equipment, inventories and other assets, $115,410.30, less reduction of 1954 federal income tax resulting from carry-back provisions of Internal Revenue Code, $2,929.87."
DR.—$100,000—*"Earned Surplus*: Loss on sale of securities."

BELDING-HEMINWAY COMPANY, INC.
DR.—$280,656—*"Income Retained for Use in the Business*: Flood and storm losses and expenses, net of applicable reduction of Federal taxes on income."

To the Stockholders of the Belding Heminway Company, Inc.: The August floods in Connecticut seriously affected many phases of the Company's 1955 operations. Although you have been advised in previous reports of some of the results flowing therefrom, a brief summary is outlined here because the floods affected a number of the subjects discussed in this report.

The direct financial loss was $540,000 before tax credits and $281,000 after such credits. The indirect losses, though impossible to determine accurately, were substantial.

Included in this loss was the complete destruction of two buildings: a warehouse and the building housing "BCI" (Belding Corticelli Industries), the Company's nylon plastic and chemical manufacturing subsidiary.

The loss of these buildings required the purchase of a mill building in Grosvenordale, Connecticut, for $230,000 cash.

The loss of the BCI building and the re-establishment of the BCI division in Grosvenordale retarded the development of that division by at least three months.

THE CURTIS PUBLISHING COMPANY
CR.—$2,960,237—"Undivided Profits: Profit from sale of Better Farming (less estimated Federal and State Income Taxes amounting to $545,000)."

FAIRCHILD ENGINE AND AIRPLANE CORPORATION
CR.—$1,507,230—"Accumulated Earnings Used in the Business: Gain on Sale of Land and Buildings (after deducting cost of moving to new building) less applicable Federal income taxes of $196,763."

GENERAL PLYWOOD CORPORATION
CR.—$142,812—"Earnings Retained for Use in the Business: Excess of insurance proceeds over net book value of plant and machinery destroyed by fire, after deducting $45,413 to compensate for the tax effect of future deductions of depreciation for book purposes which will not be deductible for tax purposes."

Report to Stockholders: . . . On November 16, 1954 the Tarboro, North Carolina, plant was destroyed by fire. A modern, efficient plant was built on the site and full operations resumed April 1, 1955. The insurance settlement was greater than the net book value of the assets destroyed in the fire and since insurance proceeds were used in rebuilding the plant, this difference could have been treated for tax purposes either as a capital gain, or as an involuntary conversion. Your Board of Directors elected to treat it as an involuntary conversion for tax purposes thus eliminating the capital gains tax. This difference, the amount by which the insurance settlement exceeded net book value of assets destroyed, was $142,812 or 22c per common share after compensating for the tax effect of future deductions of depreciation for book purposes which will not be deductible for tax purposes. In keeping with sound accounting principles this has been credited directly to earned surplus on the books of the corporation. This, together with net income from operations and after reduction for preferred dividends paid, resulted in a net addition to earned surplus for the year of 43c per common share. . . .

INDIAN HEAD MILLS, INC.
DR.—$249,248—*"Earned Surplus*: Loss on Salem, Massachusetts, properties in excess of amount previously provided therefor."

JANTZEN, INC.
DR.—$11,086—*"Earned Surplus*: Proceeds from life insurance—net."

MOHASCO INDUSTRIES, INC.
DR.—$1,998,905—"*Earned Surplus (Deficit)*: Net charges incurred in maintaining and disposing of non-operating facilities (Note 5)."

Note 5: Nonoperating Property, Plant and Equipment—Nonoperating property, plant and equipment, with minor exceptions, is stated at cost less $7,765,582 representing depreciation accumulated until withdrawal from service in 1954. Facilities included under this caption comprise land and buildings in Yonkers, New York, and machinery and equipment at Yonkers and other locations.

The company is not in a position to estimate the amount that may be realized from the disposition of this property but it believes that any aggregate loss incurred upon such disposition will not be material. Expenses and losses (net) in maintaining and disposing of such properties in 1955 amounted to $1,998,905, including a provision in the amount of $150,000 for estimated maintenance expenses subsequent to December 31, 1955, all of which were charged to earned surplus (deficit).

In September 1955 the company entered into an agreement for the sale of the nonoperating land and buildings at Yonkers for an aggregate consideration of $4,000,000 (before commissions of $102,500), of which $1,000,000 was to be received in cash and the remainder in mortgages. The company received a cash deposit of $250,000 in connection therewith. The agreement provides that the company will share pro rata in any proceeds from resale of part or all of such properties in excess of defined minimum amounts and after deducting specified charges. The closing was to have been made on October 31, 1955, but it has been postponed by mutual agreement between the company and the prospective purchaser. Sale of a small part of the land and buildings covered by this agreement was effected prior to December 31, 1955, and the financial statements reflect the sale of such part and the receipt of $611,500 in cash and mortgages in consideration therefor.

WILSON & CO., INC.
DR.—$5,790,784—"*Retained Earnings*: Special charges in connection with partial discontinuance of operations at Chicago plant—

Provision for loss on disposition of plant property	$6,275,000
Provision for severance payments to employees and other extraordinary closing costs	3,000,000
	$9,275,000
Less—Federal income tax reductions available to date relating to above special charges	3,484,216
	$5,790,784"

FOREIGN EXCHANGE ADJUSTMENT

Retained Earnings

ABBOTT LABORATORIES
DR.—$1,527,423—"*Earnings Employed in the Business*: Contingency reserve returned to earnings employed in the business, less exchange adjustments of $1,527,423 resulting from foreign currency devaluation—Note A."

Note A: Subsidiary Data—All subsidiaries of the Company are wholly-owned and in accordance with the practice consistently followed, their accounts have been included in the consolidated statements. The accounts of foreign subsidiaries and branches have been translated into United States dollars as follows: Net assets at rates in effect at December 31, 1955, except property, plant, and equipment stated at rates in effect in the year of acquisition; accounts in the income statement at average rates for the applicable year. The exchange adjustments totaling $1,527,423 which resulted from currency devaluations in 1955 in Argentina and Colombia have been charged to earnings employed in the business; other exchange adjustments have been included in the statement of consolidated income. . . .

Net income of foreign branches and subsidiaries included in the statement of consolidated income (exclusive of exchange adjustments in 1955 of $1,527,423 resulting from currency devaluations —charged to earnings employed in the business) amounted to $1,971,225 for 1955 and $1,630,598 for 1954

Capital Surplus

AMERICAN AIR FILTER, INC.
CR.—$1,296—"Other Capital in Excess of Par Value of Shares: Monetary adjustment of investment in American Air Filter of Canada Limited."

PRIOR YEAR ADJUSTMENTS—FIXED ASSETS AND DEPRECIATION

Retained Earnings

ALLIED MILLS, INC.
CR.—$387,784—"Earned Surplus: Restoration of prior years' depreciation to conform with Treasury Department."

ALUMINUM COMPANY OF AMERICA
CR.—$65,207,057—"Retained Earnings—Note A."
(Refer also to example, this section, *Appropriations of Retained Earnings—Tax Purposes.*)

CONSOLIDATED PAPER COMPANY
CR.—$5,751—"Earnings Retained for Use in the Business: Adjustments resulting from examination of federal tax returns for the years 1952 and 1953:

Capitalization of repair items previously expensed, less allowable depreciation	$58,408
Less: Additional federal taxes incident thereto	52,657
	$ 5,751

CRADDOCK-TERRY SHOE CORPORATION
CR.—$5,022—"Earned Surplus — Unappropriated: Equipment acquired and written off in 1952, restored to the accounts, less interim depreciation."

THE SELBY SHOE COMPANY
CR.—$466,588—"Earnings Reinvested in the Business: Adjustment of building depreciation reserve, Note 1."

Note 1: Depreciation On Building—On March 3, 1955, the Board of Directors authorized the adjustment of depreciation on the Company's principal building to conform to the federal income tax basis. The resulting decrease in the reserve for depreciation as at April 30, 1954, credited to earnings reinvested in the business, amounted to $466,588. The effect of this change in depreciation policy was to reduce depreciation taken for the year ended April 30, 1955, in the amount of $14,194, as compared with depreciation computed on rates previously used.

Capital Surplus

THE BORDEN COMPANY
CR.—$20,288—"Capital Surplus."

Note 4: Capital Surplus— . . . In addition $20,288 was credited to Capital Surplus during the year representing proceeds from disposal of properties previously written off against this account.

CITY PRODUCTS CORPORATION
DR.—$176,934—"*Capital Surplus*: Application as a reduction of property of amount previously added to capital surplus in connection with acquisition of subsidiary."

THE CUDAHY PACKING COMPANY
CR.—$335,269—"Capital Surplus: Adjustments to deficit in earned surplus which was transferred to capital surplus as of October 30, 1954: Plant and equipment adjustments resulting from Treasury Department review of the years 1950, 1951 and 1952."

PRIOR YEAR ADJUSTMENTS—TAXES

Retained Earnings

AMERICAN AIR FILTER COMPANY, INC.
CR.—$211,702—"Retained Earnings: Net adjustment agreed upon with Federal and Kentucky income tax authorities, all prior years."

AMERICAN WRITING PAPER CORPORATION
CR.—$130,134—"Retained Earnings: Adjustment of

provisions for federal income and state taxes of prior years."

ARTLOOM CARPET CO., INC.
CR.—$96,297—"Earnings Retained in the Business: Prior Years Adjustments arising out of settlement of Federal Taxes, Years 1950 to July 31, 1954, Inclusive."

General Notes: Federal Income Taxes—During the year ended July 30, 1955, the Company in settlement of Federal Income Taxes for the year 1950 to July 31, 1954, inclusive, reverted to method of Last-in—First-out inventory accounting in use prior to year 1950 to include Raw Materials, Wool, Cotton and Jute instead of the expanded procedures adopted in year 1950 to include all Raw Materials, Labor and Burden. The Statements herewith reflect these settlements. The Claims for Refund of Income Taxes in the amount of $206,890.55 includes $142,514.71 arising out of settlement of taxes for years 1950 to July 31, 1954, inclusive, and $64,375.84 due to carry back of operating loss of year ended July 30, 1955. The Federal Tax Liability as shown on the Consolidated Balance Sheet includes Subsidiary Company taxes for year 1955 of $31,612.00.

CRADDOCK-TERRY SHOE CORPORATION
DR.—$2,824—*"Earned Surplus—Appropriated for Contingencies*: Additional taxes on income for the years 1952 and 1953."

FEDDERS-QUIGAN CORPORATION
CR.—$54,550—"Earned Surplus: Prior Years Income Tax Adjustments."

THE FEDERAL MACHINE AND WELDER COMPANY
DR.—$52,292—*"Earned Surplus*: Additional provision for deficiencies of Federal income taxes for prior years plus interest."

M. H. FISHMAN CO., INC.
DR.—$10,220—*"Surplus—Earned*: Additional Federal Income Taxes—Prior Years."

HEYDEN CHEMICAL CORPORATION
CR.—$94,009—"Earned Surplus: Prior years' adjustment of accounts relating to returnable containers to conform with basis established for tax purposes."

HEYWOOD-WAKEFIELD COMPANY
DR.—$115,000—*"Retained Earnings*: Additional Federal income taxes for prior years."

MACFADDEN PUBLICATIONS, INC.
CR.—$80,000—"Earnings Retained for Use in the Business: Refund of Federal income taxes for the years 1943 and 1944."
CR.—$6,861—"Earnings Retained for Use in the Business: Adjustment of prior years Federal income taxes."

THE MENGEL COMPANY
CR.—$585,778—"Earnings Retained for Use in the Business: Refund of prior years' Federal taxes on income, interest, etc. (Note 2)."

Note 2: During the current year, the Company received a net refund of Federal taxes on income relating to the years 1944 and 1947. The refund of prior years' Federal taxes on income and related interest reported in these financial statements are after deducting legal fees, and after deducting current year's Federal and State taxes on income of $184,000 relating to the interest recoveries and legal fees paid.

PHILCO CORPORATION
CR.—$3,284,202—"Retained Earnings: Federal and State Income Taxes of Prior Years Applicable to Reserves for Warranty, Cooperative Advertising and Vacation Pay."

Notes to 1955 Consolidated Statements: . . . Beginning in 1955, the Company has changed its accounting policy to charge prepaid Federal and State Income Taxes payable on reserves for cooperative advertising, warranties and vacation payments directly to the applicable reserves. Such prepaid taxes applicable to prior years, including the aforementioned additional 1954 taxes total $3,284,202. This amount has been credited directly to Retained Earnings.

THE SELBY SHOE COMPANY
CR.—$31,785—"Earnings Reinvested: Tax adjustments of previous years."

SPRAGUE ELECTRIC COMPANY
CR.—$201,052—"Retained Earnings—Unappropriated: Net adjustment of fixed assets and accumulated depreciation and amortization for prior years in connection with examination by Internal Revenue Service, less additional Federal and State income taxes ($117,207)."

Note 2: Federal Income and Excess Profits Taxes—The Federal tax returns of Sprague Electric Co. have been examined by the Internal Revenue Service through the year 1951, and all tax liabilities have been settled through the year 1940, and for the years 1947 to 1951, inclusive. With respect to the years 1941 to 1946, inclusive, the Internal Revenue Service, late in 1950, alleged a net additional tax amounting to $1,709,968. In 1952 an agreement was reached with the Internal Revenue Service under which said alleged additional tax was reduced to $725,003, comprising taxes deferred under Section 721 of the Internal Revenue Code of 1939 aggregating $602,108 and additional taxes aggregating $122,895 applicable to other issues which were conceded by the Company.

During the years 1952, 1953, 1954, and the early part of 1955, numerous conferences were held in the Office of the Assistant Regional Commissioner-Appellate, in Boston, Massachusetts, in an endeavor to settle the claims under Section 721 on a basis satisfactory to the Company. Such conferences were not finally successful, and on May 25, 1955, the Company's directors unanimously voted to try the Section 721 issues in the Tax Court of the United States. No date for such trial has been determined by the Tax Court, as yet, but the Government Counsel has agreed that only the Section 721 issues will be tried in the Tax Court. Because it is impossible to predict the final decision of the Tax Court, no provision for tax adjustments, if any, other than the reserve provided for contingencies in prior years, has been made in the financial statements.

VEEDER-ROOT INCORPORATED
DR.—$18,602—*"Earnings retained for business needs*: Additional Federal and State taxes—prior years."

Capital Surplus

CAPITOL RECORDS, INC.
CR.—$63,354—"Capital in excess of par value of stock: (includes refund in 1955 of $63,354 for Federal income and excess profits taxes of a predecessor company)."

Unclassified Surplus

PHELPS DODGE CORPORATION
CR.—$6,500,000—"Surplus: Adjustments in respect to prior years United States taxes on income—Note D."

Note D: United States Taxes on Income—During the year 1955 examinations of United States income tax returns of the Corporation and its consolidated subsidiaries for the years 1947 to 1949, inclusive, were completed. As a result, certain matters have been settled which affect income and excess profits taxes for the years 1950 to 1953, and the Corporation has therefore reviewed the tax provisions for these years. As a consequence of the foregoing, tax accruals for the seven year period 1947 to 1953 have been reduced by $6,500,000, which amount has been transferred to surplus.

PRIOR YEAR ADJUSTMENTS—MISCELLANEOUS

Retained Earnings

AMERICAN WRITING PAPER CORPORATION
CR.—$15,766—"Retained Earnings: Adjustment of accrual for insurance of prior years."

PARK & TILFORD DISTILLERS CORPORATION
CR.—$30,420—"Earned Surplus: Adjustments (net) applicable to 1954 and prior years (Note 1)."

Note 1: Adjustments Applicable to 1954 and Prior Years—Certain classifications used in the 1954 financial statements have been changed in this report for comparative purposes to conform to classifications used in the 1955 statements. These 1954 statements do not reflect the following adjustments recorded in earned surplus in 1955:

	Increase in Net Loss For the Year 1954
Adjustment of certain inventories to the lower of cost or market	$188,500
Provision for loss on transfer of equipment	41,011
Adjustment of accrued liabilities	25,151
	$254,662
Less—	
Provision on an accrual basis to cover allowances and other credits to customers	21,239
	$233,423

Additional adjustments of $263,843 applicable to years prior to 1954 represented principally the reversal of an intercompany loss on the sale of real estate in 1943.

The net effect of all these adjustments was to increase earned surplus by $30,420.

PENN-TEXAS COMPANY

DR.—$741,197—*"Earned Surplus*: Adjustment applicable to prior years."

TEXTRON AMERICAN, INC.

CR.—$892,000—"Earned Surplus: Adjustment of surplus representing the excess cost of investment in certain subsidiaries over equity therein, charged to earned surplus in prior years."

WILSON & CO., INC.

CR.—$470,400—"Retained Earnings: Amount reserved for prior years vacation expense (net of taxes)."

Capital Surplus

CHESAPEAKE INDUSTRIES, INC.

DR.—$708,416—*"Capital Surplus*: Elimination of deficit from operations at January 1, 1955 as authorized by board of directors."

LEAR, INCORPORATED

CR.—$194—"Additional Paid-In Capital: Adjustment arising from the cancellation of capital stock issued in error in connection with Romec Pump Company in 1948."

VARIOUS OTHER TRANSACTIONS

Retained Earnings

CARNATION COMPANY

CR.—$7,648—"Accumulated Earnings Retained in the Business, Excluding Amounts Transferred to Capital: Unredeemed Scrip equivalent to 67 shares relating to share dividend paid January 3, 1955."

ENDICOTT-JOHNSON CORPORATION

CR.—$277,400—"Accumulated Retained Earnings: Federal taxes on income at current rates applicable to provision for the year to give effect to the normal base stock method of inventory (Note 1)."

DR.—$1,186,054—*"Accumulated Retained Earnings*: Amount added to the provision to give effect to the normal base stock method of inventory so as to include additional items and to reflect changed conditions (Note 1)."

Note 1: The Corporation employs the normal base stock method of inventory under which the inventories are stated on the basis of cost or market, whichever is lower, and a provision is made to reduce the established normal inventory to fixed prices.

The method has been extended as of December 1, 1954 to include additional items in process and synthetic rubber. At the same time, the fixed price of purchased upper leather and certain normal quantities of other commodities were adjusted to reflect changed conditions, and some refinements were made in the application of the method. As a result of these changes, the provision as of November 30, 1954 was increased by $1,186,054, which was charged directly to "Accumulated Retained Earnings." These changes had the effect of increasing earnings during the year by $111,413.

Fixed prices employed in the application of the method, which are substantially below current market levels, are as follows:

Hide value in (a) raw hides and hides in process; (b) own upper and sole leather; and (c) own upper and sole leather in footwear	7 cents per lb.
Purchased upper leather, including purchased upper leather in footwear	17 cents per ft.
Crude rubber unprocessed and in rubber and leather footwear	5 cents per lb.
Synthetic rubber unprocessed and in rubber and leather footwear	18 cents per lb.

In addition to the above materials the provision covers that portion of inventory valuation attributable to the following costs on the normal quantities to the extent such valuation exceeds costs prevailing in 1939:

Labor and overhead costs.
Certain miscellaneous raw materials and supplies.
Purchased shoes, slippers and hosiery in retail stores.

The normal base stock method is not recognized for federal income tax purposes and taxes have, therefore, been paid in prior years on the entire provision of $15,496,874. Tax rates have increased materially since 1936 when the normal base stock method was established. If the "Provision to give effect to the normal base stock method of inventory" were computed net of taxes at the current year's rate of 52%, it would be $7,438,500 and the excess of $8,058,374 would represent a part of "Accumulated retained earnings."

The normal base stock method is designed to eliminate from earnings most of the inventory price increases or declines. Prices decreased during the year, and earnings have been increased by a reduction of the provision accumulated in prior years. Moreover, since the decrease also resulted in a decrease in 1955 federal taxes on income, such credit to earnings has been reduced to $256,019 by an amount equivalent to the tax decrease ($277,400), which has been credited directly to "Accumulated retained earnings."

THE FEDERAL MACHINE AND WELDER COMPANY

CR.—$32,809—"Earned Surplus: Transfer of depreciation on war emergency facilities from capital surplus."

CR.—$704—"Earned Surplus: Transfer of gain on sale of war emergency facilities from capital surplus."

NATIONAL COMPANY, INC.

CR.—$120,227—"Earned Surplus: Increase in January 1, 1955, inventory from inclusion of manufacturing overhead (Note 1)."

Note 1: The company modified its accounting methods, effective January 1, 1955, to include in commercial product inventories the related manufacturing overhead, amounting at that date to $120,227.57. There would be no material variation in operating results in the year 1955 between those reported under the new method and those which would have been reported under the former method.

REMINGTON RAND, INC.

DR.—$878,464—*"Earnings Retained for Use in the Business*: Payments made on Dysart judgment for damages and interest to March 31, 1954, less reduction in U. S. income taxes resulting therefrom (Note E)."

Note E: Contingent Liabilities—Contingent liabilities at March 31, 1955, for foreign drafts discounted and for guarantees of advances made by banks to non-consolidated foreign subsidiaries aggregated $1,492,639.

Litigation against the Company by the heirs and Estate of Birney Dysart in connection with the use of an adding machine device since 1924 was concluded by court decree during the year and the Company paid $1,857,725 and accrued $66,668 to cover damages and interest to March 31, 1955.

SPRAGUE ELECTRIC COMPANY

DR.—$41,779—*"Retained Earnings*: Additional net renegotiation refund for the year 1952."

Capital Surplus

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

CR.—$353,915—"Paid-In Surplus: (1955 includes restoration of investment in Austrian subsidiary, $353,915)."

DECCA RECORDS, INC.
DR.—$564,603—*"Other Capital Surplus*: Amount of decrease resulting from Universal Pictures Company, Inc. capital stock changes through acquisition of treasury stock and issuance of stock upon exercise of warrants."

E. I. DU PONT DE NEMOURS & COMPANY
CR.—$79,350,000—"Surplus Arising from Revaluation of Security Investments: Adjustment resulting from revaluation of Investment in General Motors Corporation."

Note 1 (c): Investment in General Motors Corporation Common Stock, in accordance with a practice followed since 1925, has been revalued annually to an amount which closely corresponds to the equity indicated by the consolidated balance sheet of General Motors Corporation at December 31 of the preceding year. The Company's current holdings have been revalued in 1955 on the basis of the common stock equity indicated by the balance sheet of General Motors Corporation at December 31, 1954, adjusted to reflect the sale of new common stock in 1955. The net additions to surplus as a result of all such revaluations amounted to $630,728,242 at December 31, 1955, and $551,378,242 at December 31, 1954.

In February 1955, General Motors Corporation offered all common stockholders the right to purchase one additional share at $75.00 for each 20 shares owned. The Company exercised its rights, increasing its holdings from 20,000,000 shares at December 31, 1954 to 21,000,000 shares. Effective September 30, 1955, General Motors Corporation common stock was split three-for-one, thereby increasing the Company's holdings from 21,000,000 shares ($5 par value) to 63,000,000 shares ($1 2/3 par value) at December 31, 1955.

HATHAWAY BAKERIES, INC.
CR.—$1—"Paid-In Surplus: Adjustment of capital stock liability."

SHELL OIL COMPANY
CR.—$100,000—"Amount in Excess of Par Value."

Note 6: Capital— . . . The amount in excess of par value of stock was increased in 1955 as follows. . . . Par value of outstanding capital stock of Shell Canadian Exploration Company received as a contribution from Shell Caribbean Petroleum Company."

UNIVERSAL MATCH CORPORATION
DR.—$56,495—*"Capital in Excess of Par Value (Capital Surplus)*: Amortization of appreciation."

WARNER BROS. PICTURES, INC.
DR.—$669—*"Capital Surplus."*

Note E: In accordance with the Plan of Reorganization of Warner Bros. Pictures, Inc. (1923), no fractional shares of stock were issuable in respect of an odd share of Warner Bros. Pictures, Inc. (1923) stock turned in for exchange. During the year ending August 31, 1955, capital surplus has been reduced by $669 being the excess of the Company's portion of the cost to the Distribution Agent of acquiring such single shares over the par value of 58 shares of the Company's stock no longer reserved for exchange.

ADJUSTMENTS RE: SECTION 462, 1954 INTERNAL REVENUE CODE

The Internal Revenue Code of 1954 (Section 462) permitted accrual-basis taxpayers to deduct reasonable additions to reserves for estimated business expenses related to income taxed during the year, effective with the taxpayer's election in the first taxable year beginning after 1953. The privilege applied to items such as: cash discounts, repairs or replacements in connection with guarantees of products sold, sales returns and allowances, freight allowances, quality discounts, vacation pay, and reserves for self-insurance—provided in each case that the future expense or allowance could be estimated with reasonable certainty. Section 462, which was new in the 1954 Internal Revenue Code, was repealed retroactively by H. R. 4725 (84th Congress) effective as to taxable years beginning after December 31, 1953.

In the annual reports for 1955, the most general disclosure of the accounting treatment given to these items was found either in the notes to financial statements or in the financial review section of the report to stockholders.

A large number of companies discussed these items in the notes to their financial statements (*Co. Nos. 33, 37, 73, 80, 113, 149, 164, 175, 190, 195, 236, 252, 271, 296, 285, 301, 309, 319, 320, 329, 334, 344, 373, 398, 423, 435, 436, 439, 444, 513, 539, 551, 560). Many companies discussed these items only in the president's letter to the stockholders (or in the financial review section) (*Co. Nos. 14, 18, 42, 85, 143, 186, 268, 292, 279, 294, 315, 348, 350, 376, 387, 451, 577, 589). A few companies (*Co. Nos. 5, 13, 54, 73, 285, 350, 398, 470, 513) made disclosure in the income statement.

Several of the 600 survey companies made adjustments to their retained earnings accounts for such items in the 1955 statements and these entries are provided in examples which follow this text.

AMERICAN BAKERIES COMPANY
CR.—$428,558—"Earnings Retained for Use in the Business: Vacation pay and returned products expense net of Federal taxes on income, accrued in 1954, reversed in 1955 (Note 1)."

Note 1: Because of the repeal of Section 462 of the Internal Revenue Code, the effect of which was to deny the deductibility of vacation pay and returned products expense accruals for Federal income tax purposes, the Company reverted to its former practice of recording these items on a pay-as-you-go basis. The amount charged to Balance of Earnings Retained for Use in the Business in 1954 for these accruals was credited to that account in 1955. The earnings in neither year were affected by the transaction.

BARKER BROS. CORPORATION
CR.—$241,500—"Earnings Retained for Use in the Business: Reversal of the special charge made in 1954 for credit service charges on installment receivables, less $283,500 applicable income taxes (See Note)."

Notes to the Financial Statements: In 1954 the company changed its accounting methods to record vacation pay and sundry other expenses in the year to which they relate and to defer the unearned portion of the credit service charges on instalment sales contracts. These changes were made on the assumption that the estimated expenses would be allowable as deductions and the income deferrable for income tax purposes in 1954. However, the sections of the Internal Revenue Code which provided for these expense deductions and deferral of income were retroactively repealed by Congress in 1955. In view of this circumstance and because of a preference for the alternative accounting practice followed by the trade of recording credit service charges as earnings in the year the sale is made, the company decided to revert to its previous accounting policy with respect to this item. Accordingly, the accompanying consolidated statement of retained earnings includes the reversal as at January 1, 1955 of the credit service charges, less applicable income taxes, which had been deferred at the end of 1954 and the consolidated statements of earnings for 1955 and 1954 include credit service charges on the instalment sales made during each year. The company is continuing the method adopted in 1954 of charging vacation pay and sundry other expenses against earnings of the year to which they relate.

BELDING HEMINWAY COMPANY, INC.
DR.—$44,619—*"Income Retained for Use in the Business*: Prior year Federal taxes on income arising from repeal of Section 462 of the Internal Revenue Code."

BOOTH FISHERIES CORPORATION
DR.—$56,000—*"Earned Surplus*: Adjustment of prior year vacation expense to reserve basis."

*Refer to Company Appendix Section.

CONSOLIDATED PAPER COMPANY

DR.—$219,787—"*Earnings Retained for Use in the Business*: Additional 1954 federal income taxes resulting from the retroactive repeal of Section 462 of the 1954 Internal Revenue Code."

ELGIN NATIONAL WATCH COMPANY

DR.—$507,500—"*Retained Earnings Invested in the Business*: Provision for vacation pay earned prior to March 1, 1954, net of applicable tax credit of $550,000 (Note 2)."

