1957

Accounting trends and techniques, 11th annual survey, 1957 edition

American Institute of Certified Public Accountants

ACCOUNTING TRENDS AND TECHNIQUES

ELEVENTH EDITION 1957

ELEVENTH ANNUAL SURVEY BY THE RESEARCH DEPARTMENT OF THE

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Accounting Trends and Techniques • 11th Annual Survey • 1957 • American Institute of Certified Public Accountants

ACCOUNTING TRENDS AND TECHNIQUES

In Published Corporate Annual Reports • Eleventh Edition • 1957

Eleventh 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 1956.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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PREFACE

Accounting Trends and Techniques in Published Corporate Annual Reports—1957 is the Eleventh Edition of a study of the accounting aspects of financial reports released annually by 600 industrial companies to their stockholders. This study is a continuation of the long-range program initiated by the Council in 1946 for the analysis of corporate annual reports. The current survey has been conducted by Richard A. Nest, C.P.A., a member of the research staff of the American Institute of Certified Public Accountants.

Significant accounting trends, as revealed in the reports of the companies included in the survey, are presented in numerous comparative tabulations throughout the study. These tables show the current trends in corporate reports in such diverse accounting matters as the various types of financial statements presented, their form and terminology, and the accounting treatment accorded the transactions and items reflected in the statements. As noted in the Tenth Edition, the statistics for the years 1946 and 1950 are now preserved as they were presented in that edition. This change in policy was adopted because of the difficulty in obtaining copies of reports for all of the prior years whenever new companies are substituted in the group. Statistics for all other years contain comparative data based on the reports of the same 600 companies for each of the years involved.

Accounting techniques employed by the 600 survey companies are presented in the form of quotations and examples taken directly from the 1956 reports. *These illustrations are not presented as recommended methods for handling specific items but are of an informative and objective nature.* Nearly 700 additional reports were informally scanned and are 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. This 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.

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

Combination of Customary Statements

Each of the 600 survey companies included one or more of the customary certified financial statements in its annual report for 1956.

Of the 600 survey companies, 598 presented two or more of the customary certified statements. The remaining two companies (*Co. Nos. 269 and 430) presented only balance sheets.

As noted in Table 1, the most frequent combination presented consisted of a balance sheet and combined income and retained earnings statement (208 companies in 1956). The continuing more frequent use of the combined income and retained earnings statement accounts principally for this steady increase. Table 1 also summarizes in detail the various other combinations of customary certified financial statements presented by the survey companies in the 1956 reports. This table shows on a comparative basis, for the years 1946, 1950, and 1952 to 1956, inclusive, the various combinations of customary certified statements.

*Refer to Company Appendix Section.

Notes to Financial Statements

Notes to financial statements were included by 547 of the 600 survey companies in their 1956 annual reports.

The form of presentation varied among the 547 companies. 392 companies included notes to the financial statements with direct reference to related balance sheet or income statement captions; 85 companies used a general reference such as: "The accompanying notes to the financial statements must be read in conjunction herewith" or "The accompanying notes are an integral part of this statement"; 45 companies included notes by placement within the statements or at the foot of the statements; 20 companies used no notes as such, but did provide supplementary information at the foot of the income statement, for example: "Provision for depreciation amounted to $xxx"; 5 companies provided notes separately to which there was no general reference; and 53 companies did not include any notes in their statements.

INCOME PRESENTATION IN REPORTS

A separate statement of income or a combined statement of income and retained earnings was provided by 593 of the 600 survey companies in their 1956 annual reports. The moderate trend towards the adoption of the combined statement of income and retained earnings continues in the current year with an increase of 12 companies. Details of the income presentation in the reports are presented in Table 2.

RETAINED EARNINGS PRESENTATION IN THE REPORTS

Table 3 discloses the various presentations of retained earnings in the 1956 annual reports. The increased use of the combined statement of retained earnings and income continued in the current year with 238 of 600 survey companies presenting this form of statement and compares with 188 companies for the year 1950.

CAPITAL SURPLUS PRESENTATION IN THE REPORTS

Capital surplus was disclosed in the annual reports of 474 of the 600 survey companies. 193 companies presented separate statements of capital surplus either alone or in

TABLE 1: CUSTOMARY CERTIFIED FINANCIAL STATEMENTS

Combination of Statements	1956	1955	1954	1953	1952	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statements (*Co. Nos. 38, 70, 102, 106, 116, 119)	208	198	193	195	192	168	141
Balance Sheet, Income, and Retained Earnings Statements (*Co. Nos. 4, 9, 61, 64, 71, 75)	150	168	170	179	179	191	157
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements (*Co. Nos. 25, 82, 83, 89, 95, 126)	154	141	140	136	141	149	198
Balance Sheet, Income and Combined Capital Surplus & Retained Earnings Statements (*Co. Nos. 115, 121, 138, 151, 489, 525)	13	13	16	15	18	15	30
Balance Sheet, Income, and Stockholders' Equity Statements (*Co. Nos. 18, 33, 62, 86, 518, 520)	17	20	20	18	18	15	6
Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements (*Co. Nos. 1, 21, 198, 287, 288, 290)	31	22	21	18	17	20	22
Balance Sheet and Income Statements (*Co. Nos. 11, 23, 24, 214, 351, 426)	17	19	25	22	19	21	20
Balance Sheet, Income, and Unclassified Surplus Statements (*Co. Nos. 47, 92, 141, 441, 466)	5	7	8	9	8	14	15
Balance Sheet and Combined Income & Unclassified Surplus Statements (*Co. Nos. 320, 458)	2	4	3	4	3	2	2
Balance Sheet—alone or in other combinations of statements not mentioned above (*Co. Nos. 128, 269, 430)	3	8	4	4	5	5	9
	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

combination with retained earnings. Capital surplus was shown as an item within the balance sheet by 263 companies, of which 126 companies stated or indicated no changes in the account during the current year. These and other methods of presentation found in the reports of the survey companies are disclosed in Table 4.

TITLE OF THE CERTIFIED INCOME STATEMENT

Table 5 indicates a continuing trend in the use of the term "income" as the key word in the title of the income statements of the 600 survey companies. "Earnings" also continues to be favored by many (142 companies in 1956). The use of the term "profit and loss" again shows a decrease in usage. The terminology used in the income statement titles of the 1956 annual reports is summarized in Table 5.

*Refer to Company Appendix Section.

Changes in 1956

Twenty companies made changes in the terminology of the title of their certified income statements for the year 1956. These changes are summarized as follows:

Ten companies *adopted* the term "income" as the key word in the title of their 1956 income statement. The wording "profit and loss" had formerly been used by 8 companies (*Co. Nos. 65, 80, 175, 320, 402, 428, 516, 545); one company (*Co. No. 132) had used the word "operations"; and one company (*Co. No. 370) had used the term "income and expense."

The term "earnings" was *adopted* by 8 companies. 6 companies (*Co. Nos. 200, 220, 293, 323, 504, 518) had formerly used the term "income"; one company (*Co. No. 419) *abandoned* the use of the term "profit and loss"; and one company (*Co. No. 242) *abandoned* the term "loss."

Two of the companies *adopted* the term "operations" *abandoning* the terms "income" (*Co. No. 352) and "profit and loss" (*Co. No. 344).

TABLE 2: INCOME PRESENTATION IN REPORTS

Manner of Presentation*	1956	1955	1954	1953	1952	1950	1946
A: As a separate statement of income	357	368	378	382	383	407	427
B: As a combined statement of income and retained earnings	236	224	215	210	209	187	164
C: As a combined statement of income and unclassified surplus	3	4	3	4	4	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	—	—
	600	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 108, 114, 121, 457, 505; B: Co. Nos. 250, 308, 464, 519, 591; C: Co. Nos. 320, 423, 458; D: Co. No. 576; E: Co. No. 269; F: Co. No. 430; G: Co. No. 515.

Examples

Examples of the various titles of the certified income statements contained in the 1956 annual reports of the survey companies are quoted below. The examples show the manner in which the key words, which are summarized in Table 5, are supplemented with additional words or phrases to form the complete titles of the income statements.

Income—(366 companies):

"Statement of Income" (*Co. Nos. 503, 510, 532); "Statement of Income and *Earned Surplus*" (*Co. Nos. 6, 20, 22, 519, 533); "Summary of Income and *Retained Earnings*" (*Co. No. 8); "Income" (*Co. No. 46).

"Consolidated Statements of Income and *Earned Surplus*" (*Co. No. 500); "Consolidated Statement of Income and *Accumulated Earnings*" (*Co. No. 501); "Statement of Consolidated Income" (*Co. Nos. 502, 512, 521, 531);

TABLE 3: RETAINED EARNINGS PRESENTATION IN REPORTS

Manner of Presentation	1956	1955	1954	1953	1952	1950	1946
As a separate statement of retained earnings (*Co. Nos. 16, 126, 292, 386, 484, 590) ..	294	306	307	318	320	341	356
As a combined statement of retained earnings and income (*Co. Nos. 34, 122, 282, 390, 470, 589)	236	224	215	210	209	187	164
As a combined statement of retained earnings and capital surplus (*Co. Nos. 52, 165, 211, 367, 436, 573)	24	17	19	16	18	17	30
As a section within the statement of stockholders' equity (See Table 18) (*Co. Nos. 33, 272, 381, 415, 518, 543)	18	20	19	17	18	14	5
As a section within the balance sheet (*Co. Nos. 54, 136, 269, 426, 496, 544)	15	15	19	18	17	19	22
As an item within the balance sheet (*Co. Nos. 214, 334, 430, 569)	4	7	9	8	6	6	4
As a combined statement of income and net worth (*Co. No. 515)	1	2	2	2	2	1	1
Total Retained Earnings	592	591	590	589	590	585	582
Surplus not classified	8	9	10	11	10	15	18
	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

"Consolidated Income Statement" (*Co. No. 506); "Consolidated Income" (*Co. Nos. 15, 516); "Consolidated Statement of Income" (*Co. Nos. 4, 517, 520, 523); "Summary of Consolidated Income" (*Co. No. 525); "Consolidated Income and *Retained Earnings*" (*Co. No. 528); "Consolidated Statement of Income and *Earnings Employed in the Business*" (*Co. No. 529); "Statement of Consolidated Income and *Earnings Employed in the Business*" (*Co. No. 2).

"Comparative Consolidated Statement of Income" (*Co. No. 522).

Earnings—(142 companies):

"Statement of Earnings" (*Co. Nos. 19, 70); "Earnings For The Year" (*Co. No. 79).

"Consolidated Statement of Earnings" (*Co. Nos. 26, 28, 32, 77); "Statement of Consolidated Earnings" (*Co.