Note 2: It has been the practice of the Company to charge net income each year for the amount of vacation pay actually paid during the year. As at February 28, 1955, however, the Company made provision, by charge to net income, for vacation pay applicable to the year then ended but payable after that date. The amount of vacation pay applicable to the fourteen months ended February 28, 1954 has been charged, after deduction of the related tax credit, to retained earnings. This change had no material effect upon net income for the year.

THE GRIESS-PFLEGER TANNING COMPANY

CR.—$13,663—"*Earned Surplus*: Reversal of Vacation Expense Accrued in Prior Year, Less Additional Federal Income Tax Paid, etc."

INTERSTATE BAKERIES CORPORATION

DR.—$323,188—"*Retained Earnings.*"

Note 1: Commencing with the year 1955 the Company, as permitted for tax purposes, adopted the accrual basis for accounting for vacation pay. Prior thereto, these expenses were not recorded in the accounts until paid. The amount applicable to prior years ($323,188 after applicable Federal income tax reduction) was charged direct to retained earnings.

THE E. KAHN'S SONS COMPANY

DR.—$86,570—"*Earned Surplus*: Additional Federal Income Tax for prior year due to retroactive repeal of section of Internal Revenue Code pertaining to accrual of certain expenses."

MACFADDEN PUBLICATIONS, INC.

DR.—$29,033—"*Earnings Retained for Use in the Business*: Adjustment of 1954 Federal income tax as a result of the enactment and repeal of Section 462 of the Internal Revenue Code of 1954."

McGRAW-HILL PUBLISHING COMPANY, INC.

DR.—$849,361—"*Income Retained in the Business*: Increase in unexpired subscriptions."

DR.—$2,391,767—"*Income Retained in the Business*: Adjustment of 1954 income taxes due to repeal of Sections 452 and 462 of the Internal Revenue Code."

Review of 1955 Operations: The 1954 tax law permitted the deferment of subscription income in an amount equal to unexpired subscriptions. It also permitted a provision for certain expense liabilities. Under that law, the Company elected in 1954 to avail itself of tax benefits resulting from it. In March, 1955, however, the Government repealed retroactively to January 1, 1954, those portions of the revenue code and thereby made it mandatory for the Company to pay in December, 1955, taxes applicable to 1954 net income which had been deferred in accordance with regulations effective at the end of last year.

O'SULLIVAN RUBBER CORPORATION

DR.—$17,327—"*Earned Surplus*: Federal income taxes —prior year (Note 6)."

DR.—$1,412—"*Earned Surplus*: State income taxes—prior year (Note 6)."

Note 6: In June 1955 the U. S. Congress repealed Internal Revenue Code, Section 462, retroactive to January 1, 1954. This action caused the Corporation to pay additional Federal income taxes of $17,327.26 and State income taxes of $1,412.15 on 1954 profits. For comparative purposes, the Provision for Income Taxes shown on the Profit and Loss Statement for 1954 has been adjusted to include these amounts.

During 1954 the Corporation changed its accounting procedures by recording accrued vacation pay for plant employees. As a result of this change the profit before income taxes, for 1954, is $16,416.40 less than it normally would have been.

PHILCO CORPORATION

DR.—$2,154,131—"*Retained Earnings*: Additional 1954 Federal and State Income Taxes, Paid in 1955, by Reason of Repeal of Section 462 of 1954 Revenue Act."

SNAP-ON TOOLS CORPORATION

CR.—$70,715—"*Retained Earnings*: Adjustments resulting from retroactive repeal of Section 462 of Internal Revenue Code of 1954."

Financial Review: Income and Dividends— . . . During 1955, retroactive repeal by the United States Congress of provisions of the Internal Revenue Code relating to the deductibility of certain expenses and reserves necessitated a recomputation of the Company's 1954 income and income tax. The Company, in recording its 1954 transactions, had taken expenses allowable under the subsequently repealed provisions for accrued vacation cost and replacement guarantee reserves. These entries have been reversed.

The net result of the retroactive repeal of these provisions of the Internal Revenue Code was an increase in income tax of $76,539 and an increase of 1954 net income from the reported figure of $1,016,571 to $1,087,286.

VEEDER-ROOT INCORPORATED

DR.—$33,863—"*Earnings Retained for Business Needs*: Estimated expenses set up in 1954 disallowed, due to repeal of Section 462 of Internal Revenue Code."

Section 5 ACCOUNTANT'S REPORT

SHORT-FORM ACCOUNTANT'S REPORT

The short-form type of report, which outlines in general terms the scope of the examination made and states concisely the opinion of the independent certified public accountant regarding the fairness of the financial statements, is now customary in published corporate annual reports. The Committee on Auditing Procedure of the American Institute of Accountants is continuing in its efforts to encourage uniformity in the manner in which this opinion is stated. The present form, or framework upon which each report is built, has been in use since 1948 (see *Codification of Statements on Auditing Procedure*):

Recommended Short-Form

The recommended short-form of accountant's report reads as follows:

> "We have examined the balance sheet of X Company as of December 31, 19— and the related statement(s) of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.
>
> "In our opinion, the accompanying balance sheet and statement(s) of income and retained earnings present fairly the financial position of X Company at December 31, 19—, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

In *Accounting Terminology Bulletins, Review and Résumé, Number 1* the Committee on Terminology of the American Institute of Accountants has recommended that the use of the term "surplus" be discontinued; the term "earned surplus" should be replaced by terms which will indicate source, such as "retained income," "retained earnings," or "accumulated earnings."

Modified Short-Form

The modified short-form of accountant's report usually incorporates all of the elements of the recommended short-form. It differs in physical presentation, the principal change being one of formation. The opinion and scope are usually combined in a single paragraph, with the opinion sentence appearing first. In the survey of 1955 annual reports, 94 reports were of this single-paragraph type; two additional reports contained two paragraphs with the opinion stated in the first paragraph and the scope mentioned in the following paragraph.

The modified short-form is shown in the following typical example:

> In our opinion, the accompanying financial statements present fairly the consolidated financial position of *Walt Disney Productions* and subsidiaries at October 1 1955, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Adoption of Recommended Short-Form

Generally speaking, the accounting profession has accepted the recommended short-form of accountant's report. As shown in Table 1, 226 of the 1955 annual reports of the survey companies contained the approved short-form without variation and an additional 263 reports included the short-form with minor wording variations. These 1955 reports, or a total of 489 survey companies included the short-form of accountant's report either exactly as recommended or substantially similar thereto. In the balance of the survey companies, a modified short-form of accountant's report was used for 96 companies, and various other forms were employed in the remaining 15 reports.

Wording Variations

Table 1 indicates that the accountants' reports contained in the 1955 annual reports of the 600 survey companies are frequently presented with variations in form or wording.

In 49 instances, the accounting firm made mention of the fact that a similar examination had been made in the preceding year (*Co. Nos. 3, 27, 28, 35, 39, 48, 49, 69, 83, 87, 93). In one instance the accounting firm stated

TABLE 1: SHORT-FORM ACCOUNTANT'S REPORT

Number of Reports With:	1955	1954	1953	1950
"Recommended Short-Form of Report" with *scope* set forth in first paragraph and *opinion* stated in a following paragraph........				
Adopted:				
In full	226	217	263	251
With minor wording variations	263	275	242	265
"Modified Short-Form Report" with *opinion* stated in opening sentence of a single paragraph form	94	90	80	65
"Modified Short-Form Report" with *opinion* stated in first paragraph and *scope* set forth in a following paragraph	2	2	2	3
Various other forms	15	16	13	16
	600	600	600	600

"We have *not* made an examination of the financial statements for the year ended December 31, 1954" (*Co. No. 430).

One of the most common variations was that found in the opinion paragraph of 43 reports, which amplified the phrase "in conformity with generally accepted accounting principles" to read "and were prepared in conformity with generally accepted accounting principles" (*Co. Nos. 15, 54, 79, 87, 107, 112, 118, 127, 145).

Another variation was found in the opinion paragraph of 15 reports, which amplified the phrase "generally accepted accounting principles applied on a basis consistent with that of the preceding year" to state that such principles had been applied on a consistent basis "in all material respects."

*Refer to Company Appendix Section.

"GENERALLY ACCEPTED AUDITING STANDARDS"

The extensive use of the short-form of accountant's report (in either the exact or modified form) affirms the fact that the accountant's examination has been made "in accordance with generally accepted auditing standards." Table 2 indicates that the accountant's report in 591 of the 1955 annual reports of the survey companies contained this representation.

Three companies contained reports in which the accountant stated that the examination was made in accordance with "generally accepted auditing standards" with certain exceptions (*Co. Nos. 25, 329, 390). Three reports stated that the examinations were made in accordance with "generally accepted auditing standards applicable in the circumstances" and also included reference to a review of the

TABLE 2: AUDITING STANDARDS

Accountant's Report	1955	1954	1953	1950
States that the examination was made in accordance with "generally accepted auditing standards"	591	595	595	593
States that the examination was made in accordance with "generally accepted auditing standards" with certain exceptions	3	—	—	—
States that the examination was made in accordance with "generally accepted auditing standards" and includes reference to a detailed audit of the transactions and the system of internal control	—	—	—	1
States that the examination was made in accordance with "generally accepted auditing standards *applicable in the circumstances*" and includes reference to a detailed audit of the transactions and the system of internal control	3	3	3	3
Omits reference to "generally accepted auditing standards" (*Co. Nos. 121, 314)	2	1	1	1
Omits reference to "generally accepted auditing standards" but includes reference to:				
A detailed audit of the transactions and the system of internal control	—	—	—	1
The system of internal control (*Co. No. 452)	1	1	1	1
	600	600	600	600

*Refer to Company Appendix Section.

TABLE 3: AUDITING PROCEDURES

Accountant's Report	1955	1954	1953	1950
States that the examination "included such other auditing procedures as we considered necessary in the circumstances"	535	535	522	558
States that the examination "included such other auditing procedures as we considered necessary in the circumstances" and refers to the omission of certain normal auditing procedures (*Co. Nos. 155, 483, 570)	3	2	3	5
1. Refers to the omission of certain normal auditing procedures and the employment of *alternate procedures* (*Co. Nos. 10, 73, 363, 372	52	54	64	24
2. Refers to the omission of certain normal auditing procedures, the employment of alternate procedures, and *describes* such procedures (*Co. Nos. 25, 44, 180)	3	2	3	3
	593	593	592	590
Indicates that the examination *included all procedures which were considered necessary* (*Co. Nos. 23, 29, 293, 458)	4	4	5	6
States "have examined or tested accounting records of the company and other supporting evidence by methods and to the extent deemed appropriate" (*Co. Nos. 121, 452)	2	2	2	2
Omits reference to "such other auditing procedures" or phrase similar in meaning thereto (*Co. No. 320)	1	1	1	2
	600	600	600	600

*Refer to Company Appendix Section.

system of internal control and "without making a detailed audit of the transactions" (*Co. Nos. 29, 293, 458).

The revision of the short-form report which was adopted in 1948 eliminated reference to a review of the system of internal control since it is implied in the reference to "generally accepted auditing standards."

"SUCH OTHER AUDITING PROCEDURES"

The scope paragraph of the recommended short-form of accountant's report contains the phraseology "Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and *such other auditing procedures* as we considered necessary in the circumstances." Table 3 discloses that 593 of the accountants' reports of the 600 survey companies included the representation "such other auditing procedures" considered necessary in the circumstances. Four of the reports indicated that the examination "included all procedures which were considered necessary" (*Co. Nos. 23, 29, 293, 458). Two reports stated that they had "examined or tested accounting records of the company and other supporting evidence by methods and to the extent deemed appropriate" (*Co. Nos. 121, 452); only one report (*Johnson & Johnson*) omitted the reference to "such other auditing procedures."

Reporting on Use of "Other Procedures"

In April, 1956, the Committee on Auditing Procedure issued Statement No. 26 "Reporting on Use of 'Other Procedures'." The statement is believed to be of such importance that it is reproduced in its entirety in the appendix of Recent Accounting Bulletins. (Refer to Table of Contents for page number.) It should be noted here that the examples provided in the following text which illustrate the disclosure of omission of auditing procedures are taken from 1955 reports which were issued prior to this pronouncement.

*Refer to Company Appendix Section.

Omission of Auditing Procedures

Table 4 discloses that 58 of the accountants' reports of the 1955 survey companies revealed the omission of certain normal auditing procedures in 61 instances. Of these, 53 omissions pertained to the confirmation of accounts receivable, including 48 with regard to government accounts, in which it was stated that alternate auditing procedures had been applied. (*Co. Nos. 117, 135, 189, 253, 254, 278, 352, 364, 366, 485). One of the 1955 reports (*Co. No. 483) disclosed the omission of verification of an advance to an affiliated company, material in amount, and therefore declined to express an opinion on the financial statements as a whole. (Refer to this section, *Disclaimer of Opinion,* for example reproduced therein.)

The examples given below, selected from the 1955 reports, are representative of those indicating the omission of certain normal auditing procedures.

Confirmation of Accounts Receivable —U. S. Government

To the Share Owners and the Board of Directors of General Dynamics Corporation: We have examined the consolidated balance sheet of *General Dynamics Corporation* (a Delaware corporation) and subsidiaries as of December 31, 1955, and the related statements of consolidated income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm receivables from the United States and Canadian Governments but we have satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of *General Dynamics Corporation* and subsidiaries as of December 31, 1955, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountant's Report—February 20, 1956.*

Confirmation of Accounts Receivable —Accounts Other than U. S. Government

To the Board of Directors and the Stockholders of American Bank Note Company: In our opinion, the accompanying statements present fairly the consolidated financial position of *American Bank Note Company* and its subsidiary companies at December 31, 1955 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards except that owing to special conditions no confirmations were obtained from customers in certain foreign countries; however, our test check of the records supporting these balances indicated that they were stated properly. The examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Auditors—February 28, 1956.*

Confirmation of Accounts Receivable —Various Other Debtors

The Board of Directors, Club Aluminum Products Company: We have examined the balance sheet of *Club Aluminum Products Company* as of June 30, 1955 and the related statement of net income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm certain of the accounts receivable, but we satisfied ourselves by other means as to these items.

In our opinion, the accompanying balance sheet and statement of net income and retained earnings present fairly the financial position of *Club Aluminum Products Company* at June 30, 1955 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountant's Report—July 25, 1955.*

To the Board of Directors of Knott Hotels Corporation: We have examined the consolidated balance sheet of *Knott Hotels Corporation* and Subsidiary Companies as at December 31, 1955 and the consolidated statements of net income and surplus accounts for the year then ended. Except that it was not practicable to confirm by direct communication with the debtors, the current accounts due from hotel guests, as to which we have satisfied ourselves by other auditing procedures, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. A similar examination of the financial statements of the Corporation's foreign subsidiary was made by other independent accountants, whose report was accepted by us.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of net income and surplus accounts present fairly the financial position of *Knott Hotels Corporation* and Subsidiary Companies at December 31, 1955 and the results of their operations for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Opinion—March 12, 1956.*

Observation and Test of Inventories

Burrus Mills, Incorporated: We have examined the consolidated balance sheet of *Burrus Mills, Incorporated* and subsidiary companies as of June 30, 1955 and the related statements of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except to the extent set forth in the following paragraph.

Reference is made to Note 5 concerning wheat stored in conical canvas tents at June 30, 1955, to damages thereto prior to that date resulting from moisture and other causes, and to the provision for loss of $594,759.00. Because of the conditions explained in the note, we are not in a position to determine the adequacy of the provision for loss.

In our opinion, subject to the adequacy of the provision for loss from damages to wheat in tent storage at June 30, 1955—see the preceding paragraph and Note 5, the accompanying consolidated balance sheet and statements of consolidated income and earned surplus present fairly the financial position of the companies at June 30, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Certificate—August 8, 1955.*

Note 5: At June 30, 1955 approximately 31,000,000 bushels of wheat owned by customers were stored with the Company in conical canvas tents; 18,000,000 bushels near Ft. Worth, Texas and 13,000,000 bushels near St. Joseph, Missouri. These tent storage facilities were completed and placed in service in the summer months of 1954. During the year ended June 30, 1955 the Company incurred losses aggregating approximately $1,000,000.00 as a result of damages to wheat stored in two of the tents near St. Joseph, Missouri, such damages being occasioned by wind, rain, and drainage difficulties. These losses were determined by movement of the grain and recorded during the year as a charge against income.

Tests of the quality of wheat in tent storage at June 30, 1955 disclose that damages thereto have resulted because of moisture and other causes. The extent of the damages can be ascertained only by moving the wheat from one location to another and due to the time required and the cost involved it is impracticable to move the wheat for that purpose. In view of these circumstances, all of the recorded profits from operation of the tent storage facilities for the year have been deferred by means of setting up a liability for the damages in the same amount as such recorded profits pending final determination of the loss resulting from the damages to the grain in storage at June 30, 1955. However, in the opinion of the management the ultimate loss will not exceed the amount of $594,759.00 provided therefor through means mentioned above.

The Stockholders and the Board of Directors, Colonial Stores Incorporated: We have examined the statement of financial position of *Colonial Stores Incorporated* as of December 31, 1955 and the statements of profit and loss, capital in excess of par value of capital stock, and earnings retained and invested in the business, for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we were not able to observe the taking of physical inventories of Stop and Shop Enterprises (see Note 1 to the financial statements) at the beginning of the year.

We were informed that the recorded inventories of Stop and Shop Enterprises at the beginning of the year were based primarily on estimates and that no physical inventories were taken. It is believed, however, that if physical inventories had been taken, resultant adjustments would not materially affect the combined operating results reported for the year ended December 31, 1955.

In our opinion, with the foregoing explanation, the accompanying statement of financial position, statement of profit and loss, and other related statements above described, present fairly the financial position of *Colonial Stores Incorporated* at December 31, 1955 and the results of its operations, on the basis stated in note 1 to the financial statements, for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.—*Accountants' Report—February 14, 1956.*

Note 1: *Business Combinations*—As of June 18, 1955 and November 26, 1955, respectively, the businesses, assets and liabilities of Albers Super Markets, Inc. and Stop and Shop Enterprises (an affiliated group of corporations) were combined with those of *Colonial Stores Incorporated.* In connection with these combinations, *Colonial Stores Incorporated* issued 442,934 shares of its common stock to such companies or their stockholders.

Accordingly, the financial statements for the year ended December 31, 1955 include the stockholders' equities and operating results of such predecessor companies for the periods prior to the respective dates of the corporations.

TABLE 4: AUDITING PROCEDURES

Normal Procedures Omitted	1955	1954	1953	1950
Confirmation of Accounts Receivable, with report—				
Stating that alternate procedures were employed:				
For government accounts (*Co. Nos. 221, 224, 227, 229)	48	52	61	23
For foreign accounts (*Co. No. 251)	1	1	2	3
For other accounts (*Co. Nos. 73, 117)	2	2	2	—
Detailing the alternate procedures employed:				
For government accounts	—	—	1	—
For foreign accounts (*Co. No. 25)	1	1	1	1
Confirmation of Accounts Payable, with report—				
Stating that alternate procedures were employed for government accounts (*Co. No. 189)	1	1	1	1
Observation and Test of Inventories, with report—				
Stating that alternate procedures were employed (*Co. Nos. 10, 363, 372)	3	1	2	1
Detailing the alternate procedures employed (*Co. Nos. 44, 180)	2	1	3	1
Not referring to alternate procedures (*Co. No. 155)	1	—	1	2
Verification of Investment in Subsidiary, with report—				
Detailing the alternate procedure employed	—	—	—	1
Not referring to alternate procedures (*Co. No. 572)	1	1	1	2
Verification of advance to affiliated company (*Co. No. 483)	1	—	—	—
Total	61	60	75	35
Normal Procedures Explained				
Confirmation of Accounts Receivable (*Co. Nos. 29, 59)	2	3	4	5
Confirmation of Accounts Payable	—	—	—	1
Observation and Test of Inventories (*Co. Nos. 29, 59, 305, 481, 542, 560)	6	8	10	12
Verification of:				
Cash or securities	—	3	3	5
Investment in subsidiaries	—	—	1	1
Property accounts	—	1	1	1
Total	8	15	19	25
Number of Reports				
Containing no reference to the omission of auditing procedures and no explanation regarding auditing procedures employed	535	533	519	554
Containing no reference to the omission of auditing procedures with supplementary explanation of certain normal auditing procedures employed	6	8	11	13
Referring to the omission of certain normal auditing procedures	58	58	69	30
Omitting reference to "auditing procedures"	1	1	1	3
	600	600	600	600

*Refer to Company Appendix Section.

Board of Directors, Helene Curtis Industries, Inc.: We have examined the consolidated balance sheet of *Helene Curtis Industries, Inc.* and subsidiaries as of December 31, 1955, and the related statements of earnings and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we did not observe the taking of physical inventories as of December 31, 1954, because we were not auditors of the Companies at that time; however, we satisfied ourselves as to those inventories by other means.

In our opinion, the accompanying balance sheet and statements of earnings and surplus present fairly the consolidated financial position of *Helene Curtis Industries, Inc.* and subsidiaries at December 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—March 23, 1956.*

Detroit Stoker Company: We have examined the balance sheet of the *Detroit Stoker Company* (a Michigan corporation) as of September 30, 1955, and the related statement of income and retained income for the fiscal period of six months ended September 30, 1955. Our examination was made in accordance with generally accepted auditing standards, and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, with the exception of inventory verification as explained below.

Because of the change in fiscal period ending September 30, 1955 from the full year which would have ended March 31, 1956, no physical inventory was taken at September 30, 1955. For the most part, inventories consisted of finished parts which were generally valued at normal cost. We have satisfied ourselves by means of alternative auditing procedures that the quantities of individual parts and the over-all inventory valuation as shown by the books at September 30, 1955 are reasonably stated.

In our opinion the accompanying balance sheet and the related statement of income and retained income together with accompanying notes, present fairly, the financial condition of the *Detroit Stoker Company* at September 30, 1955, and the results of its operations for the fiscal period of six months ended September 30, 1955.—*Accountants' Certificate—December 5, 1955.*

Stockholders and Board of Directors, The Maytag Company: We have examined the statement of consolidated financial condition of *The Maytag Company* and domestic subsidiaries as of December 31, 1955, and the related statements of income and expense and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made an examination of the financial statements for the preceding year.

Because production operations were continued during the regular year-end physical inventory period in order to meet dealer and distributor requirements, it was deemed impracticable to take physical inventories of a major portion of the work in process at the close of the year. We were therefore unable to test the physical quantities of this portion of the work in process inventories but we satisfied ourselves as to the general accuracy of the amounts shown for them by means of other auditing procedures.

In our opinion, the accompanying statement of financial condition and statements of income and expense and retained earnings present fairly the consolidated financial position of *The Maytag Company* and its domestic subsidiaries at December 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the changes (in which we concur) described in Note A to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—January 30, 1956.*

Note A: *Inventories*—The major classes of the inventories were as follows:

Finished products	$ 2,517,919
Work in process and finished parts	6,557,321
Raw materials	3,009,263
Manufacturing supplies	801,636
Total	$12,886,139

Since 1946, approximately 70% of the inventories have been priced on the basis of the lower of cost (last-in, first-out—LIFO—method) or market for financial accounting purposes although the first-in, first-out method of calculating inventory costs has been used for income tax purposes. This practice has had the effect of accumulating a reserve for elimination of price inflation in inventory valuations ($2,450,000 at December 31, 1954) without benefit of income tax reductions. In 1955, the LIFO method has been continued for financial accounting purposes except that (1) in the Statement of Consolidated Financial Condition the difference between the valuation so determined and that used for income tax purposes has been segregated as a reserve and reduced by the approximate income tax effect allocable thereto and (2) the related changes in this reserve have been shown in the Statement of Income and Expense after a corresponding reduction. If the same method had been used during 1954, net income for that year would have been $104,000 less than the amount reported.

The Board of Directors and Stockholders of United States Hoffman Machinery Corporation: We have examined the consolidated balance sheet of *United States Hoffman Machinery Corporation* and consolidated subsidiaries as of December 31, 1955 and the related summaries of consolidated income and surplus for the year then ended. Except as explained in the next paragraph, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; it was not practicable to confirm receivables from United States Government departments but we have satisfied ourselves with respect to such receivables by means of other auditing procedures.

As to new subsidiaries acquired in 1955, we were not engaged to examine their accounts for the various periods from dates of acquisition to December 31, 1955, until subsequent to their acquisition. As indicated in Note 6 to the financial statements, certain of these subsidiaries did not take physical inventories at or near the acquisition dates, and determined their inventories at such dates, in the absence of book inventory records, principally on the basis of gross profit ratios. It was not feasible for us to apply, as of the acquisition dates, the usual audit procedures relating to inventory quantities and prices. However, on the basis of our examination of physical inventories taken as at December 31, 1955 and priced at the lower of cost or market, and test examination of purchases and sales transactions since acquisition and of records of standard quantities of materials required to finish products, the amounts of inventories at the acquisition dates appear to be reasonable for the purposes of the consolidated financial statements.

In our opinion, based upon our examination as above described, the accompanying consolidated balance sheet and summaries of consolidated income and surplus, with

BORG-WARNER CORPORATION *and Subsidiary Companies*

Highlights OF THE ANNUAL REPORTS

FOR THE YEARS 1955 AND 1954

	1955	1954
FINANCIAL:		
Current Assets	$244,858,897	$183,764,029
Current Liabilities	99,164,875	69,551,022
Working Capital	145,694,022	114,213,007
Ratio of Current Assets to Current Liabilities	2.47 to 1	2.64 to 1
FIXED ASSETS:		
Capital Additions	13,080,828	24,019,585
Depreciation and Amortization Charges	12,651,392	9,571,053
OPERATING:		
Net Sales	552,192,430	380,317,341
Net Earnings (Before Taxes)	84,775,784	48,910,075
Net Earnings (After Taxes)	41,075,784	24,460,075
Taxes, Paid or Accrued	49,927,157	29,480,980
STOCKHOLDERS' INVESTMENT:		
Preferred Stock (Less Amount in Treasury)	12,723,396	15,193,650
Common Stock (Less Amount in Treasury)	40,010,771	37,391,353
Capital in Excess of Par Value	5,529,837	-0-
Earnings Retained for Use in the Business	177,020,558	145,275,246
TOTAL	235,284,562	197,860,249
NUMBER OF STOCKHOLDERS:		
Preferred	532	552
Common	28,929	22,587
TOTAL	29,461	23,139
DIVIDENDS RECEIVED BY STOCKHOLDERS DURING YEAR	15,543,078*	12,620,804
DIVIDENDS PAID DURING YEAR:		
Preferred Per Share	3.50	3.50
Common Per Share	1.93	1.67†
EARNINGS PER COMMON SHARE	5.17	3.27
BOOK VALUE PER COMMON SHARE	28.34	24.94

1954 column does not include Byron Jackson Co. figures. Byron Jackson Co. Sales for 1954 were $31,890,695 and Net Earnings After Taxes were $1,641,087.

*Includes $642,573 common stock dividends paid by Byron Jackson Co. prior to merger.
†Adjusted for 3 for 1 stock split.

their notes, present fairly the financial position of the companies at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Certificate of Independent Public Accountants—March 15, 1956.*

Note 6: The inventories at December 31, 1954 and 1955 have been priced at the lower of cost (first-in, first-out basis) or market. As to the inventories of certain of the new subsidiaries at various dates of acquisition in 1955, such inventories represent amounts determined by these subsidiaries, without physical inventories at or near the acquisition dates, and in the absence of book inventory records, principally on the basis of gross profit ratios; generally, these amounts (in accordance with the previous practice of such subsidiaries) are exclusive of allowances for direct labor and overhead, which, however, would not be material based upon similar computed allowances at December 31, 1955. Management believes that the inventory amounts as above determined at acquisition dates are reasonable.

Explanation of Auditing Procedures

The survey of 1955 annual reports revealed only eight instances in which the accountant's report provided explanation of certain normal auditing procedures. As indicated in Table 4, six reports provided additional information regarding the auditing procedures applied to the observation and testing of inventories; two of these same reports also included explanation of the auditing procedures concerning accounts receivable. The tendency over the last five years has been to eliminate detailed explanations of normal auditing procedures.

The following examples illustrate the methods used in the 1955 annual reports to discuss certain auditing procedures used:

Confirmation of Accounts Receivable

Board of Directors, Archer-Daniels-Midland Company: We have examined the consolidated balance sheet of *Archer-Daniels-Midland Company* and its subsidiaries as of June 30, 1955, and the related statement of consolidated profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As a part of our examination we tested notes and accounts receivable, principally by requesting debtors to advise us of differences that might exist in statements mailed to them by us. We were present at major Company warehouse and mill locations at the time the inventories were taken, observed procedures followed in establishing quantities and made test checks of such quantities; grain in public terminal elevators was confirmed directly to us by the public authorities; materials and products on consignment were tested by direct correspondence with the consignees. Inventories have been priced in accordance with generally accepted practice, on the basis shown in the balance sheet.

In our opinion, the accompanying balance sheet and statement of profit and loss and surplus present fairly the consolidated financial position of *Archer-Daniels-Midland Company* and its subsidiaries at June 30, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—August 16, 1955.*

Observation and Test of Inventories

Board of Directors, Checker Cab Manufacturing Corporation: We have examined the consolidated financial statements of *Checker Cab Manufacturing Corporation* and wholly-owned subsidiaries for the year ended December 31, 1955. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The amounts stated for inventories have been based upon perpetual inventory records which were tested by us and found to be representative of the physical quantities on hand.

In our opinion, the accompanying balance sheet and statement of income and earned surplus present fairly the consolidated financial position of *Checker Cab Manufacturing Corporation* and wholly-owned subsidiaries at December 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the balance sheet of the Corporation's unconsolidated subsidiary, Parmelee Transportation Company, as of December 31, 1955, and its statements of income and surplus for the year 1955, and have issued a report thereon.—*Accountants' Report—March 14, 1956.*

Board of Directors of Indian Head Mills, Inc.: We have examined the balance sheet of *Indian Head Mills, Inc.* (formerly Naumkeag Steam Cotton Company) as at December 3, 1955 and the related statements of profit and loss, earned surplus and capital surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were present at the Company's plants when the inventories were being checked physically and observed the work of the Company's employees in that connection. We reviewed the methods used in taking and compiling the inventories and made physical tests sufficient to satisfy ourselves as to the substantial accuracy of the inventory quantities. Goods at outside finishing plants and other locations were confirmed by direct correspondence. We made extensive tests of the pricing of the inventories and satisfied ourselves as to the substantial accuracy thereof.

In our opinion, the accompanying balance sheet and related statements of profit and loss, earned surplus and capital surplus together with the accompanying Notes to Financial Statements, present fairly the financial position of *Indian Head Mills, Inc.* at December 3, 1955 and the results of operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the prior year excepting for the change in the valuation of inventories as described in Note B in which change we concur.—*Accountant's Report—January 6, 1956.*

Note B: *Inventories*—Inventories at December 3, 1955, are valued at the lower of cost, first-in, first-out, or market with allowance for slow-moving, obsolete, and irregular merchandise. During the year the Company discontinued the method of pricing inventories at cost on the last-in, first-out basis and adopted the method of pricing inventories at the lower of cost or market. Permission to make this change was obtained from the Director of Internal Revenue. This change increased gross profits for the period by approximately $95,000.

To the Board of Directors, United Engineering and Foundry Company: We have examined the consolidated statement of financial position of *United Engineering and Foundry Company* and its domestic subsidiaries as of December 31, 1955 and the related consolidated statement of operations and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Inventories were tested by us as to physical quantities and pricing. In general, the companies maintain perpetual inventory records which are adjusted periodically to physical inventories of individual items taken by the companies' employees. Raw materials and supplies are generally valued at average cost, purchased materials for contracts controlled through job orders are valued at actual cost of specific items and work in process controlled through job orders is valued at standard cost; all not in excess of replacement market. Finished product is valued at the lower of standard cost or estimated realizable value.

In our opinion, the accompanying consolidated statement of financial position and consolidated statement of operations and retained earnings, together with the foregoing explanatory comments and accompanying notes, present fairly the financial position of *United Engineering and Foundry Company* and its domestic subsidiaries at December 31, 1955, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report—February 22, 1956.*

STANDARDS OF REPORTING

In 1954 the Committee on Auditing Procedure of the American Institute of Accountants issued a special report *Generally Accepted Auditing Standards—Their Significance and Scope,* in which the Committee stated the following standards of reporting:

1. The report shall state whether the financial statements are presented in accordance with generally accepted principles of accounting.
2. The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period.
3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
4. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an over-all opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

TABLE 5: STANDARDS OF REPORTING

Accountant's Report	1955	1954	1953	1950
Generally Accepted Principles of Accounting				
States that the financial statements are presented in accordance with generally accepted principles of accounting	599	596	595	599
Sets forth exceptions to the presentation of the financial statements in accordance with generally accepted principles of accounting (*Co. No. 139)	1	4	5	1
	600	600	600	600
Principles Consistently Observed				
States that generally accepted principles of accounting have been consistently observed in the current period in relation to the preceding period	516	472	561	507
Sets forth certain exceptions to the consistent observation of generally accepted principles of accounting in the current period in relation to the preceding period	84	127	38	92
Omits reference to consistent observation of generally accepted principles of accounting	—	1	1	1
	600	600	600	600
Informative Disclosures				
Contains informative disclosures or explanatory remarks	24	20	25	21
Does not contain informative disclosures or explanatory remarks	576	580	575	579
	600	600	600	600
Expression of Opinion				
Contains an unqualified expression of opinion	504	446	550	489
Contains a qualified expression of opinion	95	154	50	111
Contains a disclaimer of opinion (*Co. No. 483)	1	—	—	—
	600	600	600	600

*Refer to Company Appendix Section.

PRESENTATION OF FINANCIAL STATEMENTS

In Conformity with Generally Accepted Accounting Principles

Only one of the 600 accountants' reports indicated that the financial statements were not presented in conformity with generally accepted principles of accounting. The four companies which, in the prior year, had indicated such departures from generally accepted accounting principles revealed conformity to such principles in their 1955 reports.

The examples which follow indicate the treatment given to such situations in the accountants' reports:

Accounting for Depletion

To the Board of Directors of Cerro de Pasco Corporation: We have examined the consolidated balance sheet of *Cerro de Pasco Corporation* and its Wholly Owned Subsidiaries as of December 31, 1955, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the year 1954.

As described in Note 13, the accompanying statements include depletion amounts representing percentages of income as computed for income tax purposes. Such percentage depletion is widely used by companies in the extractive industries in the United States and Peru in determining taxable income as authorized by the laws of those countries; however, it is not generally used by mining companies in the United States in their published statements.

In our opinion, the accompanying balance sheets and related statements of income and earned surplus present fairly the consolidated financial position of *Cerro de Pasco Corporation* and its wholly owned subsidiaries at December 31, 1955 and 1954, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles (subject to the preceding paragraph) applied on a consistent basis.—*Auditors' Report—March 15, 1956.*

Note 13: Depletion has been provided as percentages of income in amounts computed for Peruvian income tax purposes.

Deferred Research and Development Costs, Special Credit

To the Stockholders of Chesapeake Industries, Inc.: We have examined the consolidated balance sheet of *Chesapeake Industries, Inc.* and subsidiaries as of December 31, 1955 and related statements of consolidated earnings and surplus for the year then ended. Our examination, which included all companies except Colonial Trust Company and The Portsmouth Gas Company representing approximately 19% of the consolidated assets, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were furnished with the reports of other independent certified public accountants in respect to the accounts of The Portsmouth Gas Company and the unaudited year end report of condition submitted to the Federal Reserve Bank in respect to the accounts of Colonial Trust Company.

As indicated in Note 2 to the financial statements, a subsidiary has deferred costs and expenses for the current year as research and development applicable to a variation of its principal product line. Costs of the nature indicated should, in our opinion, be considered as period costs and not deferred. Had this been done, the net earnings for the year would have been decreased by $217,580.

A claim for refund of prior years' property taxes of $147,556 by two subsidiaries has been included in rents, interest and other miscellaneous income. In our opinion such income should be reflected in the statement of earnings as a special credit.

In our opinion, based upon our examination and upon reports furnished to us and subject to the qualifications in the preceding two paragraphs, the accompanying consolidated balance sheet and statements of consolidated earnings and surplus present fairly the financial position of *Chesapeake Industries, Inc.* and subsidiaries at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 27, 1956.*

Note 2: *Deferred Research and Development Expenses*—A subsidiary deferred $217,580 of its engineering costs and expenses as applicable to its development of a new line of partitions. These expenses are to be amortized over a five year period beginning January 1, 1956. This procedure is permitted by the Internal Revenue Code and in the opinion of management the expenses have been properly deferred.

Accounting Principles Consistently Observed

Table 5 indicates that there is still a large number of reports which reveal exceptions to the consistent application of generally accepted accounting principles. In the 1955 and 1954 reports there were 84 and 127 such exceptions, respectively. In 1955, as well as in 1954, changes in depreciation policies accounted for the bulk of such exceptions.

The following examples illustrate the treatment of exceptions to the consistent application of generally accepted accounting principles:

Change in Inventory Pricing

To the Stockholders and Board of Directors of A. M. Castle & Co.: We have examined the balance sheet of *A. M. Castle & Co.* (an Illinois corporation) as of December 31, 1955, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended December 31, 1954.

As of January 1, 1955, the company adopted the practice of stating inventories of merchandise at the lower of aggregate average cost or market and, accordingly, discontinued its previous practice of stating normal inventory quantities at prices in effect at January 1, 1951. This change in accounting practice (which is also an acceptable basis for stating inventories) had the effect of increasing the amount at which inventories at December 31, 1955, are stated by approximately $568,000 and of increasing net income for the year by approximately $151,000. In all other material respects, the accounting principles were applied on a basis consistent with that of the preceding year.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of *A. M. Castle & Co.* as of December 31, 1955, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles.—*Auditors' Report—January 27, 1956.*

To the Share Owners and the Board of Directors of General Electric Company: We have examined the consolidated statement of financial position of *General Electric Company* and affiliates as of December 31, 1955, and the related statements of earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statements present fairly the financial position of General Electric Company and affiliates at December 31, 1955, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles, which, except for the change to the LIFO method of valuing inventories (see Note 3), which we approve, have been applied on a basis consistent with that of the preceding year.—*Independent Auditor's Report—February 17, 1956.*

Note 3: Inventories at substantially all locations were verified by physical count during the latter part of the year. Inventories are carried at cost (exclusive of certain indirect manufacturing expenses) which was not in excess of market value. Cost of substantially all inventories is determined on a last-in-first-out (LIFO) basis, less reserves which (a) make provision for possible losses on inactive and excess stocks, and (b) eliminate unrealized intercompany profits. Heretofore, the inventory of tungsten was the only item valued on the last-in-first-out basis. Other inventories were priced on a first-in-first-out basis and an additional reserve was provided, which had the effect of accounting for the inventory of copper substantially in accordance with the base stock principle. The adoption of the LIFO method resulted in a charge to income of $20,271,000 on a net after-tax basis. This charge was offset by the return to income of certain inventory reserves provided in prior years which were no longer required. . . .

To the Board of Directors and the Stockholders of Hershey Chocolate Corporation: We have examined the balance sheet of *Hershey Chocolate Corporation* (a Delaware corporation) as of December 31, 1955, and the related statements of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 1 to the accompanying financial statements, the Corporation, effective as of January 1, 1955, adopted the last-in-, first-out method of computing the cost of almonds included in inventories. We approve this change in method and are of the opinion that the financial statements are otherwise presented on a basis consistent with that of the preceding year.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of *Hershey Chocolate Corporation* as of December 31, 1955, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles.—*Auditors' Certificate—February 8, 1956.*

Note 1: Effective as of January 1, 1955, the last-in, first-out method of computing the cost of almonds included in inventories was adopted with the result that inventories at December 31, 1955, and the net profit for the year then ended were less than would have been reported under the method previously used. Inventories at December 31, 1955, were reduced $2,640,554 and the net profit for the year then ended was reduced $1,222,000 after recognizing the income tax effect.

Board of Directors and Shareholders, Sundstrand Machine Tool Co.: We have examined the consolidated statement of financial condition of *Sundstrand Machine Tool Co.* (an Illinois corporation) and subsidiary companies as of December 31, 1955, and the related consolidated statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm by direct communication amounts due from the United States Government, as to which we satisfied ourselves by other auditing procedures. We made a similar examination for the year ended December 31, 1954.

In our opinion, the accompanying consolidated statement of financial condition and consolidated statement of earnings and retained earnings present fairly the financial position of *Sundstrand Machine Tool Co.* and subsidiary companies at December 31, 1955, and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, which we approve, in inventory pricing explained in Note A of the notes to financial statements.—*Auditors' Certificate—February 23, 1956.*

Note A: *Inventories*—At December 31, 1954, the inventories were priced at cost, determined principally by the last-in-first-out method. At December 31, 1955 the inventories were priced principally at the lower of cost (determined by the first-in-first-out method) or market. This change in accounting procedure did not have a material effect on the net earnings for 1955.

The inventories were classified as follows:

	1955	1954
Raw materials and supplies	$ 1,226,549	$ 961,577
Work in process	11,525,480	6,170,106
Finished product and parts	5,538,799	3,235,046
	$18,290,828	$10,366,729
Less partial payments received	4,165,609	720,362
	$14,125,219	$ 9,646,367

Under the terms of defense contracts, title to inventories acquired under all contracts on which partial payments have been received vests in the United States Government. At December 31, 1955 inventories acquired under such contracts amounted to $4,767,129.

To the Stockholders of Wheeling Steel Corporation: We have examined the consolidated balance sheet of *Wheeling Steel Corporation* and subsidiary companies as of December 31, 1955, and the related consolidated statement of income and accumulated earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements present fairly the financial position of *Wheeling Steel Corporation* and subsidiary companies at December 31, 1955, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, to the last-in, first-out method for determining the cost of certain inventories, as described in Note A to the financial statements.—*March 2, 1956.*

Note A: Inventories at December 31 were as follows:

	1955	1954
Finished and semi-finished products	$28,748,433	$27,696,648
Raw materials	27,147,526	20,076,510
Manufacturing and other supplies	6,966,695	6,946,350
By-products and scrap	2,236,240	2,155,147
	$65,098,894	$56,874,655

In 1955, the Corporation adopted the last-in first-out method for determining cost of certain finished products and raw materials. Other finished products and all semi-finished inventories are stated on the basis of standard costs, which are adjusted periodically to reflect current conditions. Other raw materials, supplies, by-products and scrap are stated at average cost.

The application of Lifo reduced 1955 net income by approximately $268,000.

Recognition of Deferred Income Taxes re Amortization of Emergency Facilities

Warren Petroleum Corporation: We have examined the consolidated balance sheet of *Warren Petroleum Corporation* and subsidiaries as of June 30, 1955 and the related statement of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at June 30, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except as discussed in Note B) with that of the preceding year.—*Accountants' Certificate—September 8, 1955.*

Note B: During the year ended June 30, 1955 the Corporation adopted, retroactive to July 1, 1953, the practice of recognizind deferred income taxes in connection with the amortization, for Federal income tax purposes, of emergency facilities. This was done to conform to Accounting Research Bulletin 42 of the Committee on Accounting Procedure of The American Institute of Accountants and to current requirements of the Securities and Exchange Commission, despite the fact that the Management believes that the making of such provision in its accounts is inappropriate because of the many differences between taxable net income and the net income shown in the accounts which make any estimate of the actual effect of amortization on taxes for future periods purely conjectural. The amount of $1,450,000 for the year ended June 30, 1955 represents the provision to state the reserve required on a discounted basis at that date. Included in the provision is $660,000 which is applicable to the year ended June 30, 1954.

Changes in Depreciation Accounting

The Board of Directors and Stockholders, Fansteel Metallurgical Corporation: We have examined the consolidated balance sheet of *Fansteel Metallurgical Corporation* and subsidiaries at December 31, 1955 and the related statements of income and net income retained for use in the business and of capital in excess of par value for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-described statements present fairly the financial position of *Fansteel Metallurgical Corporation* and subsidiaries at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, in the method of computing depreciation as explained in Note 4.—*Auditors' Report—February 28, 1956.*

Note 4: Depreciation—During 1955 the companies, as permitted for tax purposes under the 1954 Internal Revenue Code, adopted the "sum-of-the-years-digits" method of computing depreciation on all new fixed assets acquired since January 1, 1954. The additional provision for depreciation, included in the accounts for 1955, amounts to $114,472 of which $30,716 is applicable to the year 1954.

To the Share Owners of The Stanley Works: We have examined the accompanying consolidated financial statements of *The Stanley Works* and its consolidated subsidiaries for the year ended December 31, 1955. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In 1955, the Company discontinued the practice of increasing the depreciation reserves by charges to earnings in excess of those computed in accordance with generally accepted accounting principles and of adjusting, through earnings, a reserve against those inventories which are priced at the lower of cost or market on the first-in, first-out basis. These reserves in the amounts of $4,458,975 and $1,196,913 respectively, as of the beginning of the year, have been restored to balance of net worth. In 1954, the depreciation and inventory reserves were increased by charges to earnings in the respective amounts of $436,753, and $25,389. Except for these changes, to which we take no exception, the financial statements are consistent with those of the preceding year.

In our opinion, these financial statements present fairly the consolidated financial position of *The Stanley Works* and its consolidated subsidiaries at December 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles.—*Report of Independent Auditors—February 24, 1956.*

Board of Directors, The Weatherhead Company: We have examined the consolidated balance sheet of *The Weatherhead Company* and subsidiaries as of December 31, 1955, and the related statements of consolidated income and income retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and income retained in the business present fairly the consolidated financial position of *The Weatherhead Company* and subsidiaries at December 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (approved by us) in accounting for depreciation as referred to in Note D to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Auditors' Report of Examination—February 27, 1956.*

Note D: For the computation of allowances for depreciation of a subsidiary company, the estimated useful lives of cylinders, tanks, and service equipment were revised during the year to extend the useful life of cylinders and tanks from 15 to 20 years and service equipment from 5 to 15 years. This change in accounting procedure had the effect of decreasing the depreciation allowance for the year by approximately $200,000 and increasing net income for the year, after recognizing its income tax effect, by approximately $96,000.

To the Board of Directors of The Wickes Corporation: We have examined the consolidated balance sheet of *The Wickes Corporation* and its wholly-owned subsidiary companies as at June 30, 1955, and the related consolidated statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings present fairly the financial position of *The Wickes Corporation* and its wholly-owned subsidiary companies at June 30, 1955, and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent, except as to the change in depreciation policy described in Note D which we approve, with that of the preceding year.—*Auditors' Report—September 14, 1955.*

Note D: Allowances for depreciation and amortization have been deducted in the annexed consolidated statements of income and retained earnings in the amounts of $520,241 for the year ended June 30, 1955, and $406,489 for 1954.

The Company has changed its depreciation policy with respect to plant and equipment to provide for depreciation on the declining balance method as permitted by the Internal Revenue Code of 1954. The effect of this change was to increase the depreciation deduction for the current year in the amount of $36,784.

Accounting for Intangible Assets

The Borden Company: We have examined the consolidated balance sheet of *The Borden Company* and Consolidated Subsidiaries as of December 31, 1955 and the related statement of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change, which we approve, in accounting for intangible assets, referred to in Note 1 to Financial Statements) on a basis consistent with that of the preceding year.—*Accountants' Certificate—February 16, 1956.*

Note 1: *Basis of Consolidation, etc.*—The financial statements include all Canadian operating subsidiaries and all domestic subsidiaries except one whose operations are not integrated with those of the Company. In consolidating the accounts of Canadian operating subsidiaries, assets, liabilities and income were converted at parity of exchange.

The Company's equity (approximately $4,100,000 for 1955 and $3,450,000 for 1954) in the net income of the unconsolidated subsidiaries is included in Other Income only to the extent of dividends received (in 1955—$600,000; in 1954—None). The Company's equity in the net tangible assets of these unconsolidated subsidiaries at December 31, 1955, as shown by their books, is approximately $13,800,000 more than its investments in these subsidiaries.

The consideration paid for businesses acquired during 1953 and 1954 in excess of the values assigned to net tangible assets, $1,706,483 which was included in Deferred Charges at December 31, 1954, is included in the caption Selling, General and Administrative Expenses and Other Charges in the year 1955. The values assigned to intangibles acquired subsequent to January 1, 1955, are to be amortized against income beginning with the year 1956.

Provision for U. S. and Canadian Federal Income Taxes for the year 1955 has been reduced by the transfer of $2,350,089 from reserves provided in prior years for income taxes, no longer required.

Provision for Pension Costs

The Stockholders, The Sparks-Withington Company: We have examined the consolidated balance sheet of *The Sparks-Withington Company* and subsidiaries as of June 30, 1955 and the related statements of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; it was not practicable to confirm receivables from the United States Government but we have satisfied ourselves with respect to such receivables by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and earned surplus present fairly the financial position of the companies at June 30, 1955 and the results of their operations for the year then ended, except that operations of the year have not been charged with pension costs relating to services for the current year, as explained in Note A to the financial statements, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year (except for the change in the method of providing for pension costs as previously mentioned).—*Certificate of Independent Certified Public Accountants—August 23, 1955.*

Note A: The Company has in effect two pension plans to which the employees do not contribute, one covering employees represented by a union and one covering other employees. In prior years the Company has made contributions to the pension funds in excess of the minimum amounts required by the pension plan agreements. The independent firm of actuaries employed by the Company has determined that, on the basis of applying such excesses of prior years to the minimum costs for the current year, the contribution required for the year ended June 30, 1955 is $2,300 and the Company has provided and contributed this amount. The contribution, if computed on the same basis as in prior years, would amount to approximately $181,000 including $101,000 applicable to services rendered by employees in the current year.

The Company also has a pension plan for the benefit of certain salaried employees, to which both the eligible employees and the Company contribute. The plan does not provide for any benefits based on services rendered prior to its effective date. In prior years the Company has made contributions to the pension fund in excess of requirements and the fund has accumulated a surplus which is adequate to cover the estimated costs for the current year. The Company expects to make no contribution for the current year and has made no provision therefor in the books or in these financial statements. The amount provided in the preceding year was $20,000.

Treatment of Development (Mining Properties)

To the Board of Directors and Stockholders of Shattuck Denn Mining Corporation: We have examined the Consolidated Balance Sheet of *Shattuck Denn Mining Corporation* and its 100 per cent owned subsidiaries as of December 31, 1955 and the related Statement of Consolidated Income and Surplus for the year ended that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and Statement of Consolidated Income and Surplus, together with the explanatory notes, present fairly the financial position of *Shattuck Denn Mining Corporation* and its consolidated subsidiaries at December 31, 1955, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as to the change in the treatment of development (see Note A) of which we approve.—*Accountants' Report—February 29, 1956.*

Note A: *Basis of Valuation of Property, Plant and Equipment*—Mines, mining claims and leaseholds, exclusive of deferred development and the Abril mine, and buildings, machinery and equipment are carried in the Consolidated Balance Sheet at cost to the Corporation or its predecessors. As the cost of the Iron King mine, the principal producing property of the Corporation, is completely offset by accumulated depletion, the net value of this mine in the Consolidated Balance Sheet is zero.

As of January 1, 1955, the Corporation adopted the policy of deferring the portion of extraordinary development expenditures representing the excess of cost over the tax reductions realized. In this connection, expenditures in respect of the new shaft at the Iron King mine, previously written off, have been restored on the foregoing basis and included in the Consolidated Balance Sheet under mines, mining claims and leaseholds. All deferred development is being written off on the basis of ore extracted.

The Abril mine which is considered to have little or no value, has been written down to an amount equal to the estimated reduction of Federal income taxes which will result in the year in which the mine is sold or abandoned.

No representation is made that the amounts included in the Consolidated Balance Sheet for mines, mining claims and leaseholds, and buildings, machinery and equipment, either before or after deducting depletion or depreciation, represent current or realizable values.

Change in Balance Sheet Basis

To the Board of Directors and Stockholders of Newmont Mining Corporation: We have examined the Balance Sheet of *Newmont Mining Corporation* as of December 31, 1955, Schedule A supplemental thereto, and the related Statements of Income and Earned Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As of October 24, 1955, in response to the Corporation's application, the Securities and Exchange Commission issued an order stating that the business or businesses in which the Corporation is primarily engaged are other than investing, reinvesting, owning, holding or trading in securities and that the Corporation is no longer held to be a "management investment company." The Balance Sheet is, therefore, presented on the basis of cost instead of on the basis of market quotations or fair value used heretofore and we approve of this change. Supplementary information as to market or fair value is also presented.

In our opinion, the accompanying Balance Sheet, Schedule A supplemental thereto, and the Statements of Income and Earned Surplus, together with the explanatory notes, present fairly the financial position of *Newmont Mining Corporation* at December 31, 1955, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent, except as set forth above, with that of the preceding year.—*Accountants' Certificate—February 20, 1956.*

Adjustments re Estimated Expenses (Sec. 462 I. R. C.)

To the Board of Directors of H. L. Green Company, Inc.: We have examined the consolidated balance sheets of *H. L. Green Company, Inc.*, and its subsidiaries as at January 31, 1956 and 1955, and the consolidated statements of income and surplus for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and consolidated income and earned surplus statements and the notes thereon present fairly the financial position of *H. L. Green Company, Inc.* and its subsidiaries as at January 31, 1956 and 1955, and the results of their operations for the fiscal years then ended, in conformity with generally accepted accounting principles applied each year on a basis consistent with that of the preceding year, except as explained in the note to the consolidated income and earned surplus statements.—*Accountants' Report—February 29, 1956.*

Note: Accruals in 1954 for certain estimated expenses, principally for vacations, have been reversed following retroactive repeal of Section 462 of the Internal Revenue Code. Such expenses less applicable taxes, $207,360, shown as a special item in the report for 1954, have been eliminated above, and the balance sheet as at January 31, 1955 has been adjusted accordingly. The income statements and the balance sheets for both 1955 and 1954 are presented on the same basis as in 1953 and prior years.

Changes in Basis of Consolidation

To the Stockholders and Board of Directors, The Atlantic Refining Company: We have examined the consolidated balance sheet of *The Atlantic Refining Company* and its consolidated subsidiary companies as of December 31, 1955, and the related consolidated statements of income, net income retained for use in the business, and capital in excess of par value of stock for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We previously made an examination, similar in scope to that indicated in the preceding paragraph, of the consolidated financial statements of the Company for the year 1954, and in connection therewith received reports from other accountants who examined the foreign accounts of two subsidiary companies. The figures previously reported for the year 1954 have, with our approval, been reclassified in the 1954 statements submitted herewith, as explained in Note 1 to the financial statements.

In our opinion, based upon the examinations made by us and upon the afore-mentioned reports of the other accountants, the accompanying financial statements present fairly the consolidated financial position of *The Atlantic Refining Company* and its consolidated subsidiary companies at December 31, 1955 and 1954, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied (except for the exclusion in 1955, with our approval, of the Brazilian subsidiary, as stated in Note 1 to the financial statements) on a consistent basis.—*Report of Independent Certified Public Accountants—February 15, 1956.*

Note 1: All subsidiaries have been consolidated except a Brazilian subsidiary (eliminated from consolidation as of January 1, 1955, because of unfavorable exchange conditions) and certain minor subsidiaries. The deconsolidation had no material effect on 1955 consolidated net income. The Eastern Hemisphere marketing subsidiaries were sold as of the end of their respective 1954 fiscal years. Certain other subsidiaries operating in a foreign country have been consolidated on the basis of a fiscal year ending November 30. Intercompany profits have been eliminated from the consolidated statements except for relatively unimportant items.

At December 31, 1955, the equity of the consolidated companies in the net assets of subsidiaries not consolidated (principally the Brazilian subsidiary) exceeded by $13,573,000 the amount at which the investments in such subsidiaries is carried on the balance sheet. In 1955 dividends received from subsidiaries not consolidated approximated the net income of such subsidiaries; in 1954 their net income was not significant and no dividends were received.

In view of the afore-mentioned deconsolidation of the Brazilian subsidiary and sale of the Eastern Hemisphere marketing subsidiaries, the 1954 consolidated financial statements have been reclassified to include the net assets of the Brazilian subsidiary in investments and advances to subsidiaries not consolidated and to show in a single item ($3,831,339) in the income statement the income from Eastern Hemisphere marketing operations less the loss of the Brazilian subsidiary. The 1954 consolidated net income and retained net income previously reported have not been changed; however, as of January 1, 1955, the investments and advances to subsidiaries not consolidated and net income retained for use in the business have been reduced by $13,516,902 representing the excess of the Company's equity in the net assets of the Brazilian subsidiary over its investment in the subsidiary.