TABLE 4: CAPITAL SURPLUS PRESENTATION IN REPORTS

Manner of Presentation	1956	1955	1954	1953	1952	1950	1946
As a separate statement of capital surplus (*Co. Nos. 25, 156, 212, 403, 411, 434)	171	165	162	151	162	170	224
As a combined statement of capital surplus and retained earnings (*Co. Nos. 17, 130, 232, 367, 489, 563)	22	16	19	16	18	16	31
Total	193	181	181	167	180	186	255
As a section within the statement of stockholders' equity (See Table 18) (*Co. Nos. 18, 134, 234, 278, 415, 527)	18	19	18	19	19	15	6
As an item within the balance sheet and changes set forth:							
Under balance sheet caption (*Co. Nos. 74, 125, 276, 332, 426, 544)	16	17	20	14	25	28	12
In notes to financial statements (*Co. Nos. 6, 173, 249, 309, 453, 457)	95	80	59	52	46	17	13
In other certified statements (*Co. No. 477)	1	2	—	1	1	1	1
In uncertified statement	—	1	—	1	—	—	—
In letter to stockholders (*Co. Nos. 140, 554, 568)	3	1	2	6	2	2	—
Not set forth in report (*Co. Nos. 51, 185, 265, 325, 447, 523)	23	33	27	15	7	6	1
As an item within the balance sheet:							
Stated to be "Not changed during the year" (*Co. Nos. 46, 168, 269, 391, 419, 555)	32	39	42	53	49	54	54
Indicated to be not changed during year (*Co. Nos. 55, 174, 252, 363, 470, 533)	93	93	104	116	111	119	88
Total	263	266	254	258	241	227	169
Set forth within certified statement of capital (showing capital stock and capital surplus) —no details set forth	—	1	1	—	—	—	—
Set forth in note to certified statements	—	—	2	3	3	2	—
Number of Companies							
Presenting capital surplus	474	467	456	447	443	430	430
Not presenting capital surplus (*Co. Nos. 5, 61, 136, 199, 224, 595)	118	124	132	139	147	156	156
Not classifying surplus (*Co. Nos. 47, 141, 320, 338, 458, 466)	8	9	12	14	10	14	14
	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

TABLE 5: INCOME STATEMENT TITLE

Terminology Used	1956	1955	1954	1953	1952	1950	1946
Income	366	363	345	343	334	329	317
Earnings	142	134	135	127	121	92	10
Profit and Loss	43	53	69	78	95	127	236
Operations	37	36	35	33	32	30	10
Income and Expense	3	4	5	6	6	8	5
Profit	3	3	4	4	4	4	1
Income and Profit and Loss	2	2	2	2	2	1	10
Operating Results	1	1	1	1	1	3	3
Income, Costs	1	1	1	1	1	1	—
Profits and Income	—	—	—	1	1	—	1
Loss	—	1	—	1	—	1	—
Total	598	598	597	597	597	596	593
No income statement	2	2	3	3	3	4	7
	600	600	600	600	600	600	600

Nos. 48, 52, 64, 71, 82); "Statement of Consolidated Earnings and Earnings *Reinvested in the Business*" (*Co. No. 58); "Consolidated Earnings" (*Co. Nos. 72, 95); "Consolidated Statement of Earnings and *Earned Surplus*" (*Co. No. 91).

"Comparative Condensed Statement of Earnings" (*Co. No. 53).

Profit and Loss—(43 companies):

"Profit and Loss" (*Co. No. 509); "Statements of Profit and Loss and *Earned Surplus*" (*Co. No. 413); "Summary of Profit and Loss" (*Co. No. 429); "Statement of Profit and Loss" (*Co. No. 486).

"Consolidated *Surplus* and Profit and Loss Account" (*Co. No. 572); "Consolidated Statement of Profit and Loss" (*Co. No. 511); "Consolidated Statements of Profit and Loss and *Earnings Retained in the Business*" (*Co. No. 585); "Consolidated Profit and Loss Account" (*Co. No. 405).

"Comparative Statement of Consolidated Profit and Loss and *Earned Surplus*" (*Co. No. 583); "Comparative Statement of Profit and Loss" (*Co. Nos. 579, 410).

Operations—(37 companies):

"Statements of Operations" (*Co. Nos. 330, 582); "Statement of Operations and *Disposition of Profit*" (*Co. No. 381); "Results of Operations" (*Co. No. 398).

"Consolidated Statement of Operations" (*Co. Nos. 344, 394, 527, 559, 594); "Consolidated Statements of Operations and *Income Retained in the Business*" (*Co. No. 589); "Consolidated Statements of Operations and *Retained Earnings*" (*Co. No. 560); "Consolidated Statement of Operations and *Earnings Reinvested in the Business*" (*Co. No. 492); "Statement of Consolidated Operations" (*Co. No. 338, 490); "Consolidated Operations" (*Co. No. 488); "Consolidated Statement of Operations and Retained Earnings" (*Co. No. 352).

*Refer to Company Appendix Section.

Various Other—(10 companies):

"Statement of Profit and of Earnings Retained and Employed in the Business" (*Co. No. 219); "Summary of Profit" (*Co. No. 107); "Statement of Income and Profit and Loss" (*Co. No. 118); "Income, Costs, and Changes in Capital Investment" (*Co. No. 515); "Consolidated Statement of Income and Expense" (*Co. No. 186); "Summary of Consolidated Net Profit" (*Co. No. 204); "Consolidated Results of Operations" (*Co. No. 189); "Comparative Statement of Income and Expenses" (*Co. No. 448); "Condensed Comparative Statement of Income and Expense" (*Co. No. 61); "Comparative Consolidated Income, Profit and Loss Statement" (*Co. No. 280).

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 6, 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 nontax items, or both.

Although the multiple-step form of income statement still predominates in the 1956 annual reports of the survey companies, Table 6 shows a continuing trend over the past eleven years toward the adoption of the single-step form.

TABLE 6: INCOME STATEMENT FORM

Form of Statement	1956	1955	1954	1953	1952	1950	1946
Multiple-step form	247	257	257	249	254	302	263
Multiple-step form with a separate last section presenting:							
Nonrecurring tax items	16	26	34	47	63	41	63
Nonrecurring tax and non-tax items	17	26	32	30	25	10	57
Nonrecurring non-tax items	44	27	27	30	27	31	85
Total	324	336	350	356	369	384	468
Single-step form	237	217	204	203	184	177	76
Single-step form with a separate last section presenting:							
Nonrecurring tax items	10	19	19	17	25	13	13
Nonrecurring tax and non-tax items	7	10	11	9	8	7	20
Nonrecurring non-tax items	20	16	13	12	11	15	16
Total	274	262	247	241	228	212	125
No income statement presented	2	2	3	3	3	4	7
	600	600	600	600	600	600	600
Current year-Federal income tax estimate:							
Listed among operating items	43	138	144	141	144	159	100
Presented in separate last section	519	441	426	438	437	422	450
Total	562	579	570	579	581	581	550
Current estimate not required	36	19	27	18	16	15	43
No income statement presented	2	2	3	3	3	4	7
	600	600	600	600	600	600	600

Changes During 1956

The survey, this year, reveals that twelve companies *adopted* the use of the single-step form of the certified income statement. These companies had previously used the multiple-step form (*Co. Nos. 146, 190, 200, 218, 246, 454, 456, 474, 496, 497, 503, 504).

TITLE OF THE CERTIFIED BALANCE SHEET

The term "balance sheet" to describe the statement of assets, liabilities, and stockholders' equity was used by 456 of the 600 survey companies. Table 7 indicates that the use of the titles "financial position" and "financial condition" is continuing to increase slowly. One hundred and thirty-eight companies employed these titles in 1956 as compared with 99 in 1950. It is of interest to note that though there is an increase in the use of these titles there has been very little current increase in the use of the financial position form of balance sheet.

*Refer to Company Appendix Section.

Changes During 1956

Three companies *adopted* the term "financial position" (*Co. Nos. 200, 300, 510) and three companies *adopted* the term "financial condition" (*Co. Nos. 54, 95, 320) in 1956. In all six instances the companies *abandoned* the term "balance sheet."

Examples

The terms "balance sheet," "financial position," "financial condition," and other terms disclosed in Table 7 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 1956 reports of the 600 survey companies:

Balance Sheet—(Customary form: 456 companies)

"Balance Sheet" (*Co. Nos. 6, 8, 11, 361, 371, 372); "Balance Sheets" (*Co. Nos. 14, 109, 363, 365, 374, 413); "Comparative Balance Sheet" (*Co. Nos. 118, 248, 410); "Condensed Comparative Balance Sheet" (*Co. No.

399); "Comparative Balance Sheets" (*Co. No. 259); "Consolidated Balance Sheet" (*Co. Nos. 4, 7, 9, 362, 364, 367); "Comparative Consolidated Balance Sheets" (*Co. Nos. 378, 380, 390); "Condensed Consolidated Balance Sheet" (*Co. No. 576); "Consolidated Comparative Balance Sheet" (*Co. No. 67); "Consolidated Balance Sheets" (*Co. Nos. 1, 21, 101, 105, 114, 376); "Comparative Consolidated Balance Sheet" (*Co. Nos. 16, 217, 238, 264, 280, 405); "Consolidated Balance Sheets" (*Co. Nos. 218, 220, 225, 226, 252).

Financial Position—(Customary form: 35 companies)

"Statement of Financial Position" (*Co. Nos. 5, 273); "Statements of Financial Position" (*Co. No. 89); "Condensed Statement of Financial Position" (*Co. No. 272); "Comparative Financial Position" (*Co. No. 232); "Consolidated Financial Position" (*Co. No. 438); "Consolidated Statement of Financial Position" (*Co. Nos. 12, 212, 254, 278, 409); "Statement of Consolidated Financial Position" (*Co. Nos. 110, 215, 270, 293, 387, 417).

*Refer to Company Appendix Section.

Financial Position—(Financial position form: 64 companies)

"Financial Position" (*Co. Nos. 255, 398); "Statement of Financial Position" (*Co. Nos. 18, 19, 113, 219, 221, 285, 381); "Condensed Statement of Financial Position" (*Co. No. 119); "State of Financial Position" (*Co. No. 389); "Consolidated Financial Position" (*Co. Nos. 282, 397); "Consolidated Statement of Financial Position" (*Co. Nos. 369, 418, 447); "Statement of Consolidated Financial Position" (*Co. Nos. 10, 421, 440); "Condensed Consolidated Financial Position" (*Co. No. 117); "Comparative Consolidated Statement of Financial Position" (*Co. No. 445).

Financial Condition—(Customary form: 23 companies)

"Statement of Financial Condition" (*Co. Nos. 33, 145, 172, 375, 430); "Comparative Statement of Financial Condition" (*Co. No. 302); "Consolidated Statement of Financial Condition" (*Co. No. 290); "Statement of Consolidated Financial Condition" (*Co. Nos. 3, 286, 370, 377).

TABLE 7: BALANCE SHEET TITLE

Terminology Applied	1956	1955	1954	1953	1952	1950	1946
Balance Sheet, used with:							
Customary form (*Co. Nos. 75, 115, 178, 472, 548, 558)	456	462	465	469	474	492	578
Financial position form	—	—	1	1	1	—	—
	456	462	466	470	475	492	578
Financial Position, used with:							
Customary form (*Co. Nos. 110, 153, 232, 272, 417, 511)	35	33	29	29	22	13	3
Financial position form (*Co. Nos. 18, 51, 128, 174, 285, 300)	64	63	63	63	62	52	9
	99	96	92	92	84	65	12
Financial Condition, used with:							
Customary form (*Co. Nos. 33, 62, 158, 370, 377, 530)	23	20	19	16	16	15	1
Financial position form (*Co. Nos. 34, 214, 311, 349, 388, 454)	16	16	16	16	19	19	5
	39	36	35	32	35	34	6
Assets and Liabilities† (*Co. Nos. 103, 182, 186)	3	3	4	3	2	4	2
"Assets, Liabilities, and Capital Investment"† (*Co. No. 515)	1	1	1	1	1	1	—
"Statement of Ownership"	—	—	—	—	1	1	—
"Investment"‡ (*Co. No. 318)	1	1	1	1	—	2	1
"Assets, Liabilities and Capital"‡ (*Co. No. 193)	1	1	1	1	2	1	1
	6	6	7	6	6	9	4
	600	600	600	600	600	600	600

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

American Home Products Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 1956 and 1955

Assets:

	1956	1955
Demand deposits in banks and cash on hand	$ 19,921,053	$ 16,225,029
U.S. and other domestic governmental obligations, at cost (approximates market)	25,478,749	19,073,395
Foreign governmental obligations, at cost (principally British Tax Notes)	2,436,815	3,346,028
Accounts receivable, less reserve for doubtful accounts	31,369,912	27,662,553
Inventories, at the lower of cost or market (Note 1)	42,227,718	35,849,843
Prepaid advertising, insurance, etc.	1,631,561	1,277,389
Total current assets	123,065,808	103,434,237
Investments, at cost (Note 2) (approximate market, $14,000,000 at December 31, 1956)	4,489,189	4,451,603
Fixed assets, at cost:		
Land	1,481,947	1,481,260
Buildings, machinery, equipment, etc.	50,703,813	44,360,353
	52,185,760	45,841,613
Less, Reserves for amortization and depreciation	18,212,880	16,129,711
	33,972,880	29,711,902
Goodwill, trade-marks, formulae, patents, etc. (Note 3)	5,945,568	5,433,313
Deferred charges and other assets	2,010,517	2,319,279
	$169,483,962	$145,350,334

American Home Products Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 1956 and 1955

Liabilities:

	1956	1955
Loans payable to banks	$ 1,067,064	$ 1,182,378
Accounts payable and accrued expenses	18,786,675	16,156,034
Accrued federal and foreign taxes on income	31,823,936	21,847,256
Dividend payable	1,344,275	960,146
Total current liabilities	53,021,950	40,145,814
Sinking fund debentures, 3%, due July 1, 1965 (Note 4)	9,546,000	10,502,000
Foreign taxes on income payable after one year	1,115,450	1,304,716
Other liabilities, not current	1,233,571	1,175,577
Reserves:		
Contingent liabilities, principally possible additional taxes of prior years	4,652,561	4,242,710
Foreign losses and exchange adjustments	2,000,000	2,000,000
Minority interest in foreign subsidiaries	828,223	555,809

Capital:

	1956	1955
Capital stock, par value $1 per share (Note 5)	3,840,785	3,840,785
Capital surplus	26,794,639	26,794,639
Retained earnings	66,450,783	54,788,284
	97,086,207	85,423,708
	$169,483,962	$145,350,334

American Home Products Corporation and Subsidiaries

Consolidated Statements of Income

years ended December 31, 1956 and 1955

	1956	1955
Sales	$317,258,976	$252,324,689
Less, Returns, allowances, delivery, etc.	21,775,743	17,779,041
Net sales	295,483,233	234,545,648
Other income	1,668,437	2,046,714
	297,151,670	236,592,362
Cost of goods sold	123,179,223	103,819,898
Selling, administrative and general expenses	102,317,875	84,855,281
Employees' insurance, annuities, etc.	2,774,407	2,466,444
Interest	502,269	529,594
Miscellaneous deductions, principally foreign losses and exchange adjustments	1,652,509	1,729,346
	230,426,283	193,400,563
Income, before federal and foreign taxes on income	66,725,387	43,191,799
Provision for federal and foreign taxes on income	35,475,032	22,655,180
Net income for year	$ 31,250,355	$ 20,536,619

	1956	1955
Supplementary data:		
Average number of shares outstanding during year	3,840,785	3,846,279
Net income per share for year	$8.14	$5.34
Dividends paid per share	$5.00	$3.30
Depreciation and amortization provided	$ 2,834,410	$ 2,555,546

AMERICAN HOME PRODUCTS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Retained Earnings and Capital Surplus

years ended December 31, 1956 and 1955

	1956	1955
Retained Earnings:		
Balance at beginning of year	$ 54,788,284	$ 47,885,751
Net income	31,250,355	20,536,619
	86,038,639	68,422,370
Cash dividends declared	19,587,856	12,884,463
Excess of cost over par value of treasury stock, less amounts charged to capital surplus	—	749,623
	19,587,856	13,634,086
Balance at end of year	$ 66,450,783	$ 54,788,284
Capital Surplus:		
Balance at beginning of year	$ 26,794,639	$ 27,094,195
Excess of cost over par value of treasury stock, less amounts charged to retained earnings	—	299,556
Balance at end of year	$ 26,794,639	$ 26,794,639

Notes to Consolidated Financial Statements

1. Inventories comprise:

	December 31, 1956	December 31, 1955
Finished goods	$17,864,327	$15,424,821
Work in process	6,061,891	5,562,599
Materials and supplies	18,301,500	14,862,423
	$42,227,718	$35,849,843

2. At December 31, 1956 the Company was contingently liable for the principal of approximately $1,600,000 plus interest on a long-term mortgage loan of a foreign associate; investments of the Company having a market value of approximately $3,200,000 have been pledged as collateral.

3. Intangible assets at December 31, 1956 include the cost, $5,425,150, of goodwill, trade-marks, formulae, etc., acquired since January 1, 1954; similar items acquired prior to January 1, 1954 written down to $1 by charges in prior years against retained earnings and capital surplus; and $520,417 for patents and patent rights acquired since January 1, 1950, which are stated at cost less amortization.

4. A sinking fund payment is required to redeem $478,000 of 3% debentures on or before June 30 of each year until maturity. The instalments due June 30, 1957 and 1958 were paid in advance by the Company in 1956.

5. Information regarding number of shares of capital stock of American Home Products Corporation at December 31, 1956 and 1955:

Authorized	5,000,000
Issued	3,896,035
In treasury	55,250
Outstanding	3,840,785

6. Accounts of foreign subsidiaries and branches:
Reference is made to the accompanying letter of the Chairman of the Board of Directors for data regarding foreign operations.

TABLE 8: BALANCE SHEET FORM

Customary Form*	1956	1955	1954	1953	1952	1950	1946
A: Assets *equal* liabilities plus stockholders' equity	513	513	514	513	512	522	583
B: Property account followed by other assets *equals* liabilities plus stockholders' equity	—	—	—	—	1	1	1
C: Assets less liabilities *equal* stockholders' equity	5	5	4	5	4	3	—
Total	518	518	518	518	517	526	584
Financial Position Form*							
D: Current assets less current liabilities, plus other assets less other liabilities, less long-term indebtedness *equal* stockholders' equity	50	52	49	48	46	32	7
E: Current assets less current liabilities, plus other assets less other liabilities, *equal* long-term indebtedness plus stockholders' equity	10	8	8	8	8	6	—
F: Current assets less current liabilities plus other assets less other liabilities *equal* stockholders' equity (Long-term indebtedness not shown)	20	20	23	24	27	34	9
G: Stockholders' equity *equals* current assets less current liabilities, plus other assets less other liabilities	2	2	2	2	2	2	—
Total	82	82	82	82	83	74	16
	600	600	600	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 139, 161, 453, 473, 482, 494; C: Co. Nos. 62, 254, 341, 589; D: Co. Nos. 18, 74, 128, 174, 564, 596; E: Co. Nos. 113, 311, 398, 447, 491, 584; F: Co. Nos. 34, 79, 149, 481, 594, 597; G: Co. Nos. 106, 116.

Financial Condition—(Financial position form: 16 companies)

"Statement of Financial Condition" (*Co. Nos. 106, 116, 214); "Comparative Statement of Financial Condition" (*Co. No. 108); "Consolidated Statement of Financial Condition" (*Co. Nos. 74, 194, 470, 513); "Comparative Consolidated Statement of Financial Condition" (*Co. No. 349).

Assets and Liabilities—(Customary form: 3 companies)

"Statement of Consolidated Assets and Liabilities" (*Co. Nos. 103, 182, 186).

Other Captions—(Financial position form: 2 companies)

"Investment" (*Co. No. 318); "Assets, Liabilities and Capital" (*Co. No. 193); "Net Assets and Ownership of Net Assets" (*Co. No. 454).

Other Captions—(Customary form: 1 company)

"Assets, Liabilities and Capital Investment" (*Co. No. 515).

*Refer to Company Appendix Section.

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 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 8). In four instances in 1956 reports, the customary form of balance sheet is varied to show *total* assets less *total* liabilities equaling stockholders' equity (Form C in Table 8). In the 1956 reports, 517 of the survey companies presented the customary form of balance sheet.

The remaining 83 survey companies presented a financial position form of balance sheet. In this form of balance sheet, net assets are shown equal to stockholders' equity

(Form D in Table 8). Variations in the financial position form of presentation are shown in Forms E, F, and G in Table 8.

Changes During 1956

Only two of the 600 survey companies changed their balance-sheet presentation form in the 1956 annual reports. *Alan Wood Steel Company* and *National Cash Register Company* changed from Financial Position, Form D to Financial Position, Form E as shown in Table 8.

TERMINOLOGY FOR "UNCOLLECTIBLE ACCOUNTS"

In accordance with the recommendation of the committee on terminology of the American Institute of Certified Public Accountants stated in *Accounting Terminology Bulletin Number 1, Review and Résumé* (1953), there continues to be a steady decrease in the use by the survey companies of the term "reserve" in the balance sheet to describe *uncollectible accounts.*

The first section of Table 9 summarizes the primary descriptive terms, such as "allowance," "reserve," "provi-

TABLE 9: UNCOLLECTIBLE ACCOUNTS

Primary Descriptive Term*	**1956	1955	1954	1950
"Allowance"—used alone	34	32	33	169
Allowance, etc.	230	217	204	
"Reserve"—used alone	115	121	121	248
Reserve, etc.	54	60	69	
Provision, etc.	33	32	37	37
Estimated, etc.	25	27	27	36
Deduction, etc.	5	4	3	3
Other terms	9	8	6	4
Total	505	501	500	497
No "uncollectible accounts" indicated	95	99	100	103
	600	600	600	600

*Combined with:	1956	1955	1954
Doubtful accounts	201	200	195
Doubtful notes and accounts	8	10	11
Doubtful amounts	2	2	2
Doubtful balances	3	3	2
Doubtful collection	—	—	1
Doubtful items	15	12	11
Doubtful receivables	18	17	20
Doubtful	4	4	5
Uncollectible accounts	5	5	6
Uncollectible amounts	4	4	4
Uncollectible items	1	1	1
Uncollectibles	2	2	4
Loss—losses	29	28	29
Collection losses	14	15	14
Carried forward	306	303	305

	1956	1955	1954
Brought forward	306	303	305
Credit losses	2	2	2
Receivable losses	1	1	1
Possible losses	17	17	15
Possible collection losses	5	7	7
Possible credit losses	1	1	—
Possible future losses	1	1	1
Bad debts	10	10	13
Worthless accounts	—	—	1
Realizable value	1	1	1
Other terms used alone	12	5	—
"Allowance"—used alone	34	32	33
"Reserve"—used alone	115	121	121
No "uncollectible account"	95	99	100
Total	505	501	500
	600	600	600

**1956 Descriptive Terms Combined As:	Primary Descriptive Term Above: Allowance	Reserve	Provision	Estimated	Other	Total
Doubtful	174	44	15	12	6	251
Uncollectible	4	—	1	6	1	12
Losses	47	4	12	5	2	70
Bad debts	2	4	3	1	—	10
With other phrases	3	2	2	1	3	11
Used alone	34	115	—	—	2	151
Total	264	169	33	25	14	505

sion," 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 descriptions. The third section of the table shows, for 1956, 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 terminlogy for *uncollectible accounts* shown in Table 9 have been selected from the 1956 survey reports:

Allowance—(274 Companies):