To the Stockholders and Board of Directors of Sterling Drug Inc.: We have examined the consolidated balance sheet of *Sterling Drug Inc.* and its subsidiary companies as of December 31, 1955 and the related consolidated statement of income and earned surplus for the year. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

FEDERAL PAPER BOARD COMPANY, INC.

SOURCE AND APPLICATION OF CORPORATE FUNDS IN 1955

FUNDS WERE PROVIDED FROM THE FOLLOWING SOURCES:			
Earnings for the year			$2,504,019
Expense items which did not require cash expenditures—Provision for depreciation			1,128,055
Decrease in deferred charges			262,157
TOTAL			$3,894,231
FUNDS WERE EXPENDED FOR THE FOLLOWING:			
Dividends:			
4% Cumulative preferred stock	$ 27,200		
Common stock	1,258,875	$1,286,075	
Plant and equipment:			
Additions and improvements	$1,490,178		
Less net book value of sales and retirements	155,989	1,334,189	
Reduction of notes payable		617,000	
Redemption of preferred stock		110,000	
Common stock—Purchased for treasury		77,722	3,424,986
RESULTING IN AN INCREASE IN WORKING CAPITAL OF			$ 469.245

CHANGES IN WORKING CAPITAL

	1955	1954	Increase *(Decrease)*
CURRENT ASSETS			
Cash	$ 3,985,214	$ 5,032,384	$ (1,047,170)
United States Treasury bonds and savings notes	361,382	496,479	(135,097)
Marketable securities	86,000	21,000	65,000
Accounts receivable	1,763,806	1,371,168	392,638
Accrued interest receivable	11,107	38,677	(27,570)
Inventories	4,721,090	3,785,705	935,385
TOTAL CURRENT ASSETS	$ 10,928,599	$ 10,745,413	$ 183.186
CURRENT LIABILITIES			
Notes payable (due currently)	$ 617,000	$ 684,000	$ (67,000)
Accounts payable	863,912	580,727	283,185
Dividends payable	320,675	330,800	(10,125)
Salaries, wages and commissions	325,681	381,848	(56,167)
Federal income taxes (less U. S. Treasury obligations)	205,986	331,461	(125,475)
Other taxes	473,922	656,520	(182,598)
Other	480.464	608,343	(127,879)
TOTAL CURRENT LIABILITIES	$ 3,287.640	$ 3,573,699	$ (286,059)
WORKING CAPITAL	$ 7,640.959	$ 7,171,714	$ 469,245
CURRENT RATIO	3.3 to 1	3.0 to 1	

In our opinion, the accompanying statements present fairly the financial position of *Sterling Drug Inc.* and its consolidated subsidiary companies at December 31, 1955, and the results of their operations for the year, in conformity with generally accepted accounting principles. The statements are presented on a basis consistent with that of the preceding year except for the exclusion of the subsidiaries located in Argentina and Chile as explained in Note B.—*Opinion of Independent Public Accountants—March 26, 1956.*

Note B: The accounts of the subsidiaries located in Argentina and Chile have been removed from the consolidated financial statements as of January 1, 1955, due to the continuance of currency restrictions and wide fluctuations in exchange rates. The exclusion of these companies resulted, among other effects, in a charge to consolidated earned surplus of $5,794,003 representing the unremitted earned surplus of such subsidiaries since dates of acquisition. The net assets of the non-consolidated subsidiaries at the close of their fiscal years translated into U. S. dollars on the basis of applying December 31, 1955 quoted rates to current assets and liabilities and rates prevailing at dates of acquisition to property accounts amounted to $5,870,000. If these net assets were translated at quoted exchange rates at December 31, 1955 they would amount to $3,011,000.

The operations in Argentina and Chile, in local currency, resulted in satisfactory profits. However, the translation of such profits in terms of U. S. dollars is impracticable because of restrictions on the remittances of profits from these countries together with the fluctuations in exchange rates which occurred after the close of the fiscal years of the companies.

Expression of Opinion

An *unqualified* expression of opinion was contained in the accountants' reports on the 1955 financial statements of 504 survey companies. A *qualified* expression of opinion was given in 95 reports and a *disclaimer* of opinion was given in one report (*Rice-Stix, Inc.*). (Refer to Tables 5, 6, and 7.)

In the 95 reports which contained qualified expressions of opinion there were 109 instances of qualification. Table 6 reveals that the principal reasons for qualifying the accountant's opinion in 1955 concerned changes in accounting for depreciation, depletion, and amortization; principles of consolidation; and inventory pricing methods (given in the order of frequency of occurrence).

Table 7 reviews the changes in or deviations from generally accepted accounting principles which formed the basis for a qualification of opinion and indicates whether the accountant approved, disapproved, or failed to approve or disapprove the change or deviation. Disapproval was noted by the accountant in only one instance (*Co. No. 139). Approval was given in 71 instances and no comment in 24 instances.

Examples of Qualified Opinions—1955

The examples which follow illustrate the presentation of qualified opinions given in the 1955 annual reports:

To the Board of Directors, Bond Stores, Incorporated: We have examined the consolidated balance sheet of *Bond Stores, Incorporated* and wholly-owned subsidiaries as at July 31, 1955 and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

*Refer to Company Appendix Section.

In our opinion, subject to final determination of the claim for state taxes referred to in Note C of the notes to financial statements, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of *Bond Stores, Incorporated* and wholly-owned subsidiaries at July 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles on a basis consistent with that of the preceding period.—*Accountants' Report—October 26, 1955.*

Note C: The Federal income and excess profits tax returns of the Corporation have been examined up to and including the year ended December 31, 1950 and all assessments have been paid or provided for.

Claims for additional state taxes for prior years have been asserted but not resolved, in respect of which the Corporation added $500,000.00 to reserves for taxes in the year 1953. The excess of the indicated claims over said reserves amounts to approximately $660,000.00, exclusive of interest, and is being contested by the Corporation.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

To the Board of Directors, Botany Mills, Inc.: We have examined the consolidated balance sheet of *Botany Mills, Inc.* and subsidiary companies consolidated as at December 31, 1955 and the related consolidated statements of income and surplus/deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We are unable to determine the adequacy of the reserve for pensions referred to in Note G of the notes to financial statements.

In our opinion, subject to the adequacy of the reserve commented on in the preceding paragraph and to the effect of litigation referred to in Note K, the accompanying consolidated balance sheet and consolidated statements of income and surplus/deficit, together with the notes to financial statements, shown on pages 8 through 15 inclusive, present fairly the consolidated financial position of *Botany Mills, Inc.* and subsidiary companies consolidated at December 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change as stated in Note C of the notes to financial statements, which change we approve.

We have not examined the financial statements set forth on pages 4, 5 and 16 through 22 inclusive and do not express any opinion thereon.—*Accountants' Report—March 23, 1956.*

Note C: Machinery and equipment are stated at cost less reserves for depreciation and estimated losses and expenses on disposal based upon anticipated amounts to be realized after December 31, 1955. In the opinion of management, current negotiations for the disposal of all the machinery and equipment, with the exception of assets having a depreciated cost of approximately $200,000.00 to be retained, will be concluded at disposal prices which will result in a loss not exceeding the amount of the reserve provided as at December 31, 1955.

The Board of Directors has approved the restatement of land and buildings at appraised values as determined by an independent appraisal as at December 31, 1955. The resulting increase of $1,852,584.35 has been shown as Appraisal Surplus in the accompanying financial statements.

Note G: On April 21, 1953, the stockholders approved a five-year noncontributory pension plan effective as at October 1, 1952. The plan provides generally for retirement and disability pensions of $100.00 per month for life, less social security benefits, for employees 65 years of age and with 25 years of service. Under certain circumstances set forth in the plan, retirement with pension may

TABLE 6: ACCOUNTANT'S OPINION QUALIFIED

Reason for Qualification	1955	1954	1953	1950
**Changes in or deviations from generally accepted principles of accounting*:				
1. Lifo inventory method—initial adoption or readoption	5	—	3	47
Lifo inventory method—abandonment	2	—	—	—
Lifo inventory method—modification	1	—	1	14
2. Other methods of inventory valuation	7	4	4	3
3. Fixed assets	1	1	1	—
4. Higher plant replacement cost	—	—	—	1
5. Other assets	2	1	4	—
6. Liabilities	—	1	2	1
Income and Expense:				
7. Deferred income	1	2	—	—
8. Estimated expenses—re: Section 462 I.R.C.	5	72	—	—
9. Vacation pay deduction	7	14	6	—
10. Depreciation, depletion, amortization	39	68	8	5
11. Amortization under Certificate of Necessity	6	4	4	—
12. Other income and cost items	9	3	3	21
13. Principles of consolidation	11	11	8	6
Total	96	181	44	98
**Various other reasons*:				
14. Contingencies, litigation, etc.	9	13	13	15
15. Scope of examination	2	1	2	2
16. Miscellaneous	2	1	1	1
Total	13	15	16	18
Number of Accountant's Reports Containing:				
An unqualified expression of opinion	504	446	550	489
A qualified expression of opinion	95	154	50	111
A disclaimer of opinion (*No. 483)	1	—	—	—
	600	600	600	600

*Refer to Company Appendix Section—1: Co. Nos. 3, 66, 106, 252, 290, 305, 327, 591; 2: Co. Nos. 225, 372, 403, 433, 456, 496, 533; 3: Co. No. 394; 5: Co. Nos. 102, 376; 7: Co. No. 271; 8: Co. Nos. 77, 285, 344, 435, 458; 9: Co. Nos. 316, 319, 439; 10: Co. Nos. 5, 7, 9, 14, 62, 105, 106, 114, 124, 137, 156, 159, 173, 205, 236, 243, 257, 278, 301, 324, 328, 335, 348, 357, 369, 393, 446, 450, 456, 471, 480, 490, 498, 510, 519, 529, 531, 553, 586; 11: Co. Nos. 11, 72, 291, 390; 12: Co. Nos. 39, 139, 156, 293, 369, 398, 446, 454, 456; 13: Co. Nos. 40, 69, 117, 140, 383, 386, 453, 597, 598; 14: Co. Nos. 23, 100, 162, 176, 275, 352, 353, 388, 560; 15: Co. Nos. 155, 483; 16: Co. Nos. 205, 430.

take place prior to age 65 and with less than 25 years of service. The costs of the pension plan are not funded by the Company and are charged against the reserve for pensions. This reserve is adjusted yearly against income based upon estimated future payments, as stated below. Based upon the number of applications for retirement approved as at December 31, 1955, management estimates that the total pensions applicable to these employees for their remaining lives to be approximately $550,000.00 and estimates the total additional pensions that may be paid to all other employees who may attain age 65 and accumulate 25 years of service and apply before October 1, 1957 to be approximately $230,000.00. Management further estimates that the total cost for the year commencing January 1, 1956 will be approximately $65,000.00.

Pursuant to a policy adopted by the Company in 1954, a reserve of $700,000.00 has been provided on the following bases:

Those obligations related to former employees receiving pensions are provided in the estimated full amount thereof, or $550,000.00 as stated above. Those pensions for which application may be made subsequent to December 31, 1955 and prior to October 1, 1957, estimated to be $230,000.00 as stated above, are being provided for over the five-year term of the pension agreement. Accordingly, $150,000.00 of this amount has been reserved for as at December 31, 1955 and $80,000.00 will be provided over the balance of the five-year term.

These estimates were made by management without the benefit of actuarial study or consideration of annuity values, and, consistent with the prior year's policy, do not include the pensions applicable to those employees who might apply prior to age 65 and with less than 25 years of service. Management estimates the total pensions applicable to such employees for their remaining lives to be approximately $120,000.00, for which no reserve has been provided.

Under the terms of an agreement dated December 1, 1955 between the Company and a former officer, the latter has released the Company from its obligation for retirement allowances to him subsequent to December 31, 1955.

Note K: As at December 31, 1955 the Company was a defendant in an action commenced against it in the United States District Court for the Southern District of New York on or about June 9, 1955 for breach of an alleged contract in which damages of $50,000.00 are demanded. As at March 23, 1956 no decision had been reached in this law suit and no provision has been made in the accompanying financial statements for this contingency.

On February 23, 1956 the Company received a copy of the complaint filed by a stockholder in a derivative action alleging that a licensee agreement entered into by the Company was unfavorable to the Company. The suit seeks recovery against the licensee on behalf of the Company.

The Board of Directors and Shareholders, Commercial Solvents Corporation: We have examined the statement of consolidated financial position of *Commercial Solvents Corporation* and Subsidary at December 31, 1955 and the related statement of consolidated earnings and summary of earnings retained in business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to such adjustments as may result from price redetermination and renegotiation (see notes to financial statements), the accompanying statements of consolidated financial position and of consolidated earnings and summary of earnings retained in business present fairly the financial position of *Commercial Solvents Corporation* and Subsidary at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. —*Auditors' Report—February 3, 1956.*

Notes to Financial Statements: Price Redetermination and Renegotiation—Certain of the Corporation's sales in 1952 and 1953 are subject to price redetermination and renegotiation by the U. S. Government. The amounts which will be payable are not presently determinable. Provisions for estimated refunds were made in the accounts in those years in amounts which the Corporation considered adequate. However, if Government claims and recent interlocutory administrative decisions should finally be sustained, the net amount refundable would be approximately $900,000 in excess of the amounts provided. The Corporation is contesting those claims and decisions.

To the Board of Directors and Stockholders, Cory Corporation: We have examined the statement of consolidated financial position of *Cory Corporation* (a Delaware corporation) and consolidated subsidiaries as of December 31, 1955, and the related statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As indicated in Note 2 to the financial statements, certain contingent liabilities applicable to Mitchell Manufacturing Company, a subsidiary acquired in November 1955, are not presently determinable and accordingly the financial statements of the subsidiary have not been consolidated.

Except for the effect on financial position of any change in the carrying value of the investment in Mitchell Manufacturing Company that may result from settlement of the contingent liabilities referred to above, in our opinion, the accompanying financial statements of *Cory Corporation* and consolidated subsidiaries present fairly the consolidated financial position of the companies as of December 31, 1955, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Certificate—February 28, 1956.*

Note 2: Subsidiaries Not Consolidated—In November 1955 the company acquired all of the outstanding stock of Mitchell Manufacturing Company at a cost of $1,629,209. Pending determination of certain contingent liabilities of Mitchell Manufacturing Company and its subsidiary for warranties, taxes, etc., applicable to periods prior to acquisition, the financial statements of the new subsidiaries have not been consolidated. Provision, however, has been made by the parent company for the loss (see statement of income) incurred since acquisition and the reserve has been applied to reduce the investment in the subsidiary. The results of operations for the two months ended December 31, 1955, are not indicative of results of operations for a full year, inasmuch as the two months are part of the season of low-volume sales in the air-conditioning industry. During this period the company has been producing substantial inventories for delivery in 1956 under firm contracts.

Cory Corporation is contingently liable as guarantor on bank loans of Mitchell which aggregated $2,600,000 at December 31, 1955, $750,000 at February 28, 1956, and may aggregate as much as $4,100,000 at some date during the 1956 season.

Board of Directors, Curtis Manufacturing Company: We have examined the financial statements of *Curtis Manufacturing Company* for the year ended November 30, 1955. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as referred to in the next paragraph.

We were not present to observe procedures followed in determining quantities of inventories at the beginning of the year. To the extent of auditing tests which we were able to apply, we have no reason to believe that inventories at November 30, 1954, were not fairly stated.

In our opinion, subject to the comment in the preceding paragraph relative to inventories, the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of *Curtis Manufacturing Company* at November 30, 1955, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report—January 24, 1956.*

To the Directors and Stockholders of Grumman Aircraft Engineering Corporation: We have examined the consolidated balance sheet of *Grumman Aircraft Engineering Corporation* and subsidiary as of December 31, 1955, and the related statements of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that it was impracticable to confirm by direct correspondence amounts due from the United States Government, as to which we satisfied ourselves by other auditing procedures.

In our opinion, subject to reductions, if any, which may be required in the amount of profit on contracts subject to renegotiation (see Note 3), the accompanying balance sheet and statements of income and earnings retained for use in the business present fairly the consolidated financial position of *Grumman Aircraft Engineering Corporation* and subsidiary at December 31, 1955, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*February 17, 1956.*

Note 3: Proceedings under renegotiation have been concluded to December 31, 1950. The Company has paid a refund for 1951 as determined by the Renegotiation Board for which provision was made in 1954. However, the Company has petitioned the Tax Court of the United States for a redetermination of the excessive profits, if any, for 1951.

With respect to the year 1952, the Company has accepted a proposal of the New York Regional Renegotiation Board, subject to approval of the Washington Board, which will result in a net refund approximating $165,000 after tax adjustments. Substantially all of the sales for 1953, 1954, and 1955 are subject to the Renegotiation Act of 1951. Management believes that profits for these years are not excessive and, therefore, has made no provision for a refund.

To the Board of Directors and Stockholders of Loew's Incorporated: We have examined the accompanying Consolidated Balance Sheet (showing Consolidated Earned Surplus Account) of *Loew's Incorporated* as of August 31, 1955 and the Consolidated Profit and Loss Statement for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination at August 31, 1954.

The accounts of foreign subsidiaries were examined or tested by Independent Public Accountants in the respective foreign countries as of August 31, 1955 in accordance with program which we prepared. We have reviewed their reports relating to such examinations, have no exceptions to take to the adequacy and sufficiency of the examinations and tests made by such other accountants, have accepted such work in the same manner as if it had been done by us, and have accepted such reports as a proper basis for consolidating the accounts of foreign subsidiaries with the accounts of the domestic companies as of August 31, 1955.

Adequacy of provision for domestic and foreign tax liability is dependent upon examination by and final determination with the tax authorities.

In our opinion, the accompanying financial statements with explanatory notes present fairly the financial position of *Loew's Incorporated* and its Wholly Owned Subsidiaries as of August 31, 1955, and the results of operations of *Loew's Incorporated* and its Wholly Owned Subsidiaries and of Partly Owned Subsidiaries combined for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Certified Public Accountants—January 4, 1956.*

Philadelphia and Reading Corporation: We have examined the consolidated balance sheet of *Philadelphia and Reading Corporation* and its subsidiaries as of December 31, 1955 and the related summary of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have not examined financial statements of Union Underwear Company, Inc., a consolidated subsidiary, but we have received a report of other independent public accountants concerning that subsidiary, and the amounts included in the accompanying consolidated statements with respect to Union Underwear Company, Inc. (which amounts constitute an important part of such statements) are as shown in that report. The opinion of the other accountants states that the financial statements of Union Underwear Company, Inc. are subject to possible adjustment as described in the accompanying Note 1 to financial statements.

In our opinion, which as to Union Underwear Company, Inc. is based upon the report of other independent public accountants, and with the explanation in the preceding paragraph as to the possible adjustment of the financial statements of that subsidiary, the accompanying consolidated balance sheet and summary of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year except for the change, which we approve, in method of pricing coal inventories as explained in Note 2 to financial statements.—*Accountants' Certificate—February 18, 1956.*

Note 1: In connection with its diversification program, the Corporation through one of its formerly inactive subsidiaries, now named Union Underwear Company, Inc. (a Massachusetts corporation), purchased on August 31, 1955, pursuant to a Purchase Agreement dated August 26, 1955, substantially all of the assets and business (subject to their liabilities) of five companies engaged in the manufacture and sale of men's and boys' underwear, T shirts and athletic shirts.

The aggregate cost of inventories and fixed assets acquired under the Purchase Agreement has been apportioned between these assets on the basis of the ratio of the inventories, priced at the lower of cost or market to the amount of a tentative appraisal of fixed assets as of August 31, 1955 submitted by The American Appraisal Company on February 15, 1956. The amount of such inventories and fixed assets and the related provisions for depreciation and amortization as at and for the year ended December 31, 1955 may be subject to revision upon receipt of the final report of the appraisal company. The Corporation believes that if a revision is required it

TABLE 7: ACCOUNTANT'S APPROVAL OR DISAPPROVAL
of Changes in or Deviations from Generally Accepted Principles of Accounting

	1955*			1954*			1953*			1950*		
Nature of Change or Deviation**	A	D	N	A	D	N	A	D	N	A	D	N
Lifo inventory method—initial adoption or re-adoption	5	—	—	—	—	—	3	—	—	41	—	6
Lifo inventory method—abandonment	2	—	—	—	—	—	—	—	—	—	—	—
Lifo inventory method—modification	1	—	—	—	—	—	1	—	—	13	—	1
Other methods of inventory valuation	7	—	—	3	—	1	1	1	2	3	—	—
Fixed assets	1	—	—	—	—	1	—	—	1	—	—	—
Higher plant replacement cost	—	—	—	—	—	—	—	—	—	1	—	—
Other assets	1	—	1	1	—	—	2	—	2	—	—	—
Liabilities	—	—	—	1	—	—	1	—	1	—	—	1
Income and Expense:												
Deferred income	1	—	—	2	—	—	—	—	—	—	—	—
Estimated expenses—re: Section 462 I.R.C.	2	—	3	61	—	11	—	—	—	—	—	—
Vacation pay deduction	4	—	3	14	—	—	6	—	—	—	—	—
Depreciation, depletion, amortization	30	—	9	66	—	2	7	—	1	4	1	—
Amortization under Certificates of Necessity	4	—	2	3	1	—	3	1	—	—	—	—
Other income and cost items	6	1	2	3	—	—	3	—	—	17	2	2
Principles of consolidation	7	—	4	10	1	—	7	1	—	3	—	3
Total	71	1	24	164	2	15	34	3	7	82	3	13

*Summary of Accountant's Approval or Disapproval	1955	1954	1953	1950
A—Approved	71	164	34	82
D—Disapproved	1	2	3	3
N—Neither approved nor disapproved	24	15	7	13
	96	181	44	98

**Refer also to Table 6 for reference to company numbers.

will have no material effect on the accompanying consolidated financial statements.

Note 2: Inventories at December 31, 1955 were:

	Total	Textile	Coal and Other
Finished goods and work in process	$5,314,030	$2,821,345	$2,492,685
Raw materials and supplies	4,756,612	3,616,848	1,139,764
	$10,070,642	$6,438,193	$3,632,449

The inventories of piece goods, yarn, knit goods, work in process and finished goods made principally of cotton, aggregating $5,693,123, have been priced at cost determined on the last-in, first-out (lifo) basis. Inventories of non-cotton textile goods and manufacturing supplies, aggregating $745,070, have been priced at the lower of cost or market determined on the first-in, first-out (fifo) basis. If all such inventories were priced at the lower of cost or market determined on the first-in, first-out basis, they would aggregate approximately $7,600,000.

Inventories of coal at December 31, 1955 have been priced at the lower of average cost or estimated realizable value, such method of pricing representing a change from the method previously used in pricing all coal at average cost. As a result of this change coal inventories at December 31, 1955 (including advances to operator-lessees under which coal is held) are $919,612 less than they otherwise would have been. This amount is included in cost of sales for the year ended December 31, 1955.

Other products (other than textile and coal inventories) have been priced generally at average cost, coal operating supplies being stated after a deduction of $442,775 for obsolescence. The amount deducted for obsolescence at December 31, 1954 amounted to $395,448.

The Stockholders and Board of Directors, Thermoid Company: We have examined the consolidated balance sheet of *Thermoid Company* at December 31, 1955 and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to final determination of the liability for Federal taxes on income for years prior to 1955 (see Note 1), the above-described statements present fairly the consolidated financial position of *Thermoid Company* at December 31, 1955 and the results of its consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, in the method of computing depreciation as explained in Note 2 to the financial statements.—*Accountants' Report—March 19, 1956.*

Note 1: Federal Taxes on Income—The Internal Revenue Service continued into 1956 the examination, which was in progress at the time the last annual report was issued, of the Federal income and excess profits tax returns of the companies for the years 1950 to 1953, inclusive. In February 1956 the Company requested a conference with the Internal Revenue Service for the purpose of obtaining information as to the status of this examination and an indication of the amount of deficiencies which may be asserted for these years. This request was denied.

The Company's tax consultant has expressed the opinion that the Government might propose deficiencies in tax of a minimum of $1,000,000 together with a penalty of $500,000, but has further stated that on appeal to the Appellate Staff of the Regional Commissioner's office the estimated deficiencies in tax and the estimated penalty may be materially reduced. At December 31, 1954 a reserve of $885,000 was provided for possible tax deficiencies with no provision being made for any penalty which might be asserted. In view of the Company's inability to obtain any official information from the Internal Revenue Service as to the amounts of tax deficiencies and penalty, if any, which may be asserted, it cannot predict the ultimate outcome of this matter and no additional provision for Federal income and excess profits taxes has been made in the 1955 financial statements for any liability applicable to prior years. In order to reduce the interest charges which are accruing on expected additional prior years' taxes, $350,000 was deposited with the District Director of Internal Revenue in December 1955.

At December 31, 1954 the Company had accrued $275,000 for an expected refund of 1940-1945 excess profits taxes which amount has been netted against the income tax liability reflected in the consolidated balance sheet at December 31, 1955. This claim has not been collected to date pending review and approval by the Joint Congressional Committee on Internal Revenue Taxation.

Note 2: Depreciation—Provision for depreciation in 1955 and 1954 amounted to $958,865 and $950,844, respectively. As permitted for tax purposes by the 1954 Internal Revenue Code, the Company adopted in 1955 the "declining balance" method of computing depreciation at twice straight-line rates with respect to substantially all fixed assets acquired since December 31, 1954. The "straight-line" method was continued for all other fixed assets. This change resulted, after applicable reduction in Federal income tax, in a decrease of $58,000 in net income for 1955.

Disclaimer of Opinion

Only one accountant's report was found to contain a disclaimer of opinion (*Co. No. 483):

To the President and Directors of Rice-Stix, Inc.: We have examined the balance sheet of *Rice-Stix, Inc.,* as of November 30, 1955, and the related statements of income and unappropriated income retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances except as set forth in the following paragraph.

Amounts applied under the agreement, as explained in Note 2, have been at a rate sufficient to complete the contract within the stated three-year period. However, in view of the materiality of the agreement, and inasmuch as we have made no examination of the financial statements of Safie Bros. Co., Inc., and, therefore, have no knowledge of that company's ability to fulfill the future requirements of the agreement, we are unable to express an opinion on the financial statements as a whole.

In all other respects, we believe that the statements, together with the notes thereto, are presented in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—January 13, 1956.*

Note 2: On August 26, 1955 the company entered into an agreement with Safie Bros. Co., Inc., for the purchase of 150,000,000 yards of unbleached cloth over a three-year period at prices less than average prevailing market prices of the month preceding date of delivery. Under the terms of the agreement, the company advanced Safie Bros. Co., Inc., $8,300,000, such advance to be applied to the extent of one-third of the amount of purchase during the period. At November 30, 1955 $490,399 (including $468,236 of invoices applied in full) had been applied against the advance and approximately 146,600,000 yards of cloth were undelivered under the agreement. Additional amounts aggregating $323,782 have been applied between November 30, 1955 and January 13, 1956 in accordance with the terms of the agreement, thereby reducing the balance of the advance to $7,485,819 as of the latter date.

Safie Bros., Co., Inc., and its affiliate, Reliance Manufacturing Company, own the controlling interest in *Rice-Stix, Inc.*

Informative Disclosures

Informative disclosures or explanatory remarks were included in 24 of the accountants' reports which accompanied the 1955 financial statements of the survey companies. Explanatory comments were included in the accountants' reports on the following companies: *Co. Nos. 44, 55, 65, 71, 98, 103, 116, 142, 258, 287, 290, 295, 298, 307, 376, 378, 388, 390, 483, 518, 535, 572, 577, 589. The examples which follow illustrate the type of additional information provided in certain accountants' reports:

*Refer to Company Appendix Section.

The Board of Directors, Automatic Canteen Company of America: We have examined the consolidated balance sheet of *Automatic Canteen Company of America* and its subsidiaries as of October 1, 1955 and the related statement of consolidated earnings for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

On February 25, 1955, the Company purchased about 52% of the capital stock of The Rowe Corporation, and as of September 30, 1955, The Rowe Corporation was merged into the Company. The fiscal year of The Rowe Corporation coincided with the calendar year. The accompanying statement of consolidated earnings for the fiscal year ended October 1, 1955, includes the consolidated earnings of The Rowe Corporation and subsidiaries for the nine months ended September 30, 1955, (which were examined by us) and one-fourth of the earnings of those companies for the calendar year 1954, as included in The Rowe Corporation's annual report to its stockholders.