"Less allowances" (*Co. Nos. 3, 348, 359, 403, 495, 527); "Less allowance of $xxx" (*Co. No. 110); "Less related allowances" (*Co. No. 121); "Allowance for doubtful accounts" (*Co. Nos. 9, 99, 243, 538); "Allowance for doubtful receivables" (*Co. Nos. 44, 230, 240, 263, 460, 562); "Allowance for doubtful notes and accounts" (*Co. Nos. 2, 136, 195, 276, 592); "Allowance of $xxx for doubtful items" (*Co. No. 29); "Allowance for losses on receivables" (*Co. No. 90); "Allowance for possible losses" (*Co. Nos. 38, 42, 258, 371, 526, 561); "Allowance for uncollectible accounts" (*Co. Nos. 78, 486); "Allowance for credit losses" (*Co. No. 462); "Allowance for doubtful items" (*Co. Nos. 134, 137, 153, 598); "Allowance for doubtful" (*Co. Nos. 132, 145, 551); "Allowance for collection losses" (*Co. Nos. 124, 168, 201, 216, 547); "Allowance for losses" (*Co. Nos. 88, 155, 176, 181, 231, 301); "Allowance for possible credit losses" (*Co. No. 227); "Allowance for possible collection losses" (*Co. No. 445); "Allowance for bad debts, returns and discounts" (*Co. No. 162); "Allowance for discounts and doubtful items" (*Co. Nos. 272, 537); "Allowance for doubtful balances and discounts" (*Co. No. 327); "Allowances for doubtful balances, claims, etc. of $xxx" (*Co. No. 308); "Allowance for uncollectible accounts, returns and allowances" (*Co. No. 217); "Less allowances for doubtful accounts, discounts and unearned finance charges" (*Co. No. 573); "Allowance for discounts and uncollectible items" (*Co. No. 252); "Allowance for losses on collection and for deferred carrying charges" (*Co. No. 18); "Allowance of $xxx for discounts, etc." (*Co. No. 193); "Allowance of $xxx for doubtful accounts and deferred service charges" (*Co. No. 196); "Allowance for collection losses and deferred finance charges" (*Co. No. 286).

Reserve—(169 Companies):

"Less reserve" (*Co. Nos. 57, 75, 93, 138, 298, 363, 457); "Reserve for doubtful accounts" (*Co. Nos. 36, 46, 183, 203, 204, 223); "Reserve for doubtful items" (*Co. Nos. 512, 533); "Reserve for losses" (*Co. Nos. 7, 311); "Reserve for collection losses" (*Co. No. 324); "Reserve for doubtful items and cash discounts" (*Co. Nos. 53, 500); "Reserve for bad debts" (*Co. No. 405); "Reserve for cash discounts and bad debts" (*Co. No. 66); "Reserve for doubtful accounts, etc." (*Co. No. 46); "Reserve for doubtful accounts and discounts" (*Co. No. 123); "Less reserve for returns, allowances, and doubtful receivables" (*Co. No. 192); "Less reserves for discounts, returns, allowances and doubtful receivables" (*Co. No. 288); "Less reserve for doubtful accounts, claims and allowances" (*Co. No. 422); "Less reserve for doubtful receivables" (*Co. No. 581); "Less reserves for doubtful notes and accounts, cash discounts, and sales returns and allowances" (*Co. No. 188); "Reserve for losses and unearned interest" (*Co. No. 111); "Less reserve for discounts allowable and doubtful accounts" (*Co. No. 175).

*Refer to Company Appendix Section.

Provision—(33 Companies):

"Provision for allowances, returns and losses" (*Co. No. 477); "Provision for doubtful accounts" (*Co. Nos. 52, 91, 103, 142, 480); "Provision for doubtful notes and accounts" (*Co. No. 280); "Provision for losses" (*Co. Nos. 77, 221); "Provision for possible losses" (*Co. Nos. 377, 596); "Provision for possible losses in collection" (*Co. Nos. 224, 507); "Provision for collection losses" (*Co. No. 400); "Provision for credit losses" (*Co. No. 177); "Provision for discounts and losses" (*Co. No. 64); "Provision for estimated uncollectible accounts" (*Co. No. 125); "Provision for bad debts" (*Co. Nos. 97, 143, 271); "Provided for discounts and possible collection losses" (*Co. No. 191); "Less provision for doubtful accounts and discounts" (*Co. No. 81); "Provision for possible losses and discounts" (*Co. No. 112); "Provision for possible future losses and deferred service charges" (*Co. No. 234); "Net after provision for losses and discounts" (*Co. No. 479); "Provision for estimated doubtful accounts" (*Co. No. 560); "Less provision for estimated uncollectible accounts" (*Co. No. 125); "Less provision for discounts, allowances and possible losses" (*Co. No. 385).

Estimated—(25 Companies):

"Estimated doubtful accounts" (*Co. Nos. 12, 96, 116, 182, 352); "Estimated doubtful amounts" (*Co. Nos. 358, 520); "Estimated collection losses" (*Co. Nos. 321, 417, 451, 494); "Estimated losses" (*Co. No. 449); "Estimated doubtful balances" (*Co. No. 599); "Estimated uncollectible amounts" (*Co. Nos. 438, 452, 549, 583); "Estimated bad debts" (*Co. No. 569); "Estimated uncollectible" (*Co. Nos. 133, 521); "Estimated losses on claims and allowances" (*Co. No. 564); "Estimated allowances" (*Co. No. 13).

Various Other Terms—(14 Companies):

"Less $xxx for doubtful accounts" (*Co. No. 302); "Less $xxx for possible losses in collection" (*Co. Nos. 382, 391); "Accounts receivable net" (*Co. Nos. 94, 366); "Stated on basis of realizable value" (*Co. No. 128); "Less $xxx for doubtful accounts and cash discounts" (*Co. No. 354); "After deduction of $xxx for doubtful accounts and allowances" (*Co. No. 577); "Less estimated doubtful amounts" (*Co. No. 358); "Less estimated doubtful accounts" (*Co. No. 96); "Less estimated losses in collection" (*Co. No. 451); "Less estimated doubtful balances" (*Co. No. 599).

TERMINOLOGY FOR "ACCUMULATED DEPRECIATION"

Table 10 reveals a continuing decrease in the number of companies using the term "reserve" in reference to ac-

TABLE 10: ACCUMULATED DEPRECIATION

Primary Descriptive Term:	*1956	1955	1954	1950
A: "Reserve"—used alone	10	9	9	275
Reserve, etc.	144	155	162	
B: Provision, etc.	10	13	14	17
C: Accumulated, etc.	206	194	181	98
D: Allowance, etc.	126	123	121	108
E: "Depreciation"—used alone	42	41	43	80
Depreciation, etc.	42	45	45	
F: Accrued, etc.	3	3	3	4
G: Estimated, etc.	4	3	3	2
H: Wear and exhaustion	—	1	3	16
Wear of facilities	1	1	1	
Wear and tear	—	—	1	
Portion allocated to operations	4	3	6	
Portion charged to operations	2	1	1	
Amount charged to operations	2	2	1	
Amount charged to expense	1	1	1	
Amount charged to past operations	1	2	2	
Amounts applied to past operations	—	1	1	
Depreciated cost	1	1	1	
Depreciated ledger values	1	1	1	
	600	600	600	600

	Primary Term Shown Above:							None	1956
*1956 Term Used With:	A	B	C	D	F	G	H	Used	Total
Depreciation	66	2	103	61	1	1	2	42	278
Depreciation—amortization	44	6	69	44	1	1	2	24	191
Depreciation—amortization—depletion	12	1	15	10	1	—	—	11	50
Depreciation—amortization—obsolescence	1	—	3	1	—	—	—	1	6
Depreciation—depletion	16	1	11	8	—	1	—	5	42
Depreciation—obsolescence	4	—	3	1	—	—	—	1	9
Other phrases used	1	—	2	1	—	1	9	—	14
"Reserve"—used alone	10	—	—	—	—	—	—	—	10
	154	10	206	126	3	4	13	84	600

cumulated depreciation. In 1950, 275 companies used the term "reserve" as compared with 154 companies in 1956. Increased usage of the term "accumulated" is evident, with a total of 206 companies using this term in 1956 as compared with 98 companies in 1950. The term "allowance" was used in 1956 by 126 companies, and in 1950 by 108 companies. This trend reflects the recommendation of the committee on terminology of the American Institute of Certified Public Accountants that the use of the word "reserve" should be avoided in connection with accounts such as "accumulated depreciation."

The first section of Table 10 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 1956.

*Refer to Company Appendix Section.

Examples

The following examples of various types of balance sheet terminology for accumulated depreciation have been selected from the 1956 survey reports:

Reserve—(154 Companies):

"Reserve(s)" (*Co. Nos. 165, 192, 220, 283, 459, 482, 563); "Reserve(s) for depreciation" (*Co. Nos. 16, 151, 228, 328, 336, 346, 399, 401, 423, 579, 582); "Less depreciation reserves" (*Co. No. 111); "Reserves for depreciation and amortization" (*Co. Nos. 57, 76, 93, 122, 156, 223, 342, 472, 510, 581); "Reserve for depreciation and amortization" (*Co. Nos. 75, 173, 305); "Reserves for depreciation, depletion and amortization" (*Co. Nos. 47, 144, 158, 404); "Less—Reserves for depreciation, amortization and obsolescence" (*Co. No. 49); "Reserves for depreciation and depletion" (*Co. Nos. 167, 365, 387, 437, 478, 556); "Reserves for depreciation, depletion and intangible development costs" (*Co. No. 169); "Reserves for depreciation and depletion and other property reserves" (*Co. No. 353); "Property subject to depreciation and depletion $xxx less reserves" (*Co. No. 331); "Reserves for depreciation and obsolescence" (*Co. No. 123); "Reserve for depreciation and obsolescence charged to operations" (*Co. No. 12); "Reserves for depreciation, amortization and retirement" (*Co. No. 554); "Reserve for depreciation and obsolescence" (shown on the liability side of the balance sheet) (*Co. Nos. 209, 469).

Provision—(10 Companies):

"Provision for depreciation" (*Co. No. 97); "Provision for depreciation and amortization" (*Co. Nos. 64, 70); "Provision for depreciation $xxx, Provision for amortization $xxx" (*Co. No. 412); "Accumulated depreciation, as reflected in the 1924 appraisal, with subsequent provisions for depreciation and amortization" (*Co. No. 106); "Provision for depreciation at normal rates $xxx, Acceleration by amortization $xxx" (*Co. No. 114); "Less provision for depreciation, depletion and amortization, and less property written off" (*Co. No. 568); "Depreciation provided" (*Co. No. 398).

Accumulated—(206 Companies):

"Accumulated depreciation" (*Co. Nos. 22, 27, 30, 43, 85, 105, 121, 142, 164, 177, 200, 208, 258, 272, 315, 361, 371, 381, 446, 561, 577); "Accumulated depreciation and amortization" (*Co. Nos. 19, 55, 96, 98, 103, 154, 229, 234, 262, 348, 358); "Accumulated depreciation, depletion and amortization" (*Co. Nos. 181, 278, 453); "Accumulated depreciation, including $xxx amortization of emergency facilities at December 31, 1956" (*Co. No. 282); "Accumulated depreciation, amortization and obsolescence" (*Co. Nos. 34, 115, 160); "Accumulated depreciation and depletion" (*Co. Nos. 67, 130); "Accumulated depreciation and quarry depletion" (*Co. No. 274); "Accumulated depreciation and obsolescence" (*Co. Nos. 161, 256, 263); "Accumulated depreciation and revaluation" (*Co. No. 373); "Accumulated wear and exhaustion" (*Co. No. 319).

Allowance—(126 Companies):

"Allowance(s) for depreciation" (*Co. Nos. 11, 33, 83, 108, 175, 266, 335, 355, 428, 443, 519, 594); "Allowances for depreciation and depletion" (*Co. Nos. 238, 462, 531); "Allowance for depreciation, depletion, etc." (*Co. No. 210); "Allowances for depreciation, depletion and amortization" (*Co. Nos. 259, 376, 406, 417, 474); "Accumulated allowances for amortization, depletion and depreciation" (*Co. No. 21); "Allowances for depreciation and amortization" (*Co. Nos. 195, 215, 227, 543); "Accumulated allowances for depreciation and amortization" (*Co. Nos. 28, 153); "Allowance for depreciation and obsolescence" (*Co. No. 206); "Allowances for depreciation, amortization and obsolescence" (*Co. No. 345).

Depreciation—(84 Companies):

"Less—Depreciation" (*Co. Nos. 6, 80, 125, 182, 264, 307, 309, 464, 488, 569); "Depreciation and amortization" (*Co. Nos. 74, 92, 599); "Depreciation and obsolescence" (*Co. No. 475); "Depreciation, obsolescence and amortization" (*Co. No. 141); "Depreciation, amortization and depletion" (*Co. Nos. 32, 308, 432, 494, 520); "Depreciation to date" (*Co. No. 356); "Depreciation and amortization to date" (*Co. No. 366); "Depreciation and depletion to date" (*Co. No. 58).

Accrued, Estimated or Various Other Terms—(20 Companies):

"Accrued depreciation" (*Co. No. 532); "Accrued depreciation and amortization" (*Co. No. 450); "Accrued depreciation, depletion and amortization" (*Co. No. 13); "Estimated depreciation" (*Co. No. 515); "Estimated depreciation and depletion" (*Co. No. 318); "Estimated cost of wear and exhaustion (depreciation and amortization)" (*Co. No. 116); "Less—Portion allocated to operations to date as depreciation" (*Co. No. 418); "Less—Accumulated portion of cost allocated to operations as depreciation" (*Co. No. 421); "Less portion of cost charged to operations" (*Co. No. 513); "Portion charged to operations to date as depreciation and amortization" (*Co. No. 590); "Less—Amount charged to operations to date" (*Co. No. 79); "Plant and equipment at depreciated cost" (*Co. No. 317); "Real estate, machinery, equipment, etc. (at depreciated ledger values)" (*Co. No. 484).

TERMINOLOGY FOR "INCOME TAX LIABILITY"

The balance sheets of the 600 survey companies disclosed varying terminology in the presentation of income tax liability. 328 companies used descriptive terms such as "estimated," "accrued," "provision," or "reserve" in conjunction with other words to disclose their tax liability. The remaining 246 companies, disclosing an income tax liability, simply indicated the nature of the tax without further descriptive terminology.

Table 11 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 Certified Public 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 1956 survey reports:

Estimated—(119 Companies):

"Federal taxes on income—estimated" (*Co. Nos. 104, 147, 246, 370, 376, 411, 476, 515); "Estimated taxes on income" (*Co. Nos. 81, 221, 488, 575); "Income taxes—estimated" (*Co. Nos. 84, 227); "U. S. Federal income taxes—estimated" (*Co. No. 310); "Estimated federal taxes on income, less advance payments of $xxx" (*Co. No. 345); "Estimated federal income taxes" (*Co. Nos. 219, 438); "Estimated liability for federal income taxes" (*Co. No. 106); "Federal and state taxes on income—estimated" (*Co. Nos. 110, 171, 284, 320, 429); "Estimated Federal and other taxes on income" (*Co. No. 447); "Federal and other taxes based on income (estimated)" (*Co. No. 517); "Taxes on Income—estimated" (*Co. Nos. 2, 441, 460, 485); "Federal and Canadian taxes on income—estimated" (*Co. No. 293); "Estimated Federal and Canadian taxes on income" (*Co. No. 592); "Estimat-

*Refer to Company Appendix Section.

TABLE 11: INCOME TAX LIABILITY

Primary Descriptive Term:	*1956	1955	1954	1950
Estimated, etc.	119	128	128	109
Provision, etc.	85	93	97	130
Reserve, etc.	21	23	23	48
Accrued, etc.	103	100	106	122
None Used With—				
Federal income taxes	219	215	209	
Income taxes	16	19	15	180
Taxes	11	12	9	
Total	574	590	587	589
No income tax liability	26	10	13	11
	600	600	600	600

*1956 Descriptive Term Used With:	Estimated	Provision	Reserve	Accrued	Used Alone	1956 Total
Federal income tax	55	41	10	36	144	286
Federal and state income taxes	19	9	2	7	20	57
Federal, state and foreign taxes	5	3	—	4	7	19
Federal and foreign income taxes	23	11	7	9	48	98
Income taxes	17	16	1	13	16	63
Taxes	—	5	1	34	11	51
Total	119	85	21	103	246	574

ed United States and foreign income taxes" (*Co. No. 561); "Federal and Canadian income taxes (estimated)" (*Co. No. 357); "Federal, state and Canadian taxes on income—estimated" (*Co. No. 215); "Federal income taxes, for current and prior years, estimated"; "Pennsylvania income taxes, estimated" (*Co. No. 259); "United States and British taxes on income and estimated provisions for renegotiation refunds" (*Co. No. 65); "Estimated income taxes and renegotiation" (*Co. No. 113); "Estimated Federal taxes on income and renegotiation" (*Co. No. 209); "Estimated federal income taxes and renegotiation" (*Co. Nos. 12, 332); "Estimated Federal and foreign income taxes and renegotiation, less government securities of $xxx —1956; $xxx—1955" (*Co. No. 139); "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. 479); "United States and foreign taxes on income—estimated" (*Co. No. 41); "Estimated income taxes" (*Co. Nos. 387, 577); "Estimated income taxes (less Government obligations $xxx)" (*Co. No. 539); "Federal, foreign and state taxes based on income, estimated" (*Co. No. 115); "Estimated Federal taxes on income" (*Co. Nos. 191, 341); "Federal and Canadian income taxes, estimated, less U. S. Government obligations at cost and accrued interest ($xxx and $xxx)" (*Co. No. 359); "United States and Canadian taxes on income, estimated, (less U. S. Treasury Notes 1955—$xxx)" (*Co. No. 424); "Federal and foreign taxes on income—estimated" (*Co. No. 510); "Estimated federal and state income taxes" (*Co. No. 585); "Federal and state income taxes and renegotiation, estimated" (*Co. No. 477); "Estimated U. S. and Canadian income taxes" (*Co. No. 333).

Provision—(85 Companies):

"Provision for federal income tax(es)" (*Co. Nos. 130, 161, 195); "Provision for federal taxes on income" (*Co. Nos. 143, 165, 378, 380, 584); "Provision for Federal income taxes" (*Co. No. 184); "Provision for taxes on income" (*Co. Nos. 75, 323, 372, 580); "Provision for income taxes" (*Co. Nos. 54, 153, 427); "Provision for federal and state taxes on income" (*Co. Nos. 162, 531); "Provision for federal and state taxes" (*Co. No. 399); "Provision for federal and state income taxes" (*Co. No. 131); "Provisions for estimated federal and state income and other taxes less treasury tax anticipation Certificates and interest thereon of $xxx at December 31, 1956 and $xxx at December 31, 1955" (*Co. No. 413); "Provision for Federal and State Income taxes" (*Co. No. 340); "Provision for Federal and State taxes on income" (*Co. No. 337); "Provision for Federal, state and foreign taxes on income" (*Co. No. 455); "Provision for Federal, state and foreign income taxes" (*Co. No. 218); "Provision for Federal, State and Canadian income taxes" (*Co. No. 360); "Provision for United States and Canadian taxes on income and for renegotiation" (*Co. No. 103); "Provision for Federal and Canadian income taxes" (*Co. Nos. 174, 581); "Provision for Federal and Canadian taxes on income less U. S. Government securities of $xxx in 1956 and $xxx in 1955" (*Co. No. 349); "Provision for Federal and foreign income taxes" (*Co. No. 228); "Provision for federal and foreign taxes on income" (*Co. Nos. 32, 330); "Provision for federal and other taxes" (*Co. No. 242); "Provision for United States and foreign taxes on taxable net income, less United States and United Kingdom tax certificate" (*Co. No. 40); "Provision for Federal and

*Refer to Company Appendix Section.

state taxes on income and for renegotiation" (*Co. No. 526); "Provision for taxes on income and other corporate taxes for current and prior years, estimated" (*Co. No. 173); "Provisions for taxes, including federal taxes on income" (*Co. No. 404); "Provisions for income, social security, property and sundry taxes" (*Co. No. 465); "Provision for taxes and other liabilities" (*Co. No. 568); "Provision for federal, state, and other taxes" (*Co. No. 214); "Provision for taxes" (*Co. No. 454); "Provision for taxes including taxes on income" (*Co. No. 21); "Provision for foreign taxes on income" (*Co. No. 276); "Estimated provision for taxes based on income" (*Co. No. 280); "Provision for federal taxes" (*Co. No. 335); "Provision for income taxes for current and prior years" (*Co. No. 536); "Income taxes, provision for" (*Co. No. 25).

Reserve—(21 Companies):

"Reserve for Federal taxes on income" (*Co. Nos. 86, 87, 100, 303); "Reserve for taxes on income" (*Co. No. 159); "Reserve for Federal income tax(es)" (*Co. Nos. 63, 291, 342, 374, 572); "Reserve for Federal and foreign taxes on income" (*Co. Nos. 397, 563); "Reserve for estimated Federal and Canadian taxes on income" (*Co. No. 437); "Reserve for U. S. A., Canadian and Cuban taxes on income" (*Co. No. 595); "Reserves for U. S. and Cuban taxes on income" (*Co. No. 49); "Reserve for Federal and Canadian income taxes" (*Co. No. 91); "State and Federal taxes (Reserve)" (*Co. No. 186); "Reserves for federal, state and local taxes" (*Co. No. 472); "Reserve for Federal and Canadian Income Taxes and Renegotiation" (*Co. No. 548); "Reserve for Federal, State and Canadian income taxes" (*Co. No. 7); "Reserve for Estimated Federal Income Taxes" (*Co. No. 24).