In our opinion, the accompanying balance sheet and statement of earnings present fairly the consolidated financial position of *Automatic Canteen Company of America* and its subsidiaries at October 1, 1955 and the consolidated results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. *—Accountants' Report—January 9, 1956.*

To the Board of Directors, Bachmann Uxbridge Worsted Corporation: We have examined the consolidated balance sheet of *Bachmann Uxbridge Worsted Corporation* and subsidiary companies as at December 31, 1955 and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.

The capital and earned surplus balances at the beginning of the year and the amounts of opening inventories used in determining cost of goods sold are the same as those shown as at December 31, 1954 in financial statements for the year then ended, which were examined and reported upon by other accountants.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of *Bachmann Uxbridge Worsted Corporation* and subsidiary companies at December 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.*—Accountants' Report—March 19, 1956.*

Board of Directors, Boeing Airplane Company: We have examined the balance sheet of *Boeing Airplane Company* as of December 31, 1955, and the related statements of net earnings and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, the accompanying balance sheet and statements of net earnings and earnings retained for use in the business present fairly the financial position of *Boeing Airplane Company* at December 31, 1955, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on December 12, 1955, in setting aside the sum of $3,250,000 for the year 1955 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.*—Accountants' Report—March 5, 1956.*

To the Board of Directors of Consolidated Coppermines Corporation: In our opinion, with the explanation in the succeeding sentence, the accompanying financial statements present fairly (1) the position of *Consolidated Coppermines Corporation* at December 31, 1955 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and (2) the position of the company and its subsidiaries consolidated at December 31, 1955 and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles. In accordance with a practice followed by many companies in the copper industry, provision has not been made for depletion of the mining property. Our examination of such financial statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.*—Accountants' Letter—March 14, 1956.*

Board of Directors, The Mead Corporation: We have examined the consolidated statement of financial condition of *The Mead Corporation* and consolidated subsidiaries as of December 25, 1955, and the related statements of net earnings and earnings retained in the business for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of financial condition and statements of net earnings and earnings retained in the business present fairly the consolidated financial position of *The Mead Corporation* and consolidated subsidiaries at December 25, 1955, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The consolidated statement of financial condition of *The Mead Corporation* and consolidated subsidiaries at December 26, 1954, and the consolidated statement of earnings retained in the business for the year (52 weeks) then ended, have been revised for purposes of comparison, to give retroactive effect to the mergers in November 1955 of The Chillicothe Paper Company and The Mead Sales Company with and into *The Mead Corporation,* and the consolidated statement of net earnings for the year (52 weeks) ended December 26, 1954 includes the operations of the aforesaid subsequently merged companies, as explained in Note A to the financial statements.*—Accountants' Report—February 21, 1956.*

Note A: *Mergers*—In November 1955, The Chillicothe Paper Company and The Mead Sales Company were merged with and into *The Mead Corporation* (the continuing corporation). This was effected by the issuance of 265,727 of its Common Shares by The Mead Corporation to the shareholders of The Chillicothe Paper Company and The Mead Sales Company and the transfer of the businesses and assets subject to the liabilities of those companies to Chillicothe Paper Co. and Mead Papers, Inc., respectively, newly organized wholly-owned subsidiaries of *The Mead Corporation.*

The accompanying consolidated statement of net earnings includes the results of operations of all interests combined in the mergers for the years (52 weeks) ended December 25, 1955 and December 26, 1954. The consolidated statement of financial condition at December 26, 1954 presented herein for purposes of comparison has been revised to give retroactive effect to the mergers. It includes all the assets and liabilities of the constituent companies as well as the retroactive reflection of the issuance of 265,727 Common Shares of *The Mead Corporation* in November 1955 in connection with the mergers including related adjustments to earnings retained in the business (see Note D).

As in the past the consolidated financial statements also include the accounts of all subsidiaries, over 60% of whose voting stock was owned by the corporation, except for the accounts of Upper Michigan Power & Light Company, 100% of whose voting stock was owned by Escanaba Paper Company, a consolidated subsidiary. The operations of the excluded subsidiary are not homogeneous with those of the corporation.

All inter-company transactions and related inter-company accounts have been eliminated.

Board of Directors, New Park Mining Company: We have examined the balance sheet of the *New Park Mining Company* at December 31, 1955, and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Mine properties and claims are stated at cost without provision for depletion. Since January 1, 1940, at which date the property reached a production status, depletion has been computed for federal income and state franchise tax purposes on a percentage of income basis.

In our opinion, the accompanying balance sheet and related statement of income and retained earnings, with notations thereon, present fairly the position of the *New Park Mining Company* at December 31, 1955, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditor's Statement—April 2, 1956.*

To the Stockholders, Wagner Electric Corporation: We have examined the consolidated balance sheet of *Wagner Electric Corporation* and Wagner Brake Company Limited as of December 31, 1955, and the related statement of consolidated income and unappropriated retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In accordance with the company's established practice, an amount of $87,351, based on the changes in overhead included in the inventories, has been added to the income for the year.

In our opinion, the accompanying consolidated balance sheet and the related statement of consolidated income and unappropriated retained income present fairly the consolidated financial position of the companies at December 31, 1955, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 14, 1956.*

RELIANCE UPON OTHERS

Table 8 discloses that 64 of the accountants' reports in the 1955 survey contained reference to reliance upon others in connection with the examination of the accounts. The reliance upon other accountants occurred most frequently in the examination of the accounts of domestic or foreign subsidiaries, consolidated or unconsolidated. (An extensive list of references to company numbers is given within Table 8.) The accountants' reports in two of the survey companies indicated reliance upon independent appraisers for the verification of inventories (*Co. Nos. 44, 180).

The following examples illustrate the manner in which the accountants' reports disclose reliance upon other accountants, the client, or an independent appraiser.

Reliance Upon Other Accountants

Domestic Subsidiary—Consolidated

To the Stockholders of Merritt-Chapman & Scott Corporation: We have examined the consolidated balance sheet of *Merritt-Chapman & Scott Corporation* (a Delaware corporation) and subsidiary companies at December 31, 1955 and the consolidated statements of income and earnings retained in business and capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. With respect to a domestic subsidiary whose accounts were not examined by us, we were furnished with financial statements reported upon by other certified public accountants. The assets and earnings of this subsidiary represent approximately 20% of the consolidated assets and 12% of the consolidated earnings.

In our opinion, based on our examination and upon the report of other certified public accountants referred to above, the accompanying consolidated financial statements present fairly the consolidated financial position of *Merritt-Chapman & Scott Corporation* and its subsidiary companies at December 31, 1955 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Opinion of Independent Public Accountants—February 21, 1956.*

Foreign Subsidiaries—Consolidated

To the Board of Directors of Lone Star Cement Corporation: We have examined the Consolidated Balance Sheet of *Lone Star Cement Corporation* and Wholly-owned Subsidiaries as of December 31, 1955 and the related Consolidated Statement of Income and Earned Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; as to the accounts of the South American subsidiaries, such procedures comprised review of monthly and annual accounting reports received by the Corporation from the subsidiaries and also review of the reports of other independent public accountants on their

*Refer to Company Appendix Section.

TABLE 8: RELIANCE UPON OTHERS

Reliance	Scope Paragraph 1955	1954	1953	1950	Scope and Opinion Paragraphs 1955	1954	1953	1950
**Upon Other Accountants for Examination of:*								
1. Consolidated domestic subsidiary	2	3	5	6	16	13	11	13
2. Consolidated foreign subsidiary	6	9	10	10	19	19	17	17
3. Consolidated domestic and foreign subsidiaries	2	—	—	—	4	1	2	—
4. Unconsolidated domestic subsidiary and affiliated company	—	—	1	1	—	—	—	1
5. Unconsolidated foreign subsidiary and affiliated company	2	1	1	3	4	6	7	5
6. Unconsolidated domestic and foreign subsidiaries and affiliated company	—	—	1	1	1	1	1	1
7. Domestic branch or division	—	—	—	—	3	1	1	—
8. Foreign branch or division	1	1	1	1	2	4	4	2
9. Foreign accounts	—	—	—	—	1	1	1	1
10. Subsidiaries merged or liquidated	—	—	—	—	—	1	2	—
11. Beginning of the year inventory	—	—	—	—	—	—	2	—
Total	13	14	19	22	50	47	48	40
**Upon Client re:*								
12. Consolidated domestic subsidiary	1	—	—	—	—	—	—	—
13. Consolidated foreign subsidiary	1	3	3	6	1	1	1	1
14. Unconsolidated domestic or foreign subsidiary and affiliated company	1	1	1	1	1	1	—	—
Total	3	4	4	7	2	2	1	1
15. **Upon Independent Appraiser*	2	2	2	2	—	—	—	—
	18	20	25	31	52	49	49	41

Number of Reports Expressing:	1955	1954	1953	1950
Reliance upon other accountants	57	55	56	51
Reliance upon other accountants and client	4	2	9	9
Reliance upon client	1	3	2	3
Reliance upon independent appraiser	2	2	2	2
Total	64	62	69	65
Not expressing reliance upon others	536	538	531	535
	600	600	600	600

*Refer to Company Appendix Section—1: Co. Nos. 139, 146, 161, 206, 385, 404, 438, 501, 518, 596; 2: Co. Nos. 23, 30, 35, 39, 95, 234, 274, 319, 353, 355, 453, 465, 486, 511, 525, 562, 594; 3: Co. Nos. 460, 548; 5: Co. Nos. 39, 42, 90, 153, 320, 521; 6: Co. No. 409; 7: Co. Nos. 380, 388, 390; 8: Co. Nos. 35, 65, 495; 9: Co. No. 69; 12: Co.No. 65; 13: Co. Nos. 234, 355; 14: Co. Nos. 139, 572; 15: Co. Nos. 44, 180.

audits of such accounts. We had previously made a similar examination for the year 1954.

In our opinion, the accompanying Consolidated Balance Sheet and Consolidated Statement of Income and Earned Surplus, together with the notes relating thereto, present fairly the consolidated financial position of *Lone Star Cement Corporation* and Wholly-owned Subsidiaries at December 31, 1955 and December 31, 1954, and the consolidated results of operations for the years then ended, in conformity with generally accepted accounting principles applied for the two years on a consistent basis.—*Auditors' Report—March 27, 1956.*

To the Stockholders, Smith-Corona Inc.: We have examined the financial statements of *Smith-Corona Inc.* and its United States and Canadian subsidiary companies for the fiscal year ended June 30, 1955. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of the English subsidiary were examined by other independent public accountants. We have reviewed the report relating to such examination and it is our opinion that accepted accounting procedures have been followed in the statements contained therein and, therefore, we have accepted such statements for the purpose of consolidation as though the examination had been made by us.

In our opinion the accompanying consolidated balance sheet and related consolidated statement of income and retained earnings, together with notes thereto, present fairly the financial position of *Smith-Corona Inc.* and subsidiary companies at June 30, 1955, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—August 22, 1955.*

The Stockholders, The S. S. White Dental Manufacturing Company: We have examined the consolidated balance sheet of *The S. S. White Dental Manufacturing Company* and domestic Canadian subsidiaries as of December 31, 1955 and the related statements of earnings and earnings retained for use in the business for the year then ended. In respect of the parent company and domestic subsidiaries, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of the Brazilian subsidiary for the year ended December 31, 1955 have been examined by us; the financial statements of the Canadian, British and Australian subsidiaries for their 1955 fiscal years have been examined by other independent public accountants and we have been furnished with their reports.

In our opinion, based upon our examination and the reports of other independent public accountants referred to above, the accompanying consolidated balance sheet and statements of consolidated earnings and consolidated earnings retained for use in the business present fairly the financial position of *The S. S. White Dental Manufacturing Company* and domestic and Canadian subsidiaries at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 2, 1956.*

Foreign Branches

Universal Winding Company: We have examined the balance sheet of *Universal Winding Company* as at June 30, 1955 and the related statement of income and net income retained for use in the business for the year then ended (pages 10 to 13, inclusive). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records maintained in the United States and such other auditing procedures as we considered necessary in the circumstances, except that it was not practicable to confirm receivables from United States Government departments, as to which we have satisfied ourselves by means of other auditing procedures. We have been furnished with reports of chartered accountants on the accounts for the year of the company's foreign branches.

In our opinion, based upon our examination and upon reports of the chartered accountants referred to above, said financial statements present fairly the financial position of *Universal Winding Company* at June 30, 1955, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—August 19, 1955.*

Note 1: Accounts of Foreign Branches—The financial statements include the accounts of the company's branches at Manchester, England and Paris, France.

In the accompanying balance sheets and statements of income, Manchester branch accounts have been translated at $2.80 to the £ except for fixed assets which have been included at their approximate cost in dollars. The accounts of the Paris branch have been translated at $.003 per franc.

The balance sheets include foreign branch items, expressed in United States dollars as follows:

	1955
Current assets	$1,051,819
Current liabilities	145,496
Fixed assets, less allowance for depreciation	66,649

The transfer of funds from England and France is regulated by the respective governments.

Unconsolidated Foreign Subsidiary

To the Board of Directors and Stockholders of American Radiator & Standard Sanitary Corporation: We have examined the consolidated balance sheet of *American Radiator & Standard Sanitary Corporation* and U. S. subsidiaries at December 31, 1955 and the related statements of income and earned surplus for the year then ended. We have also examined the combined condensed financial statements of the Corporation's foreign subsidiaries (not consolidated) for the same period. Of the foreign subsidiaries included therein, we examined the financial statements of the subsidiaries located in Canada and France and accepted reports of examinations made by independent public accountants for the other foreign subsidiaries. All these examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-described statements present fairly the financial position of *American Radiator & Standard Sanitary Corporation* and U. S. subsidiaries at December 31, 1955 and the results of their operations for the year then ended, and summarize fairly the financial position of the Corporation's foreign subsidiaries at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.—*Auditors' Report—February 28, 1956.*

Reliance Upon Other Accountants and Client

To the Shareholders, Art Metal Construction Company: We have examined the consolidated balance sheet of *Art Metal Construction Company* and its subsidiaries as of December 31, 1955, and the related statements of consolidated profit and loss and surplus for the year then ended. Our direct examination, which covered the financial statements of the parent company (exclusive of those of the branch in Great Britain) and the principal subsidiary, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accounts of the parent Company's branch in Great Britain are included herein on the basis of a report of other independent accountants which we have accepted. As included in the consolidation, net assets of that branch at December 31, 1955 amounted to $1,100,980 and its net profit for the year amounted to $527,332.

The accounts (not significant in the consolidated totals) of a minor subsidiary are included as shown by financial statements of that subsidiary.

In our opinion, accepting the report of other independent accountants as to the accounts of the branch in Great Britain, the accompanying balance sheet presents fairly the consolidated financial position of *Art Metal Construction Company* and its subsidiaries at December 31, 1955, and the accompanying summary of consolidated profit and loss and surplus presents fairly the information set forth therein relating to their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 2, 1956.*

Reliance Upon Independent Appraiser

American Seating Company: We have examined the consolidated balance sheet of *American Seating Company* (a New Jersey corporation) and its subsidiary as of December 31, 1955 and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Inventory quantities and pricing were independently determined and certified by The American Appraisal Company in respect to inventories totaling $6,397,675 at the beginning of the year and $8,277,343 at the end of the year. We did not deem it reasonable or practical to duplicate the work of The American Appraisal Company, and therefore limited our examination of that part of the inventories to a review of the related perpetual inventory records and their underlying control procedures. As to the remainder of the inventories totaling $1,363,853 at the beginning of the year and $1,409,950 at the end of the year, our examination included observation of inventory-taking procedures and tests of inventory quantities and pricing.

In our opinion, the accompanying balance sheet and statements of income and surplus, together with the related notes, present fairly the consolidated financial position of *American Seating Company* and its subsidiary at December 31, 1955 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which have been applied on a basis consistent with that of the preceding year.—*March 2, 1956.*

IDENTIFICATION OF FINANCIAL STATEMENTS

The accountant's report usually identifies the financial statements which are the subject of his expression of opinion; the title of each statement examined is usually listed separately. However, very often the accountant's report will list such statements separately in its "scope" paragraph and then refer to such statements as a group in its "opinion" paragraph, e.g., "accompanying financial statements," "financial statements," etc. In certain instances, the accountant's report specifies that certain statements have been examined although all of these statements may not appear in the annual report of the company. *Peden Iron & Steel Co.* includes only a statement of financial condition in its report, although the accountant's report states that "we have made an examination of the statement of financial condition . . . and the statements of income and retained earnings. . . . In our opinion, the accompanying statement of financial condition fairly reflects the financial position of Peden Iron & Steel Co. . . ." *Good Humor Corporation* has a similar presentation in its 1955 annual report.

Table 9 discloses the various methods used to identify the financial statements in the accountant's report. Examples of presentation are given in the following text:

TABLE 9: IDENTIFICATION OF FINANCIAL STATEMENTS

Certified Statements Identified By:	1955	1954	1953	1950
Title Listing of Customary Statements	475	465	459	469
Title Listing of Customary Statements and specific mention of accompanying footnotes	44	56	58	66
Title Listing of Customary Statements and specific mention of accompanying footnotes with:				
Title listing of additional statements	1	1	—	—
Group reference to additional statements	—	1	1	1
Title Listing of Customary Statements with:				
Title Listing of additional statements	9	11	18	12
Group reference to additional statements	6	4	6	7
Total	535	538	542	555
Group reference to Customary Statements	50	44	40	35
Group reference to Customary Statements and specific mention of accompanying footnotes	13	8	8	3
Group reference to both Customary and additional statements and specific mention of accompanying footnotes	—	1	1	—
Group reference to Customary Statements with:				
Title Listing of additional statements	1	2	2	1
Group reference to additional statements	1	7	7	6
Total	65	62	58	45
	600	600	600	600
Number of Reports Referring				
To additional statements	18	27	35	27
To accompanying footnotes	58	67	68	70

REFERENCE TO COMPANY

The survey of the 1955 accountants' reports of the 600 companies revealed that only one report failed to disclose the *corporate name* of the client within the body of the accountant's report (*Co. No. 50); the word "Corporation" was used as reference. Although reference is usually made to consolidated or unconsolidated subsidiaries, the names of such subsidiaries are seldom given. Table 10 indicates the methods of reference to the corporation as given in the 1955 accountants' reports.

Period of Examination

Table 11 discloses the terminology used in the accountants' reports to indicate the periods of examination pertaining to the survey companies. Generally, the period of examination is given as "year" although in many instances, the actual period of examination may be a period of fifty-two or fifty-three weeks, or a period of days from one date to another.

The most common fiscal-year ending used by the 600 survey companies is in the month of December (or the week-end date closest to the end of the year)—421 companies or 70% of the total. Other fiscal closings were used similarly as follows:

November, 22 companies
October, 42 companies
September, 30 companies
August, 15 companies
July, 10 companies
June, 15 companies
May, 6 companies
April, 4 companies
March, 12 companies
February, 8 companies
January, 15 companies

*Refer to Company Appendix Section.

Reference to Statements and Company

The following examples illustrate the methods used by the accountants in their reports to refer to the companies and their 1955 financial statements:

The Board of Directors, Borg-Warner Corporation: We have examined the statement of consolidated assets and liabilities of *Borg-Warner Corporation* and subsidiary companies as of December 31, 1955 and the related statements of earnings, retained earnings, and capital in excess of par value for the year then ended (including Byron Jackson Co. for period to September 1, 1955, date of merger with corporation). Our examination was made in ac-

TABLE 10: NAME OF COMPANY

*Reference by Use of:	1955	1954	1953	1950
Corporate Name of Company supplemented with—				
1. Names of consolidated subsidiaries	14	17	20	29
2. Names of consolidated and unconsolidated subsidiaries	—	—	1	1
3. Consolidated subsidiaries not named	420	409	395	387
Consolidated subsidiaries not named and reference to:				
4. Unconsolidated subsidiaries named	2	4	4	5
5. Unconsolidated subsidiaries not named	8	12	14	12
6. Unconsolidated subsidiaries not named and reference to branches, divisions, etc.	—	1	1	1
7. Affiliates, branches, etc.	2	6	5	3
8. "Corporation"** and reference to consolidated subsidiaries not named	1	1	1	1
	447	450	441	439
9. Corporate Name of Company	148	142	151	155
Corporate Name of Company and reference to:				
10. Unconsolidated subsidiaries named	2	1	1	2
11. Unconsolidated subsidiaries not named	3	5	5	3
12. "Company"** and reference to unconsolidated subsidiaries not named	—	1	1	—
13. "Company"**	—	1	1	1
	153	150	159	161
	600	600	600	600
Number of Reports				
**Omitting Corporate Name of Company	1	3	3	2
Referring to unconsolidated subsidiaries	15	24	27	24
Referring to affiliates, branches, or divisions, etc.	2	7	6	4
Referring to consolidated subsidiaries	447	450	441	439

*Refer to Company Appendix Section—1: Co. Nos. 23, 78, 122, 179, 206, 215, 385, 410, 419, 447, 458, 496, 576, 577; 3: Co. Nos. 221, 278, 289, 308, 420, 512; 4: Co. Nos. 39, 561; 5: Co. Nos. 42, 90, 137, 409; 7: Co. Nos. 65, 444; 8: Co. No. 50; 9: Co. Nos. 5, 7, 11, 13; 10: Co. Nos. 31, 147; 11: Co. Nos. 68, 153, 402.

TABLE 11: PERIOD OF EXAMINATION

Accountant Refers To:	1955	1954	1953	1950
One year in *scope and opinion* paragraphs (*Co. Nos. 111, 305, 352, 582, 593)	408	406	414	443
One year in *scope and opinion* paragraphs, with reference to examination of prior year contained in *scope* paragraph (*Co. Nos. 185, 228, 392, 552, 559)	44	50	51	31
One year in *opinion* paragraph				
No period mentioned in *scope* paragraph (*Co. Nos. 216, 219, 259, 312)	4	3	5	4
Modified short-form of report (*Co. Nos. 196, 429, 494, 573)	80	75	65	60
Modified short-form of report, with additional comment referring to examination of prior year (*Co. Nos. 88, 129)	2	3	3	2
One year in *scope* paragraph, with no opinion given (*Co. No. 483)	1	—	—	—
One year in *scope* paragraph, two years in *opinion* paragraph	—	—	1	1
One year, with reference to *examination of prior year,* in *scope* paragraph; two years in *opinion* paragraph (*Co. Nos. 28, 35, 39, 46, 49, 69)	11	12	12	13
Two or three years in *scope and opinion* paragraphs (*Co. Nos. 20, 147, 319, 403, 447)	19	18	20	22
Two or three years in *opinion* paragraph only; in modified short-form of report (*Co. Nos. 182, 308, 320, 487, 523)	6	7	7	3
Six to ten years in *opinion* paragraph	—	1	1	1
Period of 52 or 53 weeks in *scope and opinion* paragraphs (*Co. Nos. 54, 146, 233, 285, 469)	13	12	15	12
Period of 52 or 53 weeks in *opinion* paragraph (modified short-form of report) (*Co. Nos. 80, 371, 393)	3	4	3	3
Period of 52 or 53 weeks with two periods referred to in *scope and opinion* paragraph	—	1	1	1
Period of days stated simply as "period from October 3, 1954 to October 1, 1955" in *scope and opinion* paragraphs (*Co. No. 116)	1	1	—	—
Changes in Fiscal Years:				
Periods of one year and three months in *scope and opinion* paragraphs (*Co. Nos. 10, 348)	2			
Periods of seven, nine or ten months in *scope and opinion* paragraphs (*Co. Nos. 263, 288, 520)	3			
Period of 13 months in *opinion* paragraph (modified short-form of report) (*Co. No. 187)	1	7	2	4
Period of 13 months in *scope and opinion* paragraphs, with examination of prior year referred to in *scope* paragraph (*Co. No. 365)	1			
Three separate weekly periods in *scope and opinion* paragraphs (*Co. No. 357)	1			
	600	600	600	600

*Refer to Company Appendix Section.

cordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements, above described, present fairly the financial position of *Borg-Warner Corporation* and subsidiary companies at December 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—Febru-*

The Board of Directors, Hercules Galion Products, Inc.: We have examined the consolidated balance sheet of *Hercules Galion Products, Inc.* (formerly Hercules Steel Products Corporation) and its subsidiary companies as of September 30, 1955 and the related statements of profit and loss and stockholders' equity for the year then ended, and operations of Central Ohio Steel Products Company for the period from November 30, 1954 to date of merger (see Note 1 to financial statements). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and stockholders' equity present fairly the financial position of *Hercules Galion Products, Inc.* and its subsidiary companies at September 30, 1955, the results of their operations for the year then ended, and operations of Central Ohio Steel Products Company for the period from November 30, 1954 to date of merger, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.—*Accountants' Report—November 21, 1955.*

Note 1: At a special meeting of the stockholders on July 28, 1955, an agreement was approved providing for the merger of Central Ohio Steel Products Company into Hercules Steel Products Corporation, changing the latter's (surviving corporation's) name to *Hercules Galion Products, Inc.* The merger became effective August 31, 1955 and two shares of the surviving corporation's common stock (369,014 shares in the aggregate) were issued in exchange for each and every common share of Central Ohio Steel Products Company, which was then dissolved; thereafter its operations were continued as a division of the surviving corporation.

Central Ohio Steel Products Company operated on a fiscal year which ended annually on November 30 and its operating statements reflect transactions from November 30, 1954 to date of merger on August 31, 1955.

The consolidated financial statements include the corporation and its non-operating subsidiaries, The Galion Metallic Vault Company and Star Manufacturing Company, Inc.

To the Board of Directors, Jewel Tea Co., Inc.: We have examined the balance sheet of *Jewel Tea Co., Inc.*, as of December 31, 1955, and the related statements of income, accumulated earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, accumulated earnings and source and use of funds present fairly the financial position of *Jewel Tea Co., Inc.*, at December 31, 1955, and the results of its operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 3, 1956.*

Board of Directors, Eli Lilly and Company: We have examined the consolidated financial statements of *Eli Lilly and Company* and its subsidiaries for the year ended December 31, 1955. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. A similar examination was made for the year ended December 31, 1954.

In our opinion, the accompanying statement of financial condition and summary of consolidated income and earnings reinvested in the business present fairly the consolidated financial position of *Eli Lilly and Company* and its subsidiaries at December 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the summary of source and disposition of funds for the years ended December 31, 1955, and December 31, 1954, and it is our opinion that it fairly presents the information therein set forth.—*Report of Independent Accountants—February 1, 1956.*

The Shareowners, Mohasco Industries, Inc.: On February 7, 1956 we reported upon our examination of the financial statements of *Mohawk Carpet Mills, Inc.* (a constituent company of Mohasco Industries, Inc.) which included its consolidated balance sheet at December 31, 1955 immediately prior to merger with and into *Alexander Smith, Incorporated* and the change of that company's name to *Mohasco Industries, Inc.* In addition, we have been furnished with a report of other independent certified public accountants dated February 24, 1956, on the financial statements of *Alexander Smith, Incorporated,* which included its consolidated balance sheet at December 31, 1955 immediately prior to merger.

Based upon our examination and upon the report of other independent certified public accountants, but subject to the reservation expressed by them with respect to any adjustments that may be required to state nonoperating facilities at realizable amounts, it is our opinion that the accompanying consolidated balance sheet of *Mohasco Industries, Inc.* and consolidated subsidiaries (representing a combination of the consolidated balance sheets of the constituent companies) presents fairly the financial position of *Mohasco Industries, Inc.* and consolidated subsidiaries at December 31, 1955 in conformity with generally accepted accounting principles.—*February 24, 1956.*

The Shareowners, Mohasco Industries, Inc.: We have examined the consolidated balance sheet of *Mohawk Carpet Mills, Inc.* and domestic subsidiaries at December 31, 1955 immediately prior to merger with and into *Alexander Smith, Incorporated* (subsequently renamed *Mohasco Industries, Inc.*) and the related statements of income, earned surplus and capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, earned surplus and capital surplus present fairly the consolidated financial position of *Mohawk Carpet Mills, Inc.* and domestic subsidiaries at December 31, 1955 immediately prior to merger and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. —*February 7, 1956.*

The Shareowners, Mohasco Industries, Inc.: We have examined the consolidated balance sheet of *Alexander Smith, Incorporated* and its subsidiaries at December 31, 1955 immediately prior to merger with *Mohawk Carpet Mills, Inc.*, and the related statements of income, earned surplus (deficit) and capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Except for such adjustment as may be required to state nonoperating facilities referred to in Note 5 at realizable amounts (after costs of disposition, maintenance, etc.), in our opinion, the accompanying balance sheet and related statements of income, earned surplus (deficit) and capital surplus present fairly the consolidated financial position of *Alexander Smith, Incorporated* and its subsidiaries at December 31, 1955 immediately prior to merger with *Mohawk Carpet Mills, Inc.* and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*February 24, 1956.*

Note 5: Nonoperating Property, Plant and Equipment—Nonoperating property, plant and equipment, with minor exceptions, is stated at cost less $7,765,582 representing depreciation accumulated until withdrawal from service in 1954. Facilities included under this caption comprise land and buildings in Yonkers, New York, and machinery and equipment at Yonkers and other locations.