Accrued—(103 Companies):

"Accrued federal income tax(es)" (*Co. Nos. 240, 453); "Accrued taxes on income" (*Co. Nos. 494, 571, 599); "Accrued federal and state taxes" (*Co. No. 442); "Accrued federal, state, local and foreign taxes" (*Co. No. 500); "Accrued federal and Canadian income taxes" (*Co. No. 461); "Accrued Federal and Canadian taxes on income" (*Co. No. 176); "Accrued federal, state and local taxes" (*Co. No. 1); "Accrued federal, state and other taxes" (*Co. No. 238); "Accrued federal and foreign taxes on income" (*Co. No. 36); "Accrued taxes—including taxes on income" (*Co. No. 150); "Accrued Federal income taxes and renegotiation of government contracts" (*Co. No. 567); "Accrued income taxes—U. S. and foreign" (*Co. No. 278); "Accrued taxes" (*Co. Nos. 141, 255, 311, 576, 598); "Accrued income taxes" (*Co. Nos. 180, 232, 418); "Accrued taxes, less United States Government securities of $xxx at December 31, 1956 and $xxx at December 31, 1955" (*Co. No. 569); "Accrued federal income and other taxes" (*Co. No. 338); "Accrued taxes, less U. S. Treasury Tax Anticipation Certificates at cost of $xxx" (*Co. No. 62); "Accrued taxes: Federal income (less United States Government securities—1956, $xxx; 1955, $xxx)" (*Co. No. 20); "Accrued taxes: Federal income taxes" (*Co. No. 61); "Accrued taxes: Federal, state and foreign taxes on income (etc.)" (*Co. No. 588); "Accrued taxes: United States and foreign income taxes" (*Co. No. 436); "Accrual for Federal, state and foreign taxes on income" (*Co. No. 408); "Accrued liabilities: Taxes on income" (*Co. No. 155); "Accrued liabilities: Federal Income and Other Taxes, and Renegotiation" (*Co. No. 551); "Accrued liabilities: Taxes" (*Co. No. 419); "Federal and state taxes (accrued and contingent)" (*Co. No. 475); "Taxes accrued" (*Co. Nos. 270, 328); "Tax accruals" (*Co. No. 167); "Taxes payable and accrued" (*Co. Nos. 120, 274, 347); "Taxes payable and accrued: income taxes" (*Co. No. 230); "Accrued accounts: Federal, state, and local taxes" (*Co. No. 400); "Accrued accounts: Federal and foreign income taxes" (*Co. No. 295); "Accrued federal, state and municipal taxes, estimated" (*Co. No. 212); "Federal, Canadian and other taxes accrued" (*Co. No. 254); "Accruals: Federal and Canadian income taxes" (*Co. No. 200); "U. S. Federal and State income tax accruals; Canadian and other foreign income tax accruals" (*Co. No. 312).

*Refer to Company Appendix Section.

Federal income tax—(221 Companies):

"Federal taxes on income" (*Co. Nos. 170, 322); "Federal income taxes" (*Co. Nos. 18, 80, 249); "Federal income and other taxes" (*Co. No. 540); "Federal income and all other taxes" (*Co. No. 163); "Federal and state income and other taxes payable" (*Co. No. 123); "Federal and state income taxes" (*Co. Nos. 112, 297); "Federal and state taxes on income" (*Co. Nos. 443, 574); "Federal taxes on income (including prior years, 1956—$xxx; 1955—$xxx)" (*Co. No. 288); "Federal, state and foreign taxes on income" (*Co. No. 489); "Federal, Canadian and State income taxes" (*Co. No. 384); "Federal and Canadian income taxes" (*Co. No. 486); "United States, Canada, and other taxes on income" (*Co. No. 245); "United States and Canadian income taxes" (*Co. Nos. 253, 562); "United States and foreign taxes on income" (*Co. Nos. 158, 203); "United States and foreign taxes based on income" (*Co. No. 128); "Federal income taxes and in 1955 renegotiation of government contracts" (*Co. No. 468); "Federal and foreign taxes on income and renegotiation" (*Co. No. 239); "Federal income taxes and renegotiation" (*Co. No. 38); "Federal taxes on income and renegotiation" (*Co. No. 96); "Federal and other income taxes" (*Co. No. 523); "Federal and other taxes on income" (*Co. No. 552); "Federal, state, and territorial taxes on income" (*Co. No. 157); "Federal income tax liability (less U. S. Treasury obligations held for payment thereof: 1956—$xxx; 1955—$xxx)" (*Co. No. 529); "Liability for Federal income taxes of companies acquired" (*Co. No. 541); "Federal income tax(es) payable" (*Co. Nos. 196, 511); "Federal, state and local taxes" (*Co. No. 499); "Federal, state and other taxes" (*Co. No. 37); "United States taxes less U. S. Treasury securities—1956—$xxx; 1955—$xxx" (*Co. No. 271); "United States, Canadian, state and sundry taxes, less United States Treasury obligations—at cost, plus accrued interest—1956 $xxx; 1955 $xxx" (*Co. No. 348); "Federal income taxes (less U. S. Government Securities, $xxx)" (*Co. No. 124); "Federal and State income taxes, less governmental securities of $xxx in 1956 and $xxx in 1955" (*Co. No. 365); "Federal income and excess profits taxes and renegotiation" (*Co. No. 344).

Income Taxes—(17 Companies):

"Taxes on income" (*Co. Nos. 58, 152, 445, 464, 530); "Income taxes" (*Co. Nos. 101, 134, 213, 346, 383); "Income and social security taxes" (*Co. No. 175); "Income

AMERICAN BOX BOARD COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
November 30, 1956 and 1955

	1956	1955
CURRENT ASSETS:		
Cash	$ 1,675,995	$ 2,063,460
Receivables from customers, less allowances for discounts and doubtful accounts	1,708,867	1,701,098
Inventories, at lower of average cost or market:		
Finished products and work in process	1,178,369	862,808
Raw materials and supplies	2,973,440	2,733,310
TOTAL CURRENT ASSETS	$ 7,536,671	$ 7,360,676
CURRENT LIABILITIES:		
Payable to bank	$ 1,000,000	$ –
Payable to suppliers and others	1,563,952	1,045,955
Payable to employees and stock bonus and pension funds	928,482	1,249,018
Federal income taxes, less Treasury notes of $1,493,004 in 1955	2,305,485	1,452,089
TOTAL CURRENT LIABILITIES	$ 5,797,919	$ 3,747,062
NET CURRENT ASSETS (working capital)	$ 1,738,752	$ 3,613,614
PLANT AND OTHER ASSETS:		
Buildings, machinery, and equipment, at cost, less accumulated allowances for depreciation and amortization of $10,218,221 in 1956 and $8,505,971 in 1955	18,810,351	14,129,384
Land and timberlands, at cost	779,183	443,113
Prepaid expenses and miscellaneous, including $264,580 intangibles in 1956	597,952	282,977
TOTALS	$21,926,238	$18,469,088
LONG-TERM LIABILITIES:		
4% junior convertible notes due in 1975	3,000,000	–
4¾% mortgage bonds retired in 1956	–	2,347,000
NET ASSETS (stockholders' investment)	$18,926,238	$16,122,088
STOCKHOLDERS' INVESTMENT:		
Common stock, $1 par value – shares authorized 2,000,000; in treasury 1,363; outstanding 797,951 in 1956 and 754,286 in 1955	$ 797,951	$ 754,286
Paid-in capital in excess of par value	11,724,953	10,252,885
Earnings retained in the business (excluding earnings retained through stock dividends)	6,403,334	5,114,917
TOTAL STOCKHOLDERS' INVESTMENT	$18,926,238	$16,122,088

NOTES TO 1956 CONSOLIDATED FINANCIAL STATEMENTS

LONG-TERM LIABILITIES:

The company has financial arrangements whereby it will issue prior to December 1, 1957 $10,000,000 of 4% Senior Notes due December 1, 1977, and may issue prior to December 1, 1958 an additional $1,000,000 of 4% Junior Convertible Notes. It intends to use these funds in the construction of a new mill and related facilities at Filer City, Michigan, which is presently estimated to cost $17,700,000 when completed, of which $4,188,000 had been expended at November 30, 1956.

The loan agreements provide for aggregate annual payments of $500,000 commencing December 1, 1958, and $900,000 commencing December 1, 1966. The Junior Convertible Notes are redeemable at the option of the company at 109.33% to December 1, 1961, and the Senior Notes at 104% to December 1, 1958, and at diminishing premium rates thereafter.

Dividends and other cash distributions on the company's capital stock are limited to 75% of the consolidated earnings from November 30, 1954. The amount of consolidated earnings retained in the business restricted at November 30, 1956, was $4,937,896.

The 4% Junior Convertible Notes are convertible into common stock of the company at a conversion price of $42.25 per share to December 1, 1960, $44.75 per share to December 1, 1965, and $47.25 per share thereafter. The company has reserved 94,674 shares of its authorized and unissued common stock for this purpose.

PENSION AND STOCK BONUS PLANS:

Contributions to employees' pension plans totaled $279,000 for 1956, which applied to current service. Contributions for 1955 totaled $593,257, of which $264,200 applied to current service and $329,057 to past service. The remaining past service cost at November 30, 1956, was estimated to be $3,650,000.

The parent company has a stock bonus (profit-sharing) plan in effect for its salaried employees, under which contributions of $346,633 were made for 1956 and $306,454 for 1955.

INCENTIVE STOCK OPTION PLAN:

Of the authorized capital stock, 73,500 shares are reserved under an incentive stock option plan for officers and executives. At November 30, 1956, options were outstanding for 23,400 shares at $31.50 per share, expiring in 1963. The option price represents the market price immediately prior to the granting of the options.

and other taxes" (*Co. No. 73); "Taxes—Federal excise, income, property, etc." (*Co. No. 298); "United States Taxes on Income, less U. S. Treasury Securities: 1956—$xxx; 1955—$xxx" (*Co. No. 235).

Taxes—(12 Companies):

"Taxes" (*Co. No. 321); "United States, Canadian, state and sundry taxes, less United States Treasury obligations—at cost, plus accrued interest—1956, $xxx; 1955, $xxx" (*Co. No. 348); "Federal, state and local taxes" (*Co. No. 499); "Federal, State and other taxes" (*Co. No. 37); "Taxes (less Government securities of $xxx in 1956 and $xxx in 1955)" (*Co. No. 181); "United States taxes less U. S. Treasury Securities—1956—$xxx, 1955—$xxx" (*Co. No. 271); "Domestic and Foreign Taxes" (*Co. No. 351); "Local, State and Federal Taxes" (*Co. No. 560); "General and Federal taxes" (*Co. No. 597).

TITLE OF THE "STOCKHOLDERS' EQUITY" SECTION

Table 12 summarizes the diversity of titles used by the 600 survey companies in describing the stockholders' equity section of the balance sheet in their published annual reports. The number of companies using "stockholders' equity" or "shareholders' equity" or a title incorporating these terms continued to increase in the current year. The table discloses a tendency to use less frequently the terms "capital" and "capital stock and surplus." These terms are still used by more than one-third of the survey companies but the number has decreased each year.

Examples

The following examples of titles appearing over the stockholders' equity section of the balance sheet have been selected from the 1956 annual reports of the survey companies:

"Capital stock and surplus" (*Co. Nos. 76, 183, 268, 347, 469, 522); "Capital stock and earned surplus" (*Co. Nos. 188, 341); "Capital and surplus" (*Co. Nos. 24, 299, 353, 379, 583); "Capital stock and retained earnings" (*Co. Nos. 5, 146, 277, 461); "Capital stock and accumulated earnings" (*Co. No. 536); "Capital stock and accumulated income" (*Co. No. 289); "Capital stock and earnings reinvested" (*Co. No. 308).

"Capital and retained earnings" (*Co. Nos. 51, 327, 558); "Equity capital and retained earnings" (*Co. No. 311).

"Capital and accumulated earnings" (*Co. No. 104); "Capital" (*Co. Nos. 30, 139, 216, 378, 576); "Capital invested in the business" (*Co. No. 535); "Net worth" (*Co. No. 434).

"Ownership" (*Co. No. 445); "Ownership evidenced by" (*Co. Nos. 254, 329, 569); "Ownership interest" (*Co. No. 278); "Ownership of net assets" (*Co. Nos. 19, 214, 454); "Source from which capital was obtained" (*Co. Nos. 119, 349); "Sources from which net assets were obtained" (*Co. Nos. 398, 407); "Sources from which capital was derived" (*Co. No. 186); "Represented by" (*Co. Nos. 78, 219, 397, 596); "Derived from" (*Co. Nos. 418, 560); "Provided by" (*Co. No. 488).

*Refer to Company Appendix Section.

TABLE 12: STOCKHOLDERS' EQUITY SECTION

Balance Sheet Title	1956	1955	1954
Capital stock and surplus	129	138	138
Capital stock and earned surplus	2	1	2
Capital stock (shares) and surplus	—	—	1
Capital and surplus	8	8	10
Capital stock and retained earnings	12	11	12
Capital stock and accumulated earnings	1	1	1
Capital stock and accumulated (earnings, income) [retained, invested]	1	2	2
Capital stock and (earnings, retained profits) [invested, reinvested]	3	3	2
Capital and retained earnings	10	14	12
(Equity, stated) capital and retained earnings	1	2	1
Capital and (accumulated earnings, profit retained and employed)	2	—	2
Capital	62	66	67
Capitalization	—	1	1
Capital (accounts, invested, investment, structure)	4	5	5
Investment represented by	—	—	1
Net worth	1	1	3
Ownership	1	1	2
Ownership evidenced by	3	3	4
Ownership (equities, interest)	2	2	2
Ownership of net assets	3	3	1
Source from which capital was obtained	2	2	3
Sources from which net assets were obtained	2	1	1
Sources from which capital was derived	1	1	1
Represented by	13	17	16
Derived from	4	3	4
Provided by	1	1	1
Stockholders' equity	139	122	117
Stockholders' investment	46	46	52
Stockholders' ownership	7	7	6
Stockholders' interest	4	2	3
Stockholders' capital	1	1	1
Shareholders' equity	62	56	43
Shareholders' investment	16	10	11
Shareholders' ownership	—	1	1
Shareholders' interest	2	3	3
Shareholders' capital	1	1	1
Derived from shareholders	1	1	1
Shareowners' equity	8	7	7
Shareowners' investment	5	6	5
Investors' equities	1	1	1
Capital stock, surplus, and reserve	1	1	1
Total	562	552	548
No title set forth	38	48	52
	600	600	600

"Stockholders' equity" (*Co. Nos. 81, 133, 202, 218, 333, 350, 430, 591); "Stockholders' investment" (*Co. Nos. 99, 168, 201, 358, 499, 547); "Stockholders' ownership" (*Co. Nos. 12, 245, 502); "Stockholders' interest" (*Co. Nos. 203, 521); "Stockholders' capital" (*Co. No. 381).

"Shareholders' equity" (*Co. Nos. 52, 136, 215, 345, 451, 531); "Shareholders' investment" (*Co. Nos. 142, 243, 496); "Shareholders' interest" (*Co. Nos. 470, 590); "Shareholders' capital" (*Co. No. 285); "Derived from shareholders" (*Co. No. 75).

"Shareowners' equity" (*Co. Nos. 213, 370, 556); "Shareowners' investment" (*Co. Nos. 158, 432); "Investors' equities" (*Co. No. 63); "Capital stock, surplus, and reserve" (*Co. No. 340).

"CAPITAL SURPLUS" CAPTION IN THE BALANCE SHEET

Accounting Terminology Bulletin Number 1, Review and Résumé issued by the committee on terminology of the American Institute of Certified Public Accountants reaffirms the recommendation made by the Committee in 1949 that the use of the term "surplus" be discontinued in the balance-sheet presentation of stockholders' equity. 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." In the current year, the trend continued toward the elimination of the term "surplus" with 18 additional companies replacing the term. In 1956, only 254 of the survey companies used the term "surplus" in their balance-sheet captions, as compared with 375 in 1948, as shown in Table 13.

Sources of Capital Surplus

The committee on terminology (*Accounting Terminology Bulletin Number 1, Review and Résumé*) stated that in adopting new terminology, when replacing the term "surplus," consideration should be given primarily to the sources from which the proprietary capital was derived. Table 14 shows the nature of the information disclosed in the balance sheet caption by the survey companies as to the source of capital surplus.

Examples

The following examples, taken from the 1956 annual reports of the survey companies, are illustrative of the various phrases used to describe "capital surplus."

Captions Retaining "Surplus"—(254 Companies)
Source Indicated

"Paid-In Surplus (increased during the year by $xxx) from Preferred Stock converted or acquired for sinking fund" (*Co. No. 298).

"Capital Surplus (arising from Capital Stock transactions)" (*Co. No. 90).

"Surplus arising through capital transactions" (*Co. No. 55).

"Capital Surplus—Excess of approximate market value over par value of common stock issued as dividends" (*Co. No. 544).

"Capital Surplus (from redemption of Preferred Stock)" (*Co. No. 482).

"Capital Surplus (arising from the retirement of prior preferred stock)" (*Co. No. 514).

"Paid-in Surplus—arising from sale of stock for amounts in excess of par value (no change during 1956)" (*Co. No. 566).

"Capital Surplus—Excess of amount received from sale of treasury stock over par value of stock sold" (*Co. No. 8).

"Paid-in Surplus from conversion of convertible preferred stock" (*Co. No. 267).

"Paid-in Surplus (Resulting from companies combined during 1956)" (*Co. No. 532).

"Capital Surplus (increase represents excess of proceeds over stated value of shares of common stock issued under stock options exercised)" (*Co. No. 516).

"Other (Capital Surplus)—Principally amount paid the company for capital stock in excess of par value" (*Co. No. 589).

Source Not Indicated

"Capital Surplus" (*Co. Nos. 16, 186, 420, 563, 567, 568, 582, 583, 585).

"Capital Surplus, Paid-in" (*Co. No. 15).

"Paid-in Surplus" (*Co. Nos. 322, 380, 397).

"Paid-in Surplus; Capital Surplus" (*Co. Nos. 233, 453).

"Paid-in Surplus; Other Capital Surplus" (*Co. No. 415).

"Capital (Paid-in) Surplus" (*Co. No. 122).

"Initial Surplus" (*Co. No. 17).

"Recapitalization Surplus" (*Co. No. 448).

Captions Replacing "Surplus"—(222 Companies)
Source Indicated

"Capital Contributed and Earnings Capitalized in excess of stated value of common stock" (*Co. No. 494).

"Capital Paid-in in excess of par value of stock issued, etc." (*Co. No. 360).

"Capital in excess of par value" (*Co. Nos. 51, 88, 523).

"Shareholders' Investment in excess of par value (Paid-in Surplus)" (*Co. No. 378).

"Other Capital Contributed upon issuance of shares—Page 17" (*Co. No. 450).

"Paid by Shareowners or transferred from accumulated retained earnings" (*Co. No. 454).

"Capital contributed for stock in excess of par value" (*Co. No. 449).

"Investment in excess of par value (No change in year)" (*Co. No. 419).

"Excess of stockholders' investment over par value of common stock" (*Co. No. 245).

"Capital in excess of redemption price and par value of outstanding shares (Note 3)" (*Co. No. 64).

"Capital Assigned to Common Shares in Excess of Stated Value" (*Co. No. 281).

*Refer to Company Appendix Section.

"Earnings Capitalized and other additions to Capital (Note 6)" (*Co. No. 319).

"Amount in excess of par value" (*Co. No. 520).

"Other Paid-in Capital (increased in 1956 by $xxx gain on sale of Treasury Stock)" (*Co. No. 473).

"Excess of book value of net assets of subsidiaries at acquisition over cost of investment" (*Co. No. 588).

"Excess of net proceeds from capital stock issued over par values" (*Co. No. 50).

"Excess of proceeds received from the sale of treasury shares over the cost thereof" (*Co. No. 333).

"Value over cost of treasury stock disposed of" (*Co. No. 200).

"Capital derived from: Conversions, retirements, premiums on stock issued, and merger; Earnings capitalized in 1956: Excess of market over par value (see note)" (*Co. No. 216).

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

"Capital arising from revision of capital stock structure in prior years" (*Co. No. 252).

"Retained Earnings allocated to Stated Capital" (*Co. No. 430).

"Additional Paid-in Capital (Premiums less expenses on common stock issued)" (*Co. No. 354).

"Excess of amount received over stated value of common stock issued" (*Co. No. 316).

"Capital in excess of par value of shares (in 1956 increased by $xxx excess of proceeds over cost of treasury

TABLE 13: CAPITAL SURPLUS CAPTION

Balance Sheet Captions	1956	1955	1954	1950	1948
Including term "surplus"—					
Capital surplus (Note A)	183	195	191	224	257
Paid-in surplus	50	54	54	72	92
Capital surplus—paid-in	9	9	13	4	4
Surplus (classified) (Note B)	3	2	6	4	5
Surplus (unclassified) (Note C)	9	10	8	15	17
Surplus reinvested (unclassified)	—	1	1	—	—
Total retaining term "surplus"	254	271	273	319	375
Total replacing term "surplus"**	222	204	193	126	70
Total presenting accounts	476	475	466	445	445
Not presenting accounts	124	125	134	155	155
	600	600	600	600	600
Percentage of Companies					
Retaining term "surplus"	53	57	59	71	84
Replacing term "surplus"	47	43	41	29	16
	100%	100%	100%	100%	100%

Note A: Includes seven instances where "Capital surplus" and "Paid-in surplus" appeared with separate dollar amounts designated for each (*Co. Nos. 191, 233, 249, 250, 415, 453, 541).
Note B: Includes the usage of "Recapitalization Surplus" (*Co. No. 448) since 1950 and the usage of "Initial Surplus" (*Co. No. 17) each year.
Note C: *Co. Nos. 47, 92, 138, 141, 320, 338, 441, 458, 466.
*Refer to Company Appendix Section.

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

	1956	1955	1954
Additional paid-in capital	60	50	48
Capital paid-in or Paid-in capital	5	5	3
Other paid-in capital	5	5	5
Additional capital	11	8	9
Other capital	10	12	10
Other contributed capital	2	1	1
Capital contributed by owners	—	1	1
Sundry capital credits	1	1	1
Capital in excess of par or stated values	68	64	53
Amount in excess of par value	5	4	2
Investment in excess of (par, stated) value	6	6	6
Capital (contributed, received) in excess of (par, stated, par or stated) values	14	12	13
Capital paid-in in excess of par value	10	11	10
Amount (paid-in, paid-in or assigned, realized, received) in excess of (par, stated, par or stated) values	12	8	13
Excess of (amounts received, amounts contributed, amounts paid-in, capital paid-in, net proceeds) over (par, stated) values	2	1	2
(Paid-in, premium received) in excess of par value	1	1	1
Capital arising from (conversion, retirement, stock dividends)	1	—	1
(Paid-in) capital arising from reduction in par value shares	—	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
Earnings (segregated, transferred, allocated, capitalized)	1	3	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	1	2	4
Earnings of subsidiary at acquisition	1	1	1
Retained earnings transferred to capital	2	1	1
Common shareholders' equity	—	1	1
Excess of value assigned to properties acquired over par value of capital stock issued therefor	1	1	—
Common stockholders: capital	—	1	1
Value over cost of treasury stock disposed of	1	—	—
Total	222	204	193

shares sold to officers and key employees); balance of $xxx transferred to common capital stock" (*Co. No. 146).

"Amount paid the company for capital stock in excess of par value (Capital Surplus) (Note 5)" (*Co. No. 12).

"Other Capital (transferred from accumulated earnings in connection with stock dividends)" (*Co. No. 125).

Source Not Indicated

"Paid-in Capital" (*Co. Nos. 58, 485).

"Additional Paid-in Capital" (*Co. Nos. 3, 52, 72, 142, 505).

"Other Paid-in Capital" (*Co. Nos. 14, 502).

"Other Contributed Capital, no change during year" (*Co. No. 11).

"Additional Capital" (*Co. Nos. 21, 189).