The company is not in a position to estimate the amount that may be realized from the disposition of this property but it believes that any aggregate loss incurred upon such disposition will not be material. Expenses and losses (net) in maintaining and disposing of such properties in 1955 amounted to $1,998,905, including a

RETIREMENT SYSTEM FOR EMPLOYEES OF

R. H. Macy & Co., Inc.

AND AFFILIATES

STATEMENT OF NET ASSETS AS OF JULY 31, 1955 AND INCREASE THEREIN FOR THE YEAR THEN ENDED

	Pension Plan	Profit Sharing Plan	Total Retirement System
ASSETS:			
Marketable securities held by The Chase Manhattan Bank, Trustee—			
U. S. Government obligations	$ 6,402,609[1]	$ 5,052,753[2]	$11,455,362
R. H. Macy & Co., Inc. (cumulative preferred stock, Series A)	458,487[1]	509,575[2]	968,062
Other (principally common stocks)	3,187,442[1]	4,528,838[2]	7,716,280
Investment in real properties at amortized cost—			
Radio and television properties leased to General Teleradio, Inc. (California), less amortization of $438,945	2,436,633	1,624,422	4,061,055
San Francisco store property leased to R. H. Macy & Co., Inc.[3]	477,768	—	477,768
Cash	252,759	301,937	554,696
Income receivable	44,513	37,858	82,371
Total assets	$13,260,211	$12,055,383	$25,315,594
LESS:			
Benefits payable	$ —	$ 653,950	$ 653,950
Deferred rent income	61,250	—	61,250
Sundry accrued liabilities	10,974	5,951	16,925
	$ 72,224	$ 659,901	$ 732,125
Net assets of the Retirement System, July 31, 1955	$13,187,987	$11,395,482	$24,583,469
Net assets of the Retirement System, July 31, 1954	12,769,414	9,790,580	22,559,994
Increase in net assets for year ended July 31, 1955	$ 418,573	$ 1,604,902	$ 2,023,475
The increase in net assets for the year resulted from:			
Payments by the Corporation	$ 289,881	$ 1,177,059	$ 1,466,940
Net return from investments	283,294[4]	999,217[5]	1,282,511
Benefits paid or payable	*154,602*	*571,374*	*725,976*
Increase in net assets	$ 418,573	$ 1,604,902	$ 2,023,475

NOTES:

(1) At the lower of amortized cost or market value (aggregate market value of all marketable securities, $12,053,101).

(2) At market value as required by the Plan.

(3) The San Francisco store property is subject to a mortgage in the amount of $3,537,000 due serially to November 1, 1978, bearing interest at 3½% to November 1, 1969, and 3¾% thereafter.

(4) Including profits and losses realized on securities sold and unrealized losses on securities on hand.

(5) Including realized and unrealized profits and losses on marketable securities.

Italics denote deductions.

TABLE 12: TERMINOLOGY IN TITLE OF REPORT

Title Used to Identify Accountant's Report	1955	1954	1953	1950
Accountant's (or accountants') report	136	135	133	114
Accountant's (or accountants') certificate	63	66	69	64
Auditor's (or auditors') report	66	63	56	49
Auditor's (or auditors') certificate	44	42	43	43
Report of independent public accountants	22	16	15	12
Opinion of independent public accountants	15	15	12	7
Certificate of independent public accountants	6	8	10	12
Report of independent certified public accountants	12	11	12	10
Opinion of independent certified public accountants	4	4	4	4
Report of certified public accountants	6	6	5	5
Independent auditor's (or auditors') report	10	9	9	7
Report of independent auditors	3	4	2	3
Report of auditors	6	8	9	8
Report of independent accountants	6	6	5	5
Opinion of independent accountants	3	3	1	1
Accountant's (or accountants') opinion	8	8	6	3
Various other	33	32	32	29
Total	443	436	423	376
No title shown	157	164	177	224
	600	600	600	600

	1955 Reference to Report				
1955 Reference to Accountant:	Report	Certificate	Opinion	Other Terms	1955 Total
Accountant's (s')	136	63	8	—	207
Certified public accountant's (s')	6	—	—	—	6
Independent certified public accountant's (s')	12	—	4	—	16
Independent public accountant's (s')	22	6	15	—	43
Independent accountant's (s')	6	—	3	—	9
Auditor's (s')	72	44	—	—	116
Independent auditor's (s')	13	—	—	—	13
Various other	—	—	—	33	33
Total	267	113	30	33	443
No title shown					157
					600

provision in the amount of $150,000 for estimated maintenance expenses subsequent to December 31, 1955, all of which were charged to earned surplus (deficit).

In September 1955 the company entered into an agreement for the sale of the nonoperating land and buildings at Yonkers for an aggregate consideration of $4,000,000 (before commissions of $102,500), of which $1,000,000 was to be received in cash and the remainder in mortgages. The company received a cash deposit of $250,000 in connection therewith. The agreement provides that the company will share pro rata in any proceeds from resale of part or all of such properties in excess of defined minimum amounts and after deducting specified charges. The closing was to have been made on October 31, 1955, but it has been postponed by mutual agreement between the company and the prospective purchaser. Sale of a small part of the land and buildings covered by this agreement was effected prior to December 31, 1955, and the financial statements reflect the sale of such part and the receipt of $611,500 in cash and mortgages in consideration therefor.

Board of Directors, Whirlpool-Seeger Corporation: We have examined the balance sheet of *Whirlpool-Seeger Corporation* as of December 31, 1955, the related combined statements of income and expense and stockholders' equity of *Whirlpool-Seeger Corporation* and constituent corporations for the year ended December 31, 1955, and the statements of income and expense and stockholders' equity of Whirlpool Corporation, a constituent corporation, for the period from January 1, 1955, to September 15, 1955. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm by direct communication the accounts receivable from the Corporation's principal customer and certain accounts for defense materials, but we have satisfied ourselves as to such accounts by means of other auditing procedures.

As set forth in Note A to the financial statements of *Whirlpool-Seeger Corporation,* the statements include the operations of Whirlpool Corporation and Seeger Refrigerator Company for the period from January 1, 1955, to September 15, 1955, as of which date those corporations were merged into Delaware Appliance Corporation, the surviving corporation, which thereupon changed its name to *Whirlpool-Seeger Corporation.* The statements of income and expense and stockholders' equity of Seeger Refrigerator Company for the period from January 1, 1955, to September 15, 1955, as included in the aforementioned combined statements, were examined by other independent accountants, whose report thereon has been reviewed and accepted by us.

In our opinion, the accompanying balance sheet and statements of income and expense and stockholders' equity present fairly the financial position of Whirlpool-Seeger Corporation at December 31, 1955, and the combined results of operations of *Whirlpool-Seeger Corporation* and constituent corporations for the year ended December 31,

TABLE 13: ADDRESSEE OF ACCOUNTANT'S REPORT

Combined Addressee:	1955	1954	1953	1950
The Company and Its:				
Directors	280	294	293	309
Directors and President	7	6	8	10
Directors and "Stockholders"	111	97	96	87
Directors and "Shareholders"	29	24	20	10
Directors and "Shareowners"	7	5	5	—
"Stockholders"	64	72	72	85
"Shareholders"	35	29	29	22
"Shareowners"	4	7	7	1
Single Addressee				
The Company	60	63	65	72
No Addressee	3	3	5	4
	600	600	600	600
Frequency of Reference to:				
Company—with other addressees	537	534	530	524
Company—with no other addressee	50	63	65	72
Directors	434	426	422	416
President	7	6	8	10
"Stockholders"	175	169	168	172
"Shareholders"	64	53	49	32
"Shareowners"	11	12	12	1

1955, in conformity with generally accepted accounting principles which have been applied on a consistent basis except for the change (which we approve) in the method of providing for depreciation as explained in Note E to the financial statements.—*Accountants' Report—February 14, 1956.*

Note A: *Organization and Merger*—Whirlpool-Seeger Corporation was formed as of September 15, 1955, by the merger of Whirlpool Corporation and Seeger Refrigerator Company into Delaware Appliance Corporation, the surviving corporation, which thereupon changed its name to *Whirlpool-Seeger Corporation.* Delaware Appliance Corporation had been organized on August 10, 1955, by Radio Corporation of America, and, as of September 15, 1955, Radio Corporation of America transferred assets in the net amount of $21,600,000, consisting of the assets of its stove and air conditioning businesses and cash of approximately $15,700,000, to the newly organized corporation. In exchange for these transfers, Radio Corporation of America received 20% of the shares of *Whirlpool-Seeger Corporation* Common Stock issued in connection with the merger.

The accompanying statement of income and expense combines the operations of *Whirlpool-Seeger Corporation,* including the operations of the acquired stove and air conditioning businesses, for the period from September 15, 1955, to December 31, 1955, and the operations of Whirlpool Corporation and Seeger Refrigerator Company for the period from January 1, 1955, to September 15. 1955.

Note E: Depreciation and Accrued Expenses—Seeger Refrigerator Company adopted the declining-balance method of depreciation with respect to new property acquired after August 31, 1954. This resulted in an increase in depreciation of $153,072 for the year ended December 31, 1955.

As a result of the repeal in 1955 of the provisions of the Internal Revenue Code relating to certain accrued expenses, the federal income tax of Whirlpool Corporation for the year ended December 31, 1954 was increased by approximately $500,000. This additional tax was charged to operations in 1955.

Number of Accounting Firms Represented

There were 72 public accounting firms represented among the 600 companies included in the survey. Changes in accounting firms were reflected in the reports of 8 companies.

Title of Accountant's Report

The most common title given to the accountant's report within the 1955 annual reports of the survey companies was "accountant's (or accountants') report." The word "report" was the usual term of reference to the opinion of the accountant (used in 60% of the reports which provided titles). The use of the words "opinion" and "certificate" is declining. Table 12 reveals the many variations in the titles assigned to the accountant's report section of the 1955 survey reports.

Addressee of Accountant's Report

The various addressees mentioned in the accountants' reports included in the survey are summarized in Table 13 in comparative form for the years 1950, and 1953, 1954, and 1955. The table reveals that nearly one-half of the reports are addressed jointly to the "board of directors and the company" while the remaining reports are usually addressed either to the stockholders and the company (or stockholders *of* the company) (103 companies), to the stockholders, directors, and the company (147 companies), or to the company alone (60 companies).

Post Balance Sheet Disclosures

The accountants' reports which accompanied the financial statements of the 600 companies included in the current survey made no direct reference to events which occurred subsequent to the balance sheet date. However, such information was frequently provided in the notes to the financial statements. (Refer to Section 2, *Post Balance Sheet Disclosures.*)

Signature on Accountant's Report

Table 14 discloses that there is a continuing increase in the use of a handwritten facsimile to indicate the firm name on the accountant's report. Correspondingly, there is a decrease in the use of a printed or typewritten firm name.

TABLE 14: ACCOUNTANT'S SIGNATURE ON REPORT

Form of Signature	1955	1954	1953	1950
Firm name—printed or typed	391	400	409	451
Firm name—handwritten facsimile	202	195	186	145
Firm name—printed and handwritten facsimile	4	2	2	—
Firm and individual accountant's names—printed or typed	1	1	1	1
Individual accountant's name—printed or typed	2	2	2	2
Firm and individual accountant's names—handwritten facsimile	—	—	—	—
	600	600	600	600

APPENDIX OF 600 COMPANIES

List of 600 Companies on Which Tabulations Are Based

Co. No.		*Month in which fiscal year ends
1.	ACF Industries, Inc.	4
2.	Abbott Laboratories	12
3.	Acme Steel Company	12
4.	Adam Hat Stores, Inc.	12
5.	Adams-Millis Corporation	12
6.	Adressograph-Multigraph Corporation	7
7.	Ainsworth Manufacturing Corporation	12
8.	Air Reduction Company, Incorporated	12
9.	Alan Wood Steel Company	12
10.	Alaska Pacific Salmon Company	3
11.	Alco Products, Incorporated	12
12.	Allegheny Ludlum Steel Corporation	12
13.	Allen Industries, Inc.	12
14.	Allied Chemical & Dye Corporation	12
15.	Allied Laboratories, Inc.	12
16.	Allied Mills, Inc.	6
17.	Allied Stores Corporation	1
18.	Allis-Chalmers Manufacturing Company	12
19.	Alpha Portland Cement Company	12
20.	Aluminum Company of America	12
21.	The Amalgamated Sugar Company	9
22.	The American Agricultural Chemical Company	6
23.	American Air Filter Company, Inc.	10
24.	American Bakeries Company	12
25.	American Bank Note Company	12
26.	American Box Board Company	11
27.	American Can Company	12
28.	American Chain & Cable Company, Inc.	12
29.	American Colortype Company of New Jersey	12
30.	American Cyanamid Company	12
31.	American Encaustic Tiling Co., Inc.	12
32.	American Enka Corporation	12
33.	The American Hardware Corporation	12
34.	American Hide and Leather Company	6
35.	American Home Products Corporation	12
36.	American Machine & Foundry Company	12
37.	American Machine and Metals, Inc.	12
38.	American Maize-Products Company	12
39.	The American Metal Company, Limited	12
40.	American Metal Products Company	12
41.	American Optical Company	12
42.	American Radiator & Standard Sanitary Corporation	12
43.	American Safety Razor Corporation	12
44.	American Seating Company	12
45.	The American Ship Building Company	6
46.	American Smelting and Refining Company	12
47.	American Stores Company	3
48.	The American Sugar Refining Company	12
49.	The American Tobacco Company	12
50.	American Viscose Corporation	12
51.	American Window Glass Company	12
52.	American Wringer Company, Inc.	12
53.	American Writing Paper Corporation	12
54.	Ampco Metal, Inc.	12
55.	The Anaconda Company	12
56.	Anchor Hocking Glass Corporation	12
57.	Anderson, Clayton & Co.	7
58.	Anderson-Prichard Oil Corporation	12
59.	Archer-Daniels-Midland Company	6
60.	Arden Farms Co.	12
61.	Argo Oil Corporation	12
62.	Armco Steel Corporation	12
63.	Armour and Company	10
64.	Armstrong Cork Company	12
65.	Art Metal Construction Company	12
66.	Artloom Carpet Co., Inc.	7
67.	The Arundel Corporation	12
68.	Associated Dry Goods Corporation	1
69.	The Atlantic Refining Company	12
70.	Atlas Powder Company	12
71.	Automatic Canteen Company of America	9
72.	Avco Manufacturing Corporation	11
73.	Avon Products, Inc.	12
74.	The Babcock & Wilcox Company	12
75.	Baldwin-Lima-Hamilton Corporation	12
76.	Barber Oil Corporation	12
77.	Barker Bros. Corporation	12
78.	Bates Manufacturing Company	12
79.	Bath Iron Works Corporation	12
80.	Bausch & Lomb Optical Company	12
81.	Bayuk Cigars Incorporated	12
82.	Beatrice Foods Co.	2
83.	Beaunit Mills, Inc.	3
84.	Beech Aircraft Corporation	9
85.	Beech-Nut Packing Company	12
86.	Belding Heminway Company, Inc.	12
87.	Bell Aircraft Corporation	12
88.	Bell & Gossett Company	11
89.	Bell & Howell	12
90.	Bendix Aviation Corporation	9

* Months numbered in sequence January through December.

Co. No.		*Month in which fiscal year ends
91.	The Best Foods, Inc.	6
92.	Bethlehem Steel Corporation	12
93.	Bigelow-Sanford Carpet Company, Inc.	12
94.	The Billings & Spencer Company	9
95.	The Black & Decker Manufacturing Company	9
96.	Blaw-Knox Company	12
97.	Bliss & Laughlin, Inc.	12
98.	Boeing Airplane Company	12
99.	Bohn Aluminum & Brass Corporation	12
100.	Bond Stores, Incorporated	7
101.	Booth Fisheries Corporation	4
102.	The Borden Company	12
103.	Borg-Warner Corporation	12
104.	E. J. Brach & Sons	9
105.	Bridgeport Brass Company	12
106.	Briggs Manufacturing Company	12
107.	Briggs & Stratton Corporation	12
108.	Bristol-Myers Company	12
109.	Brockway Motor Company, Inc.	12
110.	Brown & Sharp Manufacturing Company	12
111.	Brown Shoe Company, Inc.	10
112.	The Brunswick-Balke-Collender Company	12
113.	Bucyrus-Erie Company	12
114.	The Budd Company	12
115.	Buffalo-Eclipse Corporation	7
116.	Burlington Industries, Inc.	9
117.	Burroughs Corporation	12
118.	Butler Brothers	12
119.	The Byrndun Corporation	12
120.	California Packing Corporation	2
121.	Calumet & Hecla, Inc.	12
122.	A. S. Campbell Co., Inc.	12
123.	Canada Dry Ginger Ale, Incorporated	9
124.	Cannon Mills Company	12
125.	Capitol Records, Inc.	12
126.	Carnation Company	12
127.	Carrier Corporation	10
128.	J. I. Case Company	10
129.	Caterpillar Tractor Co.	12
130.	Celanese Corporation of America	12
131.	The Celotex Corporation	10
132.	Central Soya Company, Inc.	8
133.	Century Electric Company	12
134.	Certain-Teed Products Corporation	12
135.	The Cessna Aircraft Company	9
136.	Chain Belt Company	10
137.	The Champion Paper and Fibre Company	3
138.	Cherry-Burrell Corporation	10
139.	Chesapeake Industries, Inc.	12
140.	Chicago Pneumatic Tool Company	12
141.	Chicago Railway Equipment Company	12
142.	Chile Copper Company	12
143.	Chrysler Corporation	12
144.	Cities Service Company	12
145.	City Products Corporation	12
146.	City Stores Company	1
147.	Clark Equipment Company	12
148.	The Cleveland Builders Supply Company	9
149.	Clevite Corporation	12
150.	Climax Molybdenum Company	12
151.	Clinton Foods Inc.	12
152.	The Coca-Cola Company	12
153.	Colgate-Palmolive Company	12
154.	Collins & Aikman Corporation	2
155.	Colonial Stores Incorporated	12
156.	The Colorado Fuel and Iron Corporation	6
157.	The Colorado Milling & Elevator Company	5
158.	Columbia Broadcasting System, Inc.	12

Co. No.		*Month in which fiscal year ends
159.	Columbia River Packers Association, Inc.	12
160.	Columbian Carbon Company	12
161.	Combustion Engineering, Inc.	12
162.	Commercial Solvents Corporation	12
163.	Congoleum-Nairn Inc.	12
164.	Consolidated Cigar Corporation	12
165.	Consolidated Laundries Corporation	12
166.	Consolidated Paper Company	12
167.	Container Corporation of America	12
168.	Continental Baking Company	12
169.	Continental Can Company, Inc.	12
170.	Continental Motors Corporation	10
171.	Continental Oil Company	12
172.	Continental Steel Corporation	12
173.	Copperweld Steel Company	12
174.	Cook Paint & Varnish Company	11
175.	Corn Products Refining Company	12
176.	Cory Corporation	12
177.	Craddock-Terry Shoe Corporation	11
178.	Crane Co.	12
179.	The Creamery Package Mfg. Company	11
180.	Crown Central Petroleum Corporation	12
181.	Crown Cork & Seal Company, Inc.	12
182.	Crown Zellerbach Corporation	12
183.	Crucible Steel Company of America	12
184.	The Cuban-American Sugar Company	9
185.	The Cudahy Packing Company	10
186.	Cummins Engine Co., Inc.	12
187.	The Cuneo Press, Inc.	1
188.	The Curtis Publishing Company	12
189.	Curtiss-Wright Corporation	12
190.	Cutler-Hammer, Inc.	12
191.	Daystrom, Incorporated	3
192.	The Dayton Rubber Company	10
193.	Decca Records Inc.	12
194.	Deere & Company	10
195.	Dennison Manufacturing Company	12
196.	The Diamond Match Company	12
197.	Diamond T Motor Car Company	12
198.	Diana Stores Corporation	7
199.	Dictaphone Corporation	12
200.	Di-Noc Chemical Arts, Inc.	12
201.	Walt Disney Productions	9
202.	Dixie Cup Company	12
203.	The Dobeckmun Company	12
204.	Douglas Aircraft Company, Inc.	11
205.	The Dow Chemical Company	5
206.	The Drackett Company	9
207.	Dragon Cement Company, Inc.	12
208.	Dresser Industries, Inc.	10
209.	Allen B. Du Mont Laboratories, Inc.	12
210.	The Duplan Corporation	9
211.	E. I. du Pont de Nemours & Company	12
212.	The Eagle-Picher Company	11
213.	Eastern Corporation	12
214.	The Eastern Malleable Iron Company	12
215.	Eastern Stainless Steel Corporation	12
216.	Eastman Kodak Company	12
217.	Eaton Manufacturing Company	12
218.	Thomas A. Edison, Incorporated	12
219.	Elastic Stop Nut Corporation of America	11
220.	The Electric Auto-Lite Company	12
221.	The Electric Storage Battery Company	12
222.	Elgin National Watch Company	12
223.	Elliott Company	12
224.	Emerson Radio & Phonograph Corporation	10
225.	Endicott Johnson Corporation	11
226.	Eversharp, Inc.	2

* Months numbered in sequence January through December.

Co. No.		*Month in which fiscal year ends
227.	Ex-Cell-O Corporation	11
228.	Fairbanks, Morse & Co.	12
229.	Fairchild Engine and Airplane Corporation	12
230.	Falstaff Brewing Corporation	12
231.	Fedders-Quigan Corporation	8
232.	The Federal Machine and Welder Company	9
233.	Federated Department Stores, Inc.	1
234.	The Firestone Tire & Rubber Company	10
235.	First National Stores, Inc.	3
236.	M. H. Fishman Co., Inc.	12
237.	The Flintkote Company	12
238.	Food Machinery and Chemical Corporation	12
239.	Foremost Dairies, Inc.	12
240.	Freeport Sulphur Company	12
241.	Fruehauf Trailer Company	12
242.	Gar Wood Industries, Inc.	10
243.	The Garlock Packing Company	12
244.	General American Transportation Corporation	12
245.	General Aniline & Film Corporation	12
246.	General Baking Company	12
247.	General Box Company	12
248.	General Bronze Corporation	12
249.	General Cable Corporation	12
250.	General Cigar Co., Inc.	12
251.	General Dynamics Corporation	12
252.	General Electric Company	12
253.	General Mills, Inc.	5
254.	General Motors Corporation	12
255.	General Plywood Corporation	10
256.	General Railway Signal Company	12
257.	General Refractories Company	12
258.	General Shoe Corporation	10
259.	The General Tire & Rubber Company	11
260.	Giddings & Lewis Machine Tool Company	12
261.	The Gillette Company	12
262.	Gimbel Brothers, Inc.	1
263.	The Glidden Company	8
264.	Godchaux Sugars, Inc.	1
265.	Goebel Brewing Company	12
266.	Goldblatt Bros., Inc.	1
267.	Good Humor Corporation	12
268.	The B. F. Goodrich Company	12
269.	The Goodyear Tire & Rubber Company	12
270.	Granite City Steel Company	12
271.	W. T. Grant Company	1
272.	The Great Western Sugar Company	2
273.	The Griess-Pfleger Tanning Co.	12
274.	The Gruen Watch Company	3
275.	Grumman Aircraft Engineering Corporation	12
276.	Gulf Oil Corporation	12
277.	W. F. Hall Printing Company	3
278.	The Haloid Company	12
279.	Hamilton Watch Company	1
280.	Harbison-Walker Refractories Company	12
281.	Harnischfeger Corporation	10
282.	The Harshaw Chemical Company	9
283.	Harvill Corporation	10
284.	Haskelite Manufacturing Corporation	12
285.	Hathaway Bakeries, Inc.	12
286.	Hazel-Atlas Glass Company	12
287.	Hearst Consolidated Publications, Inc.	12
288.	Hercules Motors Corporation	7
289.	Hercules Powder Company	12
290.	Hershey Chocolate Corporation	12
291.	Heyden Chemical Corporation	12
292.	Heywood-Wakefield Company	12
293.	Higgins, Inc.	12
294.	The Hobart Manufacturing Company	12

Co. No.		*Month in which fiscal year ends
295.	Hoffman Electronics Corporation	12
296.	Holland Furnace Company	12
297.	Holly Sugar Corporation	3
298.	Hooker Electrochemical Company	11
299.	Geo. A. Hormel & Company	10
300.	Houdaille Industries Inc.	12
301.	Howell Electric Motors Company	12
302.	Hudson Pulp & Paper Corp.	8
303.	Hunt Foods, Inc.	11
304.	Hygrade Food Products Corporation	10
305.	Indian Head Mills, Inc.	11
306.	Industrial Rayon Corporation	12
307.	Ingersoll-Rand Company	12
308.	Inland Steel Company	12
309.	Interchemical Corporation	12
310.	International Business Machines Corporation	12
311.	International Harvester Company	10
312.	The International Nickel Company of Canada, Limited	12
313.	International Paper Company	12
314.	International Shoe Company	11
315.	The International Silver Company	12
316.	Interstate Bakeries Corporation	12
317.	Iron Fireman Manufacturing Company	12
318.	Jantzen, Inc.	8
319.	Johns-Manville Corporation	12
320.	Johnson & Johnson	12
321.	Jones & Lamson Machine Company	12
322.	Jones & Laughlin Steel Corporation	12
323.	Joslyn Mfg. and Supply Co.	12
324.	Joy Manufacturing Company	9
325.	The E. Kahn's Sons Company	12
326.	Geo. E. Keith Company	10
327.	Kellogg Company	12
328.	Kelsey-Hayes Wheel Company	8
329.	The Kendall Company	12
330.	Kennecott Copper Corporation	12
331.	Keystone Steel & Wire Company	6
332.	Walter Kidde & Company, Inc.	12
333.	Kimberly-Clark Corporation	4
334.	G. R. Kinney Co., Inc.	12
335.	Koppers Company, Inc.	12
336.	S. S. Kresge Company	12
337.	S. H. Kress & Company	12
338.	The Kroger Co.	12
339.	Kuhlman Electric Company	12
340.	Kuner-Empson Company	3
341.	Lear, Incorporated	12
342.	James Lees & Sons Company	12
343.	Lehigh Portland Cement Company	12
344.	Lerner Stores Corporation	1
345.	Leslie Salt Company	12
346.	R. G. LeTourneau, Inc.	12
347.	Libbey-Owens-Ford Glass Company	12
348.	Libby, McNeil & Libby	5
349.	Liggett & Myers Tobacco Company	12
350.	Lily-Tulip Corporation	12
351.	Link-Belt Company	12
352.	Lockheed Aircraft Corporation	12
353.	Loew's Incorporated	8
354.	Loft Candy Corporation	12
355.	Lone Star Cement Corporation	12
356.	P. Lorillard Company	12
357.	Lukens Steel Company	12
358.	Macfadden Publications, Inc.	12
359.	Mack Trucks, Inc.	12
360.	R. H. Macy & Co., Inc.	7

* Months numbered in sequence January through December.

Co. No.	*Month in which fiscal year ends
361. P. R. Mallory & Co., Inc.	12
362. Marathon Corporation	10
363. Marchant Calculators, Inc.	12
364. Marmon-Herrington Company, Inc.	12
365. Marshall Field & Company	1
366. The Glenn L. Martin Company	12
367. Masonite Corporation	8
368. The Master Electric Company	12
369. The W. L. Maxson Corporation	9
370. The May Department Stores Company	1
371. Oscar Mayer & Co., Inc.	10
372. The Maytag Company	12
373. McCall Corporation	12
374. McCormick & Company, Incorporated	11
375. McGraw Electric Company	12
376. McGraw-Hill Publishing Company, Inc.	12
377. McKesson & Robbins, Incorporated	3
378. The Mead Corporation	12
379. Medusa Portland Cement Company	12
380. Melville Shoe Corporation	12
381. The Mengel Company	12
382. Merck & Co., Inc.	12
383. Metal & Thermit Corporation	12
384. Midwest Rubber Reclaiming Company	10
385. Miller Manufacturing Co.	9
386. Minneapolis-Honeywell Regulator Company	12
387. Minnesota Mining & Manufacturing Co.	12
388. Mohasco Industries, Inc.	12
389. The Mohawk Rubber Company	12
390. Monsanto Chemical Company	12
391. Montgomery Ward & Co., Incorporated	1
392. Moore Drop Forging Company	10
393. John Morrell & Co.	10
394. Motor Products Corporation	6
395. Motor Wheel Corporation	12
396. Motorola Inc.	12
397. Mullins Manufacturing Corporation	12
398. Munsingwear, Inc.	12
399. G. C. Murphy Company	12
400. The Murray Corporation of America	8
401. National Biscuit Company	12
402. The National Cash Register Company	12
403. National Company, Inc.	12
404. National Container Corporation	12
405. National Cylinder Gas Company	12
406. National Dairy Products Corporation	12
407. National Distillers Products Corporation	12
408. National Gypsum Company	12
409. National Lead Company	12
410. National Presto Industries, Inc.	9
411. National Steel Corporation	12
412. The National Sugar Refining Company	12
413. The National Supply Company	12
414. The New Britain Machine Company	12
415. The New York Air Brake Company	12
416. J. J. Newberry Co.	12
417. Newport News Shipbuilding and Dry Dock Company	12
418. North American Aviation, Inc.	9
419. Northrop Aircraft, Inc.	7
420. The Ohio Match Company	12
421. The Ohio Oil Company	12
422. The Oliver Corporation	10
423. O'Sullivan Rubber Corporation	12
424. Otis Elevator Company	12
425. Outboard, Marine & Manufacturing Company	9
426. Owens-Illinois Glass Company	12
427. Pacific Mills	9

Co. No.	*Month in which fiscal year ends
428. Panhandle Oil Corporation	12
429. Paramount Pictures Corporation	12
430. Park & Tilford Distillers Corporation	12
431. Parke, Davis & Company	12
432. The Parker Pen Company	2
433. Parkersburg-Aetna Corporation	12
434. The Patterson-Sargent Company	10
435. Peden Iron & Steel Co.	12
436. J. C. Penney Company	12
437. Pennsylvania Salt Manufacturing Co.	12
438. Penn-Texas Corp.	12
439. Peoples Drug Stores, Incorporated	12
440. Pepsi-Cola Company	12
441. The Permutit Company	12
442. Pet Milk Company	12
443. Pfeiffer Brewing Company	12
444. Chas. Pfizer & Co., Inc.	12
445. Phelps Dodge Corporation	12
446. Philco Corporation	12
447. Philip Morris, Inc.	12
448. Phillips Petroleum Company	12
449. Pillsbury Mills, Inc.	5
450. Piper Aircraft Corporation	9
451. Pitney-Bowes, Inc.	12
452. Pittsburgh Brewing Company	10
453. Pittsburgh Plate Glass Company	12
454. Pittsburgh Screw and Bolt Corporation	12
455. Pittsburgh Steel Company	12
456. The Pittston Company	12
457. Plymouth Oil Company	12
458. Polaroid Corporation	12
459. H. K. Porter Company, Inc.	12
460. Pratt & Lambert, Inc.	12
461. The Procter & Gamble Company	6
462. Pullman, Incorporated	12
463. The Pure Oil Company	12
464. Purolator Products, Inc.	12
465. The Quaker Oats Company	6
466. Quaker State Oil Refining Corporation	12
467. Radio Corporation of America	12
468. Ralston Purina Company	9
469. The Rath Packing Company	10
470. Raybestos-Manhattan, Inc.	12
471. Rayonier Incorporated	12
472. Read Standard Corporation	12
473. Reliance Manufacturing Company	12
474. Remington Arms Company, Inc.	12
475. Remington Rand, Inc.	3
476. Republic Aviation Corporation	12
477. Republic Steel Corporation	12
478. Revere Copper and Brass Incorporated	12
479. Rexall Drug Company	12
480. Reynolds Metals Company	12
481. R. J. Reynolds Tobacco Company	12
482. Rheem Manufacturing Company	12
483. Rice-Stix, Inc.	11
484. Richfield Oil Corporation	12
485. Ritter Company, Inc.	12
486. H. H. Robertson Company	12
487. The Ruberoid Co.	12
488. Jacob Ruppert	12
489. The Ryan Aeronautical Co.	10
490. Saco-Lowell Shops	2
491. The Safety Car Heating and Lighting Company, Inc.	12
492. Safeway Stores, Incorporated	12
493. Schenley Industries, Inc.	8
494. Scott Paper Company	12

* Months numbered in sequence January through December.

Co. No.		*Month in which fiscal year ends
495.	Scovill Manufacturing Company	12
496.	The Scranton Lace Company	12
497.	Sears, Roebuck and Co.	1
498.	The Selby Shoe Company	4
499.	Servel, Inc.	10
500.	Sharon Steel Corporation	12
501.	Frank G. Shattuck Company	12
502.	Shell Oil Company	12
503.	The Sherwin-Williams Company	8
504.	Shoe Corporation of America	12
505.	Signode Steel Strapping Company	12
506.	Simmons Company	12
507.	Simons Saw and Steel Company	12
508.	Sinclair Oil Corporation	12
509.	Skelly Oil Company	12
510.	A. O. Smith Corporation	7
511.	Snap-On Tools Corporation	12
512.	Socony-Mobil Oil Company, Inc.	12
513.	Sonotone Corporation	12
514.	A. G. Spalding & Bros. Inc.	10
515.	Spencer Kellogg and Sons, Inc.	8
516.	Spiegel, Inc.	12
517.	Sprague Electric Company	12
518.	Square D Company	12
519.	Stahl-Meyer, Inc.	10
520.	A. E. Staley Manufacturing Company	9
521.	Standard Brands Incorporated	12
522.	Standard Oil Company of California	12
523.	Standard Oil Company (Indiana)	12
524.	Standard Oil Company (Kentucky)	12
525.	Standard Oil Company (New Jersey)	12
526.	The Standard Oil Company (Ohio)	12
527.	J. P. Stevens & Co., Inc.	10
528.	Stewart-Warner Corporation	12
529.	Stokely-Van Camp, Inc.	5
530.	Struthers Wells Corporation	11
531.	Studebaker Packard Corporation	12
532.	Sun Oil Company	12
533.	Sunray Mid-Continent Oil Company	12
534.	Sunshine Biscuits, Inc.	12
535.	The Superior Oil Company	8
536.	Superior Steel Corporation	12
537.	Sutherland Paper Company	12
538.	Swift & Company	10
539.	Sylvania Electric Products, Inc.	12
540.	The Texas Company	12
541.	Texas Gulf Sulphur Company	12
542.	Textron American, Inc.	12
543.	Thatcher Glass Manufacturing Co., Inc.	12
544.	Thompson Products, Inc.	12
545.	Tide Water Associated Oil Company	12
546.	Time Incorporated	12
547.	The Timken Roller Bearing Company	12
548.	The Torrington Company	6
549.	Twentieth Century-Fox Film Corporation	12

Co. No.		*Month in which fiscal year ends
550.	Union Bag & Paper Corporation	12
551.	Union Carbide and Carbon Corporation	12
552.	Union Oil Company of California	12
553.	Union Tank Car Company	12
554.	United Aircraft Corporation	12
555.	United Can & Glass Company	11
556.	United Carbon Company	12
557.	United Cigar-Whelan Stores Corporation	12
558.	United Drill and Tool Corporation	12
559.	United Elastic Corporation	12
560.	United Engineering and Foundry Company	12
561.	United Industrial Corporation	9
562.	United Fruit Company	12
563.	United Merchants and Manufactures Inc.	6
564.	The United Piece Dye Works	12
565.	United Shoe Machinery Corporation	2
566.	United States Gypsum Company	12
567.	United States Potash Company	12
568.	United States Rubber Company	12
569.	United States Smelting Refining and Mining Company	12
570.	United States Steel Corporation	12
571.	Universal-Cyclops Steel Corporation	12
572.	Universal Leaf Tobacco Co., Inc.	6
573.	Universal Match Corporation	12
574.	Utah-Idaho Sugar Company	2
575.	Vanadium-Alloys Steel Company	6
576.	Veeder-Root Incorporated	12
577.	Wagner Electric Corporation	12
578.	Waitt & Bond, Inc.	12
579.	Walgreen Co.	9
580.	Walker Manufacturing Company of Wisconsin	10
581.	Walworth Company	12
582.	Ward Baking Company	12
583.	Warner Bros. Pictures, Inc.	8
584.	The Wayne Pump Company	11
585.	Wesson Oil & Snowdrift Co., Inc.	8
586.	West Virginia Pulp and Paper Company	10
587.	Western Auto Supply Company	12
588.	Westinghouse Air Brake Company	12
589.	Westinghouse Electric Corporation	12
590.	Weyerhaeuser Timber Company	12
591.	Wheeling Steel Corporation	12
592.	The White Motor Company	12
593.	Wilson and Co., Inc.	10
594.	F. W. Woolworth Co.	12
595.	Worthington Corporation	12
596.	Wm. Wrigley Jr. Company	12
597.	The Yale & Towne Manufacturing Company	12
598.	York Corporation	9
599.	The Youngstown Sheet and Tube Company	12
600.	Zenith Radio Corporation	12

* Months numbered in sequence January through December.

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Section 4: Retained Earnings and Capital Surplus

Section 5: Accountant's Report

APPENDIX OF RECENT ACCOUNTING BULLETINS

ACCOUNTING RESEARCH BULLETINS

The Restatement and Revision of Accounting Research Bulletins (bound volume) issued by the Committee on Accounting Procedure of the American Institute of Accountants in 1953 presents the first 43 research bulletins published to that date. The subsequent bulletins (Nos. 44-47 inclusive) which have been issued in the past year are included in their entirety in this section for convenient reference:

Accounting Research Bulletin No. 44: Declining-balance Depreciation

Accounting Research Bulletin No. 45: Long-term Construction-type Contracts

Accounting Research Bulletin No. 46: Discontinuance of Dating Earned Surplus

Accounting Research Bulletin No. 47: Accounting for Costs of Pension Plans

NOTES

1. Accounting Research Bulletins represent the considered opinion of at least two-thirds of the members of the committee on accounting procedure, reached on a formal vote after examination of the subject matter by the committee and the research department. Except in cases in which formal adoption by the Institute membership has been asked and secured, the authority of the bulletins rests upon the general acceptability of opinions so reached.

2. Opinions of the committee are not intended to be retroactive unless they contain a statement of such intention. They should not be considered applicable to the accounting for transactions arising prior to the publication of the opinions. However, the committee does not wish to discourage the revision of past accounts in an individual case if the accountant thinks it desirable in the circumstances. Opinions of the committee should be considered as applicable only to items which are material and significant in the relative circumstances.

3. It is recognized also that any general rules may be subject to exception; it is felt, however, that the burden of justifying departure from accepted procedures must be assumed by those who adopt other treatment. Except where there is a specific statement of a different intent by the committee, its opinions and recommendations are directed primarily to business enterprises organized for profit.

ACCOUNTING TERMINOLOGY BULLETINS

Accounting Terminology Bulletin No. 1, Review and Résumé (bound volume) issued by the Committee on Accounting Terminology of the American Institute of Accountants in 1953 presents the first eight bulletins on accounting terminology previously included in the Institute's series of accounting research bulletins (but omitted from the *Restatement*). The subsequent bulletins (Nos. 2 and 3) which have been issued during the past year are included in their entirety in this section for convenient reference:

Accounting Terminology Bulletin No. 2: Proceeds, Revenue, Income, Profit and Earnings

Accounting Terminology Bulletin No. 3: Book Value

STATEMENTS ON AUDITING PROCEDURE

The *Codification of Statements on Auditing Procedure* (bound volume) issued by the Committee on Auditing Procedure of the American Institute of Accountants in 1951 includes the first 24 statements on auditing procedure published to that date. The subsequent statements (Nos. 25 and 26) which have been issued recently are presented in this section for convenient reference:

Statement on Auditing Procedure No. 25: Events Subsequent to the Date of Financial Statements

Statement on Auditing Procedure No. 26: Reporting on Use of "Other Procedures"

Accounting Research BULLETINS

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Issued by the
Committee on Accounting Procedure
American Institute of Accountants
270 Madison Avenue, New York 16, N.Y.

October, 1954 No. 44

Declining-balance Depreciation

1. The declining-balance method of estimating periodic depreciation has a long history of use in England and in other countries including, to a limited extent, the United States. Interest in this method has been increased by its specific recognition for income-tax purposes in the Internal Revenue Code of 1954.

2. The declining-balance method is one of those which meets the requirements of being "systematic and rational."[1] In those cases where the expected productivity or revenue-earning power of the asset is relatively greater during the earlier years of its life, or where maintenance charges tend to increase during the later years, the declining-balance method may well provide the most satisfactory allocation of cost. The conclusions of this bulletin also apply to other methods, including the "sum-of-the-years-digits" method, which produce substantially similar results.

3. When a change to the declining-balance method is made for general accounting purposes, and depreciation is a significant factor in the determination of net income, the change in method, including the effect thereof, should be disclosed in the year in which the change is made.

4. There may be situations in which the declining-balance method is adopted for tax purposes but other appropriate methods are followed for financial accounting purposes. In such cases it may be that accounting recognition should be given to deferred income taxes. However, the committee is of the opinion that, in the ordinary situation, deferred income taxes need not be recognized in the accounts unless it is reasonably certain that the reduction in taxes during the earlier years of use of the declining-balance method for tax purposes is merely a deferment of income taxes until a relatively few years later, and then only if the amounts are clearly material.

The statement entitled "Declining-balance Depreciation" was adopted by the assenting votes of nineteen members of the committee, of whom one, Mr. Stans, assented with qualification. Mr. Burns dissented.

Mr. Stans does not approve the conclusions in the last sentence of paragraph 4. He believes that the reductions in taxes in the earlier years of use in the situations described clearly represent deferments of payment until later years and that the number of years involved has no bearing on the problem. He believes that well-established accounting principles require that deferred income taxes be recognized in every case in which the amounts involved are significant.

Mr. Burns dissents because he believes that the reductions in taxes in the earlier years of use in all cases would clearly represent deferments of payment until later years and that the number of years involved has no bearing on the problem. He believes that compliance with well-established accounting principles requires that deferred income taxes be recognized in every case in which a significant amount is involved in order to avoid a misstatement of reported net income, and he believes that the bulletin should contain a definite statement to that effect.

[1] *Accounting Terminology Bulletin* No. 1, paragraph 56.

Accounting Research BULLETINS

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Issued by the
Committee on Accounting Procedure
American Institute of Accountants
270 Madison Avenue, New York 16, N.Y.

October, 1955 No. 45

Long-term Construction-type Contracts

1. This bulletin is directed to the accounting problems in relation to construction-type contracts in the case of commercial organizations engaged wholly or partly in the contracting business. It does not deal with cost-plus-fixed-fee contracts, which are discussed in Chapter 11, Section A, of Accounting Research Bulletin No. 43*, other types of cost-plus-fee contracts, or contracts such as those for products or services customarily billed as shipped or rendered. In general the type of contract here under consideration is for construction of a specific project. While such contracts are generally carried on at the job site, the bulletin would also be applicable in appropriate cases to the manufacturing or building of special items on a contract basis in a contractor's own plant. The problems in accounting for construction-type contracts arise particularly in connection with long-term contracts as compared with those requiring relatively short periods for completion.

2. Considerations other than those acceptable as a basis for the recognition of income frequently enter into the determination of the timing and amounts of interim billings on construction-type contracts. For this reason, income to be recognized on such contracts at the various stages of performance ordinarily should not be measured by interim billings.

GENERALLY ACCEPTED METHODS

3. Two accounting methods commonly followed by contractors are the percentage-of-completion method and the completed-contract method.

Percentage-of-completion Method

4. The percentage-of-completion method recognizes income as work on a contract progresses. The committee recommends that the recognized income be that percentage of estimated total income, either:

(a) that incurred costs to date bear to estimated total costs after giving effect to estimates of costs to complete based upon most recent information, or

(b) that may be indicated by such other measure of progress toward completion as may be appropriate having due regard to work performed.

Costs as here used might exclude, especially during the early stages of a contract, all or a portion of the cost of such items as materials and subcontracts if it appears that such an exclusion would result in a more meaningful periodic allocation of income.

5. Under this method current assets may include costs and recognized income not yet billed, with respect to certain contracts; and liabilities, in most cases current liabilities, may include billings in excess of costs and recognized income with respect to other contracts.

6. When the current estimate of total contract costs indicates a loss, in most circumstances provision should be made for the loss on the entire contract. If there is a close relationship between profitable and unprofitable contracts, such as in the case of contracts which are parts of the same project, the group may be treated as a unit in determining the necessity for a provision for loss.

7. The principal advantages of the percentage-of-completion method are periodic recognition of income currently rather than irregularly as contracts are completed, and the reflection of the status of the uncompleted contracts provided through the current estimates of costs to complete or of progress toward completion.

8. The principal disadvantage of the percentage-of-completion method is that it is necessarily dependent upon estimates of ultimate costs and consequently of currently accruing income, which are subject to the uncertainties frequently inherent in long-term contracts.

*Restatement and Revision of Accounting Research Bulletins, American Institute of Accountants, 1953.

(Continued on next page)

Completed-contract Method

9. The completed-contract method recognizes income only when the contract is completed, or substantially so. Accordingly, costs of contracts in process and current billings are accumulated but there are no interim charges or credits to income other than provisions for losses. A contract may be regarded as substantially completed if remaining costs are not significant in amount.

10. When the completed-contract method is used, it may be appropriate to allocate general and administrative expenses to contract costs rather than to periodic income. This may result in a better matching of costs and revenues than would result from treating such expenses as period costs, particularly in years when no contracts were completed. It is not so important, however, when the contractor is engaged in numerous projects and in such circumstances it may be preferable to charge those expenses as incurred to periodic income. In any case there should be no excessive deferring of overhead costs, such as might occur if total overhead were assigned to abnormally few or abnormally small contracts in process.

11. Although the completed-contract method does not permit the recording of any income prior to completion, provision should be made for expected losses in accordance with the well established practice of making provision for foreseeable losses. If there is a close relationship between profitable and unprofitable contracts, such as in the case of contracts which are parts of the same project, the group may be treated as a unit in determining the necessity for a provision for losses.

12. When the completed-contract method is used, an excess of accumulated costs over related billings should be shown in the balance sheet as a current asset, and an excess of accumulated billings over related costs should be shown among the liabilities, in most cases as a current liability. If costs exceed billings on some contracts, and billings exceed costs on others, the contracts should ordinarily be segregated so that the figures on the asset side include only those contracts on which costs exceed billings, and those on the liability side include only those on which billings exceed costs. It is suggested that the asset item be described as "costs of uncompleted contracts in excess of related billings" rather than as "inventory" or "work in process," and that the item on the liability side be described as "billings on uncompleted contracts in excess of related costs."

13. The principal advantage of the completed-contract method is that it is based on results as finally determined, rather than on estimates for unperformed work which may involve unforeseen costs and possible losses.

14. The principal disadvantage of the completed-contract method is that it does not reflect current performance when the period of any contract extends into more than one accounting period and under such circumstances it may result in irregular recognition of income.

Selection of Method

15. The committee believes that in general when estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable, the percentage-of-completion method is preferable. When lack of dependable estimates or inherent hazards cause forecasts to be doubtful, the completed-contract method is preferable. Disclosure of the method followed should be made.

COMMITMENTS

16. In special cases disclosures of extraordinary commitments may be required, but generally commitments to complete contracts in process are in the ordinary course of a contractor's business and are not required to be disclosed in a statement of financial position. They partake of the nature of a contractor's business, and generally do not represent a prospective drain on his cash resources since they will be financed by current billings.

The statement entitled "Long-term Construction-type Contracts" was adopted unanimously by the twenty-one members of the committee, of whom two, Mr. Coleman and Mr. Dixon, assented with qualification.

Mr. Coleman and Mr. Dixon do not approve the statements in paragraphs 6 and 11 as to provisions for expected losses on contracts. They believe that such provisions should be made in the form of footnote disclosure or as a reservation of retained earnings, rather than by a charge against the revenues of the current period.

Mr. Coleman also questions the usefulness of the refinement of segregating the offset costs and billings by character of excess as set forth in the second sentence of paragraph 12. He suggests that a more useful alternative would be to show in any event total costs and total billings on all uncompleted contracts (a) with the excess shown either as a current asset or a current liability, and (b) with a supporting schedule indicating individual contract costs, billings, and explanatory comment.

Accounting Research BULLETINS

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Issued by the
Committee on Accounting Procedure
American Institute of Accountants
270 Madison Avenue, New York 16, N.Y.

February, 1956 No. 46

Discontinuance of Dating Earned Surplus

1. Paragraph 10 of Chapter 7(a), *Quasi-Reorganization or Corporate Readjustment,* of Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins,* reads as follows:

> After such a readjustment earned surplus previously accumulated cannot properly be carried forward under that title. A new earned surplus account should be established, dated to show that it runs from the effective date of the readjustment, and this dating should be disclosed in financial statements until such time as the effective date is no longer deemed to possess any special significance.

2. The committee believes that the dating of earned surplus following a quasi-reorganization would rarely, if ever, be of significance after a period of ten years. It also believes that there may be exceptional circumstances in which the discontinuance of the dating of earned surplus could be justified at the conclusion of a period less than ten years.

The statement entitled "Discontinuance of Dating Earned Surplus" was adopted by the assenting votes of twenty members of the committee. One member, Mr. Keating, did not vote.

Accounting Research BULLETINS

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Issued by the
Committee on Accounting Procedure
American Institute of Accountants
270 Madison Avenue, New York 16, N.Y.

September, 1956 **No. 47**

Accounting for Costs of Pension Plans

1. Variations in the provisions of pension plans in the United States, in their financial arrangements, and in the circumstances attendant upon their adoption, have resulted in substantial differences in accounting for pension costs. This bulletin indicatesguides which, in the opinion of the committee, are acceptable for dealing with costs of pension plans in the accounts and reports of companies having such plans. It is not concerned with funding as such.

2. The term *pension plan* is here intended to mean a formal arrangement for employee retirement benefits, whether established unilaterally or through negotiation, by which commitments, specific or implied, have been made which can be used as the basis for estimating costs. It does not include profit-sharing plans or deferred-compensation contracts with individuals. It does not apply to informal arrangements by which voluntary payments are made to retired employees, usually in amounts fixed at or about the time of an employee's retirement and in the light of his then situation but subject to change or discontinuance at the employer's will; where such informal arrangements exist, the pay-as-you-go method of accounting for pension costs generally is appropriate, although the accrual method is equally appropriate in cases where costs can be estimated with reasonable accuracy.

3. When a pension plan is first adopted, it is customary to provide that pensions for covered employees will give recognition not only to services which are to be rendered by them in the future, but also to services which have been rendered by them prior to the adoption of the plan. The costs of the pensions to the employer, therefore, usually are based in part on past services and in part on current and future services of the employees. The committee considers that all of such costs are costs of doing business, incurred in contemplation of present and future benefits, as are other employment costs such as wages, salaries, and social security taxes. It, therefore, is of the opinion that past service benefit costs should be charged to operations during the current and future periods benefited, and should not be charged to earned surplus *at the inception of the plan.* The committee believes that, in the case of an *existing plan* under which inadequate charges or no charges for past services have been made thus far and the company has decided to conform its accounting to the preferred procedure expressed in this bulletin, it may be be appropriate to charge to earned surplus the amount that should have been accumulated by charges to income since inception of the plan.

4. In addition to the basic features of a pension plan relating to employee eligibility and the level of pension payments, other factors enter into the determination of the ultimate costs of pensions. Some of these are:

(a) other benefits (such as social security) where amounts of pension payments are integrated therewith;
(b) length of life of employees both before and after retirement;
(c) employee turnover;
(d) in some cases, alternatives as to age at which employees may retire;
(e) future compensation levels; and
(f) in a funded plan, future rates of earnings on the fund and the status of fund investments.

Because of these factors, the total cost of the pensions that will be paid ultimately to the present participants in a plan cannot be determined precisely in advance, but, by the use of actuarial techniques, reasonably accurate estimates can be made. There are other business costs for which it is necessary to make periodic provisions in the accounts based upon assumptions and estimates. The committee believes that the uncertainties relating to the determination of pension costs are not so pronounced as to preclude similar treatment.

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5. In the view of many, the accrual of costs under a pension plan should not necessarily be dependent on the funding arrangements provided for in the plan or governed by a strict legal interpretation of the obligations under the plan. They feel that because of the widespread adoption of pension plans and their importance as part of compensation structures, a provision for cancellation or the existence of a terminal date for a plan should not be the controlling factor in accounting for pension costs, and that for accounting purposes it is reasonable to assume in most cases that a plan, though modified or renewed (because of terminal dates) from time to time, will continue for an indefinite period. According to this view, costs based on current and future services should be systematically accrued during the expected period of active service of the covered employees, generally upon the basis of actuarial calculations. Such calculations may be made as to each employee, or as to categories of employees (by age, length of service, or rate of pay, for example), or they may be based upon an average of the expected service lives of all covered employees. These calculations, although made primarily for funding purposes, may be used also for accounting purposes. They should, of course, be revised at intervals. Also according to this view, costs based on past services should be charged off over some reasonable period, provided the allocation is made on a systematic and rational basis and does not cause distortion of the operating results in any one year. The length of the period benefited by costs based on past services is subject to considerable difference of opinion. Some think that the benefits accrue principally during the early years of a plan; others feel that the period primarily benefited approximates the remaining service life of the employees covered by a plan at the time of its adoption; still others believe that the benefits of such costs extend over an indefinite period, possibly the entire life of a plan and its successors, if any. In practice, costs based on past services have in many instances been charged off over a ten- to twelve-year period, or over a fixed longer period such as twenty or thirty years. (The minimum period presently permitted for tax purposes is ten years if the initial past-service cost is immediately paid in full, or about twelve years if one-tenth of the initial past-service cost plus interest is paid each year.)

6. In the view of others, the full accrual of pension costs may be unnecessary. They point out that in some cases accounting for such costs in the manner indicated in paragraph 5 would result, as to a given year or cumulatively or both, in the accrual of costs under a pension plan in amounts differing materially from the payments made under the plan into a pension fund or to retired employees, and in other cases it would require the employer to record pension costs in amounts varying widely from his legal liabilities. They say that a company would in all probability never be called upon to utilize the entire amount of an actuarially calculated full accrual, and that, in the event of liquidation of the business, any amounts accrued with respect to employees who have not at the time acquired vested rights would, except for a voluntary act of grace, revert to the surplus of the company. They also believe that in the case of an unfunded or partially funded plan the accumulation of a substanatial accrual would lead to pressure for full funding, possibly to the detriment of the company and its security holders, and that fear of this might deter management from entering into pension arrangements beneficial to employees. They also feel that the method of accounting envisioned in paragraph 5 disregards the probability that future unfavorable changes in a company's economic position undoubtedly would lead to changes in the pension arrangements it would make for its employees. According to this view, management should have wider discretion in accounting for pension costs, provided there is adequate disclosure as to the method followed.

7. The committee regards the method outlined in paragraph 5 as being the method most likely to effect a reasonable matching of costs and revenues, and therefore considers it to be preferable. However, the committee believes that opinion as to the accounting for pension costs has not yet crystallized sufficiently to make it possible at this time to assure agreement on any one method, and that differences in accounting for pension costs are likely to continue for a time. Accordingly, for the present, the committee believes that, as a minimum, the accounts and financial statements should reflect accruals which equal the present worth, actuarially calculated, of pension commitments to employees to the extent that pension rights have vested in the employees, reduced, in the case of the balance sheet, by any accumulated trusteed funds or annuity contracts purchased.

8. The committee believes that the costs of many pension plans are so material that the fact of adoption of a plan or an important amendment to it constitutes significant information in financial statements. When a plan involving material costs is adopted, there should be a footnote to the financial statements for the year in which this occurs, stating the important features of the plan, the proposed method of funding or paying, the estimated annual charge to operations, and the basis on which such annual charge is determined. When an existing plan is amended to a material extent, there should be similar disclosure of the pertinent features of the amendment. When there is a change in the account-

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ing procedure which materially affects the results of operations, there should be appropriate indication thereof. If there are costs of material amount based on past or current services for which reasonable provision has not been, or is not being, made in the accounts, appropriate disclosure should be made in a footnote to the financial statements as long as this situation exists.

The statement entitled "Accounting for Costs of Pension Plans" was adopted unanimously by the twenty-one members of the committee, of whom six, Messrs. Flatley, Jennings, Lindquist, Luther, Powell and Staub, assented with qualification.

The six members assenting with qualification object to that part of paragraph 3 which appears to sanction the charging to earned surplus in some circumstances of pension costs based on past service. They believe this to be in conflict with section A of chapter 13 of Accounting Research Bulletin No. 43, in which the committee expresses the opinion that costs of annuities based on past service should not be charged to surplus. They consider the conclusions expressed in chapter 13 to be sound for the reasons therein stated.

Accounting TERMINOLOGY BULLETINS

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Prepared by the
Committee on Terminology
American Institute of Accountants
270 Madison Avenue, New York 16, N.Y.

March, 1955 No. 2

Proceeds, Revenue, Income, Profit, and Earnings

INTRODUCTION

1. The terms *revenue, income, profit* and *earnings* refer to closely related concepts. In general, they relate to the increase (or decrease if negative) in the owners' equity which results from operations of an enterprise. They are, therefore, to be distinguished from receipts such as collection of receivables, and from proceeds of a loan or bond issue, or the capital contributions by owners.

2. The committee has examined the usage of these terms in accounting, economic, and legal literature and believes that the lack of uniformity found in practice is unfortunate and confusing. To promote uniformity of usage, the following definitions and recommendations are made for the use of these terms in connection with business operations and financial statements. The term *proceeds* also is included in the list of terms considered.

DEFINITIONS AND RECOMMENDATIONS

Proceeds

3. Definition:

   Proceeds is a very general term used to designate the total amount realized or received in any transaction, whether it be a sale, an issue of stock, the collection of receivables, or the borrowing of money.

4. Recommendation:

   This term is not ordinarily used as a caption in the principal financial statements and generally should be used only in discussions of transactions.

Revenue

5. Definition:

   Revenue results from the sale of goods and the rendering of services and is measured by the charge made to customers, clients, or tenants for goods and services furnished to them. It also includes gains from the sale or exchange of assets (other than stock in trade), interest and dividends earned on investments, and other increases in the owners' equity except those arising from capital contributions and capital adjustments.

6. Revenue, like proceeds, is a gross concept but revenue, unlike proceeds, does not include items such as amounts received from loans, owners' investments, and collection of receivables. In the case of ordinary sales, revenue is generally stated after deducting returns, allowances, discounts, freight and other similar items; and in the case of sales of assets other than stock in trade, it is generally stated after deducting the cost of the assets sold. The revenue for a period less the cost of goods sold, other expenses, and losses will give the net results of business operations for the period. Revenue from ordinary sales or from other transactions in the ordinary course of business is sometimes described as operating revenue.

7. Recommendation:

   It is recommended that this meaning of the term revenue be adopted and that the term be more widely used in the preparation of financial statements and for other accounting purposes.

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Income and Profit

8. Definition:

Income and *profit* involve net or partially net concepts and refer to amounts resulting from the deduction from revenues, or from operating revenues, of cost of goods sold, other expenses, and losses, or some of them. The terms are often used interchangeably and are generally preceded by an appropriate qualifying adjective or term such as "gross," "operating," "net . . . before income taxes," and "net." The terms are also used in titles of statements showing results of operations, such as "income statement" or "statement of profit and loss," or, sometimes, "profit and loss account."

9. The term *gross income* is often used as the equivalent of revenue; in public utility practice it is commonly used in referring to net income before deducting interest and other income charges. The term *gross profit* is frequently used to describe operating revenue less the cost of goods sold. The terms *operating income* or *operating profit* are generally used to denote "gross profit" less ordinary expenses. The terms *net income* or *net profit* refer to the results of operations after deducting from revenues all related costs and expenses and all other charges and losses assigned to the period. These deductions do not include dividends or comparable withdrawals.

10. Recommendation:

The committee recommends that when the terms are used in financial statements, they be preceded by the appropriate qualifying adjective. When referring to items covered by the term "revenue," the term "gross income" should be avoided. The excess of operating revenue over the cost of goods sold may be described as "gross profit" but such terms as "gross profit on sales" or "gross margin" are preferable. It also is recommended that the terms "operating income," "net income," and "income statement" be used instead of the related terms, "operating profit," "net profit" and "statement of profit and loss." It is, however, proper to use the term "profit" in describing a specific item such as "profit on sale of fixed assets."

Earnings

11. Definition:

The term *earnings* is not used uniformily but it is generally employed as a synonym for "net income," particularly over a period of years. In the singular the term is often combined with another word in the expression "earning power," referring to the demonstrated ability of an enterprise to earn net income.

12. Recommendation:

The committee is hopeful that eventually there will be a single term, uniformly used, to designate the net results of business operations. In recent years there has been a trend toward the term "earnings," although a majority of published financial statements employ the term "net income." Until one or the other of these terms achieves pronounced preference, the committee makes no recommendation as between them. It approves the use of the term in accounting language in connection with the concept of ability to realize net income.

Accounting TERMINOLOGY BULLETINS

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Prepared by the
Committee on Terminology
American Institute of Accountants
270 Madison Avenue, New York 16, N.Y.

August, 1956 **No. 3**

Book Value

1. The term *book value* is one of several widely used expressions in which the word *value* appears with a particular qualifying adjective to denote a particular concept of value. *Book value* is to be distinguished from such terms as fair or market value or liquidating value, in that it refers to amounts reflected on accounting records and in financial statements.

2. The term *book value* is seldom if ever used in the body of financial statements, either as an indication of the basis of stating an item therein or in connection with owners' equities. To do so would involve a pointless truism and such use is therefore not recommended.

INDIVIDUAL ITEMS

3. In Accounting Terminology Bulletin No. 1, the term *value* is defined as follows:

> *Value* as used in accounts signifies the amount at which an item is stated, in accordance with the accounting principles related to that item. Using the word *value* in this sense, it may be said that balance-sheet values generally represent cost to the accounting unit or some modification thereof; but sometimes they are determined in other ways, as for instance on the basis of market values or cost of replacement, in which cases the basis should be indicated in financial statements.

4. This use of the word value does not involve the concept of current worth, but rather refers to a particular method of quantitative determination.

5. The following slight rephrasing of the first sentence of the definition quoted in paragraph 3 above gives the clue to the meaning which some have adopted for book value as applied to individual items in books of account or in financial statements:

> *Book value* signifies the amount at which an item is stated in accordance with the accounting principles related to the item.

6. Thus one might refer to the "book value" or "net book value" of fixed assets, or the "book value of investments." More specific terms, however, can be used in describing the kind of value at which individual items are stated; as, for example, *cost less depreciation, lower of cost or current replacement cost,* or *lower of cost or selling price.* Similarly the term *ledger balance* or a term such as *the amount shown in published financial statements* would more clearly and accurately convey an exact meaning. The committee believes that any reference to a quantitative determination of a specific item can be more clearly and specifically described by terms other than the general and relatively vague term *book value.*

7. ***Recommendation:*** The committee recommmends that the use of the term *book value* in referring to amounts at which individual items are stated in books of account or in financial statements, be avoided and that, instead, the basis of amounts intended to apply to individual items be described specifically and precisely.

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OWNER'S EQUITY

8. The committee recognizes that the term *book value* is also used in various business arrangements such as partnership agreements, contracts for sale of a business interest, and wills and trusts. For example, partnership agreements sometimes contain a provision that a deceased partner's interest may be acquired by surviving partners for an amount which is based at least in part on the "book value" of the interest. Contracts for the sale of going business concerns sometimes specify a price based on the "book value" of either the capital stock or the net assets. When used in such documents, the meaning to be ascribed to the term is a question of legal interpretation of the document and appears to depend primarily on the intent of the contracting or other parties rather than on any accounting definition of such term. While such uses of the term are common, they have given rise to misunderstandings and can easily develop into controversies when the intention of the parties is not clear. One typical difficulty arises when there is a change in circumstances between the time when an agreement regarding "book value" was reached and the time when that agreement must be interpreted. For example, a change from the Fifo to Lifo inventory basis between those two dates would affect the equities involved. Similar situations would arise with respect to any changes in accounting policies or from business combinations, divisive reorganizations, and other comparable events. Even in the absence of such changes, questions arise as to whether "book value" was intended to mean literally amounts shown on ledger accounts or amounts so shown after correction for (a) errors, (b) departures from consistently maintained practices of the enterprise, (c) departures from established practices of the type of organization, or (d) departures from generally accepted accounting principles, or any combination of such corrections.

9. When the intent of the parties is not clear as to the use of the term *book value* in reference to owners' equity, the committee suggests the following definition:

> *Book value* is the amount shown on accounting records or related financial statements at or as of the date when the determination is made, after adjustments necessary to reflect (1) corrections of errors, and (2) the application of accounting practices which have been consistently followed.

10. ***Recommendation:*** In view of the fact that the intent of the parties to arrangements involving sale or transfer of business interests should govern, and the foregoing definition may not reflect such intent, the committee recommends that the term *book value* be avoided. Instead of this term it is recommended that any agreement involving the general concept of book value should contain a clearly defined understanding in specific and detailed terms, particularly as to such matters as are referred to in paragraph 8 of this bulletin.

Statements on Auditing Procedure

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Issued by the
Committee on Auditing Procedure
American Institute of Accountants
270 Madison Avenue, New York 16, N.Y.

No. 25
October 1954

Events Subsequent to the Date of Financial Statements

1. In recent years there has developed an increasing interest in exploring and clarifying the extent of the auditor's responsibility in connection with the disclosure of events occurring or becoming known subsequent to the date of statements concerning which he is expressing an opinion. This interest may be traced to specific happenings in part, but probably rests to a large extent on the general recognition that some such events may have a material effect on the related financial statements and may require disclosure or adjustment to prevent such statements from being misleading.

2. An auditor's report is ordinarily rendered in connection with financial statements which purport to show, on an accounting basis, financial position as at a stated date and results of operations for a period ended on that date. Although such financial statements may be used for subsequent guidance, they are essentially historical in character. Financial statements as of a given date and for a period ended on that date represent one instalment in the financial history of a business enterprise. They are so considered by the auditor in making his examination and in expressing his opinion with regard to the statements.

3. However, events or transactions, either extraordinary in character or of unusual importance, sometimes occur subsequent to the balance-sheet date which may have a material effect on the financial statements or which may be important in connection with consideration of the statements. Such events or transactions may require adjustment or annotation of the statements. Any such adjustment or annotation becomes a part of the financial statements.

4. This statement is intended to relate principally to auditors' responsibilities and to their examinations and opinions regarding financial statements for use in annual or other periodic reports. No discussion is included of the so-called "special purpose" type of reports because the variety of them is so great that general comments would be inapplicable in many cases, and the requirements can more appropriately be determined from the purpose of each report.

THE PROBLEM

5. There is general agreement (a) that some events occurring subsequent to the balance-sheet date may require adjustment or annotation of the financial statements, and (b) that a considerable portion of the auditor's examination must necessarily take place after the balance-sheet date. The problem with which this discussion is concerned is the extent to which the auditor has a responsibility to determine whether such an event has occurred.

CONCLUSION

6. The committee concludes that the auditor has no duty to extend the usual audit procedures to cover transactions of the subsequent period, as such, but recognizes that a well conceived audit program relating to the period under examination will include

(a) certain steps which ordinarily are carried out after the balance-sheet date (such as cash cut-offs, review of subsequent collections, confirmation follow-ups, etc.), and

(b) certain general procedures which are designed to support an informed opinion on the financial statements (such as reading available minutes and interim reports, discussions with management, etc.) which normally are continued throughout the auditor's examination.

7. These procedures vary with circumstances, including the degree of internal control exercised by the client, but are partly outlined below, and include recognized steps, application of which should ac-

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quaint the auditor with the events as to which he can be chargeable with a duty to have knowledge. The auditor's responsibility for reporting is outlined beginning on page 15.

TYPES OF "SUBSEQUENT" EVENTS OR TRANSACTIONS

8. In general, there are three types of subsequent events or transactions which are encountered in the period into which certain of the audit procedures extend.

9. Subsequent events of the first type affect directly the financial statements and should be recognized therein. Thus, if subsequent information is acquired in time to permit its use, if the information provides a basis for more accurate estimates or provisions, and if the information would have been utilized had it been available at the balance-sheet date, appropriate adjustments should be made in the financial statements. Examples are collection of receivables or settlement or determination of liabilities on a substantially different basis than previously anticipated.

10. Subsequent events of the second type have no direct effect on and therefore do not require adjustment of the financial statements of the prior period but their effects may be such that disclosure is advisable. Examples of this type of transaction or event are the sale of a large bond or capital stock issue with restrictive covenants, mergers or acquisitions, or serious damage from fire, flood or other casualty.

11. Subsequent events of the third type, sometimes more troublesome from the accounting viewpoint than the others, and usually not likely to require disclosure in financial statements, include nonaccounting matters such as war, management changes; product changes, strikes, unionization, marketing agreements, loss of important customers, etc. Disclosure of such events frequently creates doubt as to the reason therefor, and inferences drawn could be misleading as often as they are informative. Obviously, also, it is not necessary to include in financial statements information as to general conditions, the impact of which on a business may be conjectural or subject to individual interpretation. In practice, accounting and nonaccounting events are often not entirely separate and apart from each other; and in rare and special cases general conditions may have weighty effects on particular companies. Accordingly, effort should be made to distinguish between post-balance-sheet events of the third type as to which information might appropriately be presented in financial statements, and those which do not bear such relation to earlier-dated financial statements as to require adjustment or annotation therein.

12. It has been suggested that there may be a tendency to disclose in the financial statements subsequent events which are material in themselves, and of interest, but which are not directly related to the period covered by the financial statements under examination, or pertinent to any consideration of the financial position at the close of such period. The committee believes that the auditor should consider such events critically and confine disclosure to those matters essential to proper interpretation of the financial statements being presented.

CLIENT'S PRIMARY RESPONSIBILITY FOR FINANCIAL STATEMENTS

13. The following is set forth on page 12 of the *Codification of Statements on Auditing Procedure*:

> "Management has the direct responsibility for maintenance of an adequate and effective system of accounts, for proper recording of transactions in the books of account, and for safeguarding the assets. It is also charged with the primary responsibility to stockholders and to creditors for the substantial accuracy and adequacy of statements of position and operations. The transactions with which the accounting records have to do and the recording of those transactions in the books and accounts are matters within the direct or primary knowledge of the company; the independent auditor's knowledge of them is a secondary one, based on his examination. Accordingly even though the *form* of the statements may show the influence of the accountant—it can only do so if the company accepts, and adopts, the form of disclosure advised by the accountant—the *substance* of the financial statements of necessity constitutes the representations of the company. The independent auditor's representations, therefore, are confined to and expressed in his report, or opinion, upon the statements. The pronouncements of the Institute to this effect have been given the added weight of general affirmation by the Securities and Exchange Commission."

14. The primary responsibility for the financial statements, and accordingly for any adjustment or annotation because of post-balance-sheet events, is that of the entity or person whose financial state-

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ments are under consideration, ordinarily the auditor's client. Information of such post-balance-sheet events and transactions as are here under consideration would in nearly all cases be received by members of the client's organization before it would be received by the auditor.

THE AUDITOR'S RESPONSIBILITY FOR REPORTING

15. The auditor's responsibility for reporting with regard to post-balance-sheet events or transactions, while not the subject of specific reference, is indicated by the following quotation from the special report on auditing standards, issued by this committee in 1947, and approved by the American Institute of Accountants in 1948:

> "Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report."

It is generally agreed that, to the extent the auditor has knowledge of post-balance-sheet events or transactions which may be significant in relation to specific financial statements, it is his duty either:

(a) To see that they are properly considered and, when deemed appropriate, given effect by adjustment or annotation of the statements; or

(b) If, in his opinion, there is, in the financial statements, significant lack of compliance with any of the points covered in (a) above, to qualify his report or present therein appropriate information, depending upon the circumstances.

AUDITING PROCEDURES WHICH EXTEND INTO THE SUBSEQUENT PERIOD

16. The committee believes that the auditor does not ordinarily have responsibility for extending the usual auditing procedures to transactions of any specified period of time subsequent to the balance-sheet date. It is recognized, however, that generally accepted auditing procedure usually calls for reading available minutes of meetings and interim company statements, also some examination or tests of such items as bank statements, returned checks, accounts receivable collections, subsequent sales of inventory, returns and allowances, etc., of a limited subsequent period, and that the auditor should follow such practices where appropriate as a part of his examination of statements and accounts as of the balance-sheet date. Accepted practice also includes appropriate inquiry of management as to whether any event or transaction has occurred after the balance-sheet date which is material in relation to the financial statements. It may also include any other follow up where the status of items included in or excluded from financial statements gave effect to tentative data, final corroboration of which could be sought in the period available to the auditor. These audit steps are illustrative, and although usually appropriate are not always mandatory, or all-inclusive.

17. The committee wishes to emphasize that there is no predetermined period, after the balance-sheet date, with which the auditor must be concerned in completing various phases of his examination. Obviously, the duration of this period will depend upon the practical requirements of each examination and may vary from a relatively short period to one of several months. It should also be recognized that all audit procedures are not carried out at the same time and that some phases of an examination of necessity will extend in varying degrees to transactions of the subsequent period whereas others will be substantially completed on or before the balance-sheet date. Similarly, the auditor's contact and familiarity with transactions of the subsequent period ordinarily will be progressively less as he approaches completion of the various audit procedures which do extend into the subsequent period.

DETERMINATION OF THE "SUBSEQUENT PERIOD"

18. In general, the period of occurrence of post-balance-sheet events under consideration herein extends from the balance-sheet date to approximately the date of completion of all important audit procedures. The committee recommends that this date normally be used as the date of the auditor's report. In most cases this date will coincide with the completion of the work in the client's office.

19. There are many reasons why the report may not be issued as soon as all important audit procedures are completed. Some delays originate with the client and some with the auditor. Also, it appears that there is presently considerable variation in the practice of dating reports under such circumstances. The committee's recommendation as to dating would increase the significance of the date of the auditor's report, but the committee believes no uniform practice can be assumed by readers at the present time.

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20. In those cases in which the auditor's report is dated substantially later than the date of completion of all important audit procedures, the auditor may think it wise to state that his report is based on an examination which was completed at an earlier date. On the other hand, he may find it practicable and consider it preferable to continue inquiry (but not examination) up to the date of his report and avoid the necessity of a special comment as to the date.

SPECIAL SITUATIONS

21. In keeping with the tenor of the comments herein, and in order to reconcile the views expressed with recurring problems or questions which arise in the everyday practice of the independent certified public accountant, the following opinions of the committee relate to the subject of post-balance-sheet events in the specific situations described:

I. Opinion Accompanying Financial Statements Forming Part of Form 10-K Filed with the Securities and Exchange Commission

22. Frequently, a company's annual report on Form 10-K is prepared for filing after an interval has elapsed since issuance of a printed annual report to stockholders. Sometimes the independent auditor finds it necessary to return to a client's office for additional work in connection with checking financial statements and schedules in the Form 10-K and sometimes such financial statements are prepared entirely or checked from information initially obtained during the regular audit. Inquiry indicates that most firms of independent accountants date their opinion as of the same date as that on the opinion included in the printed annual report to stockholders. The committee approves this dating practice and recommends general observance. This is for the purpose of removing any implication that events of a later period may have been reviewed.

23. It is the opinion of the committee that no duty rests upon the independent accountant to make a further investigation or inquiry as to events which may have occurred between the times of issuance of his opinion in the printed report to stockholders and the annual report on Form 10-K.

II. Long-form Report Submitted Subsequent to Issuance of Short-form Report

24. Frequently, the independent accountant will submit a standard short-form report for use as a part of an annual report to stockholders or for credit purposes or for any appropriate reason, but by agreement or understanding with his client a detailed auditor's report or "long-form" report follows. In the long-form report the financial statements may contain more detail than those accompanying the previously issued short-form report, and schedules may support the basic financial statements. The comments may contain tabulations and detail equivalent to that contained in some sub-statements or schedules. This report is sometimes prepared at the client's office a considerable period subsequent to the issuance of the short-form report and is sometimes prepared in the independent accountant's office from data obtained during the examination which was the basis for the issuance of the short-form report or opinion. It is the practice of many accountants to give the long-form report a date the same as the date of the short-form report for the purpose of removing any intimation that further audit work has been done. In some cases the report is dated at the time of issuance and bears such date with the added words "as of (date) ," which latter date is the date of the first delivered report or opinion.

25. It is the opinion of the committee that observance of these dating practices is wise, or that the comments in the report should contain reference to the issuance of the earlier dated short-form report with proper notation that the subsequent report is based on the work then performed. It is the opinion of the committee, however, that the independent accountant has no duty to make further investigation or inquiry as to events which may have occurred during the period between the times of issuance of his two reports provided the second report does not contain any indication of such subsequent examination.

III. Issuance of Additional Copies of Reports or Opinions Previously Furnished

26. For various reasons, it is not unusual that an independent accountant is requested by his client to furnish additional copies of a previously issued report. Generally, an effort will be made by the accountant to have these reports identical in appearance and identical as to date and therefore in the same

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condition as if the additional copies had been initially requested and furnished at the same time as the first copies were delivered.

27. It is the opinion of the committee that additional report copies may be delivered under such circumstances without further investigation or inquiry as to events which may have occurred between the date of issuance of the initial report and the request for additional copies.

28. In some unusual cases, it may be undesirable to deliver fresh copies of a report, such as where a radical change has occurred in the circumstances of a company's existence which has come to the attention of the auditor subsequent to the issuance of the original report. However, in such cases it may be appropriate to issue a revised report stating that it is currently submitted under the circumstances or conditions existing at the time of first issuance but with an accompanying disclosure relating to the change.

SPECIAL REQUIREMENTS UNDER SECURITIES ACT OF 1933

29. The committee believes that attention should be directed to special problems resulting from timing and availability of recorded financial information, which arise in connection with reports included in registration statements filed under the Securities Act of 1933.

30. Section 11 of the Act provides that, other than the issuer, no person shall be liable as provided therein if such person shall sustain the burden of proof that as to the part of the registration statement purporting to be made on his authority as an expert,

> "he had, *after reasonable investigation,* reasonable ground to believe and did believe, *at the time such part of the registration statement became effective,* that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading." (emphasis supplied)

Section 11 further provides that in determining what constitutes reasonable investigation and reasonable ground for belief,

> "the standard of reasonableness shall be that required of a prudent man in the management of his own property."

31. In discussing such key phrases as "after reasonable investigation" and "at the time such part of the registration statement became effective" it is not the intention of this committee to offer a legal interpretation of these statutory terms. Until the courts have interpreted such terms it can proceed only in accordance with its understanding of their meaning in accordance with accounting and auditing standards and procedures. Accordingly, the opinion of the members of this committee is here submitted on these matters subject to any judicial interpretation which may issue in the course of time.

32. After a registration statement has been filed the processing may be delayed by administrative procedures. There may be other causes brought about by issuers or underwriters necessitating continued deferral of the effective date. It is obvious that the accountant may encounter serious problems in keeping currently informed as to the happening of any extraordinary transactions or events bearing on the financial statements, and the procedures which may be involved would be unreasonably costly and impractical.

33. There are additional difficulties involved in keeping currently informed up to the time of the effective date by reason of the lack of recorded financial information during the period immediately preceding the effective date. Depending on the size of the company and the complexity of its operations this period of time may be substantial.

34. The committee therefore is of the opinion that a "reasonable investigation" (a) as to point of time, should be construed as referring to a period ending sufficiently prior to the actual effective date as is consistent with the practical availability of financial information, etc., and (b) as to procedures, should comprise the following:

1) The reading of available minutes of meetings of stockholders, directors, and finance or executive committees, as applicable.
2) Reading of such available interim financial statements as are regularly prepared by the client.
3) The reading of the full text of the prospectus and review of pertinent portions of the rest of the registration statement.
4) Inquiry of one or more officers or key employees and of legal counsel, where appropriate, as to happenings which may be considered material in relation to the financial statements reported upon

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by the auditor and included in the registration statement. Such happenings, or the absence thereof, should be the subject of written representations.

5) Any other steps which the auditor deems necessary for a "reasonable investigation" under the particular circumstances.

35. It is obvious that the responsibility for the disclosure of post-balance-sheet events, must, as a practical and reasonable matter, decrease following the close of the field work and that subsequent to that time the accountant must rely, for the most part, on inquiries of officers and key employees. In the case of an issuer with multiple offices and wide-spread operations, the officers and employees would be those at the home office level.

Two or More Independent Accountants Whose Opinions Are Related to Different Periods

36. It is not unusual for the "summary of earnings" or for some of the financial statements and schedules to cover periods which have been examined by more than one firm of independent accountantants. Where a company has changed its independent accountants the report or opinion of the last one engaged will relate to the "summary of earnings" and to the financial statements and schedules for such years as have been covered by his examination. The previous independent accountant will submit an opinion covering the "summary of earnings" or the financial statements and schedules for any period for which he was the independent accountant.

37. Material charges and credits sometimes appear in statements of income and surplus for the period subsequent to the date of termination of services by the independent accountant whose report or opinion applies to the period to which such subsequent charges or credits relate. Examples might be in connection with recognition of additional Federal taxes for a prior period or income or expense in connection with litigation not settled until the subsequent period.

38. The committee is of the opinion that when the independent accountant whose opinion is to be submitted in respect to statements for previous years furnishes such opinion he should have available the full text of the registration statement and prospectus in which his opinion will appear so that he can read or review (as suggested in paragraph 34(b)(3) above) anything included therein which apparently relates to his period. The committee is of the opinion that no duty rests upon the independent accountant for such earlier period to make any subsequent examination or review other than the suggested reference to the documents it is proposed to file or from such assurances as he may request from the registrant or its current accountants.

Statements on Auditing Procedure

No. 26
April 1956

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Issued by the
Committee on Auditing Procedure
American Institute of Accountants
270 Madison Avenue, New York 16, N.Y.

Reporting on Use of "Other Procedures"

1. In 1939 the membership of the Institute approved the extension of auditing procedures to require observation of inventories and confirmation of receivables where either of these assets represents a significant proportion of the current assets or of the total assets of a concern.

2. These procedures were thus established as an integral part of generally accepted auditing procedures. Failure to apply them, where they are practicable and reasonable, in general precludes expression of an opinion on the fairness of the financial statements taken as a whole.

3. *Codification of Statements on Auditing Procedure* states (third and fourth paragraphs on page 21):

> "In all cases in which the extended procedures are not carried out with respect to inventories or receivables at the end of the period or year, and they are a material factor, the independent certified public accountant should disclose, in the general scope section of his report, whether short or long form, the omission of the procedures, regardless of whether or not they are practicable and reasonable and even though he may have satisfied himself by other methods.
>
> "In the rare situation in which they are applicable and are not used and other procedures can be employed which will enable him to express an opinion, he should, if the inventories or receivables are material in amount, disclose the omission of the procedures in the general scope paragraph without any qualification in the opinion paragraph with respect to such omission. In deciding upon the 'other procedures' to be employed he must bear in mind that he has the burden of justifying the opinion expressed."

4. It has become increasingly evident in those instances where the accountant's report has disclosed omission of the extended procedures that, in the minds of a number of interested parties, including important groups of credit grantors, uncertainty often exists as to whether or not the accountant did actually undertake other auditing procedures.

5. Accordingly, it is the view of the committee that, *in all cases* in which the extended procedures are not carried out with respect to inventories or receivables as at the end of the period or year* and they are a material factor, the independent certified public accountant should not only disclose, in the general scope section of his report, whether short or long form, the omission of the procedures, regardless of whether or not they are practicable and reasonable, but also should state that he has satisfied himself by means of other auditing procedures if he intends to express an unqualified opinion. The second sentence of the scope paragraph of the independent auditor's report will then read somewhat as follows:

> "Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; however, it was not practicable to confirm receivables (to observe the physical inventory taking), as to which we have satisfied ourselves by means of other auditing procedures."

In these circumstances, no exception would be required in the opinion section of the report.

6. *Codification of Statements on Auditing Procedure* points out that "other procedures" can be satisfactorily employed only in *rare* situations in which the "extended procedures" are applicable and are not used. It is not the intention of the committee to withdraw in any way from its previous conclusion in this respect.

*Under appropriate circumstances, the procedures may be carried out at times other than at the end of the period or year.