"Sundry Capital Credits (no change during year)" (*Co. No. 26).

"Other Capital" (*Co. Nos. 96, 180).

"Donated Capital" (*Co. No. 505).

"Additional Paid-in Capital (no change during year)" (*Co. No. 208).

"Additional Capital, per accompanying statement" (*Co. No. 350).

"Additional Paid-in Capital, per accompanying statement" (*Co. No. 358).

TABLE 14: SOURCE OF CAPITAL SURPLUS

Source Set Forth in Caption	1956	1955
Excess (received, paid-in, contributed) over par value	103	100
Excess (received) over par or stated value	14	11
Excess received over stated value (stated amounts, value shown)	6	10
Earnings capitalized	4	7
Revision in capital structure	2	3
Retirement of capital stock	3	2
Conversion of preferred stock	3	3
Sale of treasury stock	4	4
Revaluation of capital assets	—	1
Subsidiary acquisition or merger	3	7
Common shareholders' (stockholders') equity	—	2
Excess of par value over cost (treasury stock)	1	—
Total	143	150
Number of Companies		
Referring to source of capital surplus	143	150
Not referring to source of capital surplus	333	325
Not referring to capital or unclassified surplus	124	125
	600	600

"RETAINED EARNINGS" CAPTION IN THE BALANCE SHEET

Table 15 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 1956 there were only 236 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 Certified Public 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 15 shows that the 364 survey companies which in 1956 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.

Table 16 shows the frequency of use of the various combinations of words indicating the *status* and *source* of retained earnings as set forth in the 1956 balance sheets of the survey companies. This tabulation discloses that the words "retained' and "earnings" have been adopted most often to replace the term "earned surplus."

*Refer to Company Appendix Section.

Examples

The following examples illustrate the terminology used in the presentation of retained earnings (See Section 4, Retained Earnings and Capital Surplus):

Earnings—(314 Companies):

"Earnings retained" (*Co. Nos. 67, 194); "Retained earnings" (*Co. Nos. 59, 164, 170, 219, 283, 534, 540); "Earnings retained in the business" (*Co. Nos. 39, 61, 158, 199, 295, 461); "Earnings retained for use in the business" (*Co. No. 177); "Earnings retained and used in the business" (*Co. Nos. 214, 314); "Retained earnings used in the business" (*Co. No. 539); "Accumulated earnings reinvested in the business" (*Co. Nos. 75, 104); "Accumulated earnings used in the business" (*Co. Nos. 132, 366); "Accumulated earnings retained in the business" (*Co. Nos. 149, 368, 591); "Accumulated retained earnings" (*Co. No. 224); "Accumulated earnings employed in the business" (*Co. Nos. 234, 421, 571); "Accumulated earnings retained for use in the business" (*Co. Nos. 334, 483, 501); "Accumulated earnings" (*Co. Nos. 335, 369, 439, 494, 536); "Accumulated earnings, retained and used in the business" (*Co. No. 445); "Earnings reinvested in the business" (*Co. Nos. 29, 134, 207, 308, 330, 358, 362, 492, 504); "Earnings reinvested" (*Co. Nos. 193, 197, 200, 318); "Reinvested earnings" (*Co. Nos. 254, 400, 463, 556); "Earnings reinvested and employed in the business" (*Co. No. 520); "Earnings employed in the business" (*Co. Nos. 14, 32, 63, 64, 109, 124, 140, 162, 236, 255, 417, 444, 478, 496, 503, 529); "Earnings used in the business" (*Co. Nos. 490, 570); "Invested earnings—used for plant additions and working capital" (*Co. No. 3); "Earnings invested in the business" (*Co. Nos. 89, 438, 450, 511, 546).

Income—(42 Companies):

"Net income retained for use in the business" (*Co. Nos. 311, 384); "Income retained in the business" (*Co. Nos. 12, 105, 136, 205, 373, 589); "Income retained for use in the business" (*Co. Nos. 42, 46, 333, 471, 531, 577); "Income retained and invested in the business" (*Co. No. 390); "Net income retained in the business" (*Co. No. 486); "Accumulated income retained for use in the business" (*Co. Nos. 34, 289); "Accumulated net income retained for use in the business" (*Co. No. 382); "Accumulated income used in the business" (*Co. No. 491); "Income reinvested or employed in the business" (*Co. Nos. 470, 586); "Income reinvested in the business" (*Co. Nos. 488, 569); "Income employed in the business" (*Co. Nos. 286, 596); "Net income employed in the business" (*Co. No. 521); "Income invested in the business" (*Co. Nos. 106, 116, 235); "Net income invested in the business" (*Co. No. 290).

Profit—(6 Companies):

"Profits retained in the business" (*Co. No. 515); "Reinvestment of profit" (*Co. No. 148); "Profits reinvested in the business" (*Co. No. 189); "Retained profits reinvested" (*Co. No. 544); "Profit employed in the business" (*Co. No. 128); "Undivided Profits" (*Co. No. 186).

Earned Surplus—(226 Companies):

"Earned surplus—earnings retained in the business" (*Co. No. 43); "Earned surplus (earnings retained in the business)" (*Co. No. 519); "Earned surplus" (*Co. Nos. 49, 107, 117, 139, 159, 161, 175, 192, 291, 310, 365, 413, 427, 467, 565, 600); "Earned surplus (retained earnings)"

*Refer to Company Appendix Section.

TABLE 15: TERMS REPLACING "EARNED SURPLUS"

Earned Surplus Replaced:	1956	1955	1954	1950	1948
With "source" words—					
Earnings	315	302	292	204	69
Income	42	43	42	35	21
Profit	6	6	9	8	8
Deficit	1	1	—	1	1
	364	352	343	248	99
Combined with "status" words—					
Retained	271	249	248	154	60
Accumulated	29	38	35	37	5
Reinvested	27	27	26	24	14
Employed	21	21	20	17	9
Invested	11	11	9	10	6
Undistributed	1	2	1	2	2
Undivided	1	1	2	2	2
Used	2	2	2	2	1
Operations	1	1	—	—	—
	364	352	343	248	99
Earned Surplus Retained As:					
Earned Surplus	209	212	231		
Earned Surplus *combined* with—					
Earnings retained	8	10	6		
Earnings reinvested	3	3	1		
Earnings employed	1	1	1		
Earnings accumulated	1	1	—	335	481
Income retained	2	5	4		
Income reinvested	1	1	—		
Accumulated	—	1	—		
Deficit	1	2	1		
Surplus*	8	11	11	17	20
Surplus reinvested*	—	—	1	—	—
Deficit	2	1	1	—	—
	236	248	257	352	501
	600	600	600	600	600
Number of Companies:					
Replacing "earned surplus"	364	352	343	248	99
Retaining "earned surplus"	236	248	257	352	501
	600	600	600	600	600

*Surplus not classified

GENERAL MOTORS CORPORATION
and consolidated subsidiaries

Summary of Investments Outside the United States and Canada

	December 31, 1956				
	Western Europe	England and Other Countries* in the Sterling Area	Other**	Total	Total December 31, 1955
Assets:					
Cash	$ 7,941,464	$ 23,957,332	$ 2,946,859	$ 34,845,655	$ 68,475,392
British government securities—short term	—	83,500	—	83,500	16,903,900
Accounts and notes receivable	17,750,215	25,088,572	19,412,861	62,251,648	58,067,257
Inventories	92,765,285	104,959,734	43,937,605	241,662,624	205,703,431
Total current assets	118,456,964	154,089,138	66,297,325	338,843,427	349,149,980
Real estate, plants, and equipment	180,655,417	281,600,644	38,691,336	500,947,397	358,527,118
Less accumulated depreciation and obsolescence	52,354,279	105,226,879	16,373,106	173,954,264	151,404,870
Net real estate, plants, and equipment	128,301,138	176,373,765	22,318,230	326,993,133	207,122,248
Other assets	5,340,594	1,272,265	2,216,964	8,829,823	6,975,164
Total assets	252,098,696	331,735,168	90,832,519	674,666,383	563,247,392
Less:					
Foreign income taxes#	14,674,300	31,435,395	4,357,767	50,467,462	42,650,422
Due to foreign banks	37,726,400	7,510,100	3,834,600	49,071,100	10,661,100
Other current liabilities	37,493,292	64,449,975	15,294,262	117,237,529	106,954,163
Total current liabilities	89,893,992	103,395,470	23,486,629	216,776,091	160,265,685
4¼% and 5¾% Notes due 1969	—	41,775,000	—	41,775,000	26,250,000
Other liabilities	26,614,820	23,289,127	18,240,836	68,144,783	52,408,979
Sundry reserves	973,114	12,715	416,935	1,402,764	3,654,509
Total deductions	117,481,926	168,472,312	42,144,400	328,098,638	242,579,173
Net assets	$134,616,770	$163,262,856	$48,688,119	346,567,745	320,668,219
Less general reserve applicable to foreign operations				141,667,396	141,667,396
Net investments outside the United States and Canada				$204,900,349	$179,000,823

*Includes Australia, New Zealand and South Africa.
**Includes Mexico, South America and Far East.
#After deducting British government securities of $20,586,220 in 1956 and $21,904,600 in 1955.

(*Co. No. 82); "Earned surplus (accumulated earnings employed in the business)" (*Co. No. 545); "Earned surplus (earnings retained for use in the business)" (*Co. No. 102); "Earned surplus (Income reinvested in the business)" (*Co. No. 533); "Earned surplus (earnings reinvested since 1944)" (*Co. No. 120); "Earned surplus (income retained in the business)" (*Co. No. 590); "Net income retained for use in the business (earned surplus)" (*Co. No. 256); "Retained earnings (earned surplus)" (*Co. No. 322).

Other—(2 Companies):

"Deficit" (*Co. No. 493); "Surplus—Deficit" (*Co. No. 294).

STOCKHOLDERS' EQUITY STATEMENTS

Information in Stockholders' Equity Statements

Table 17 summarizes the types of data found in stockholders' equity statements for the years 1956, 1955, and 1954 compared with similar tabulations for the years 1950 and 1946.

Title

Table 18 presents the terminology used in the titles of stockholders' equity statements by survey companies including such a statement in their annual report. "Stockholders' Equity," "Shareholders' Equity," and "Shareholders' Investment" are the most frequently used terms. The tabulation discloses that only 18 survey companies presented stockholders' equity statements in 1956.

Examples

The exact title of each of the 18 stockholders' equity statements presented in the 1956 annual reports is provided below:

"Statement of common Stockholders' Equity" (*Co. No. 18); "Comparative Consolidated Statement of Stockholders' Equity" (*Co. No. 86); "Consolidated Statement of Changes in Common Stockholders' Equity" (*Co. No. 272); "Statement of Stockholders' Equity" (*Co. No. 505).

"Statement of Stockholders' Interest" (*Co. No. 521).

"Consolidated Statement of Stockholders' Ownership" (*Co. No. 518).

"Statement of Changes in Stockholders' Capital Invested in the Business" (*Co. No. 381).

"Statement of Stockholders' Investment" (*Co. No. 300).

"Statement of Shareholders' Equity" (*Co. No. 62); "Shareholders' Consolidated Equity" (*Co. No. 506); "Consolidated Statement of Shareholders' Equity" (*Co. No. 520).

"Common Shareholders' Investment and Changes Therein" (*Co. No. 234); "Shareholders' Investment" (*Co. No. 488); "Consolidated Statement of Shareholders' Investment" (*Co. No. 543).

"Shareowners' Investment" (*Co. No. 33).

TABLE 16: RETAINED EARNINGS TERMINOLOGY IN 1956

	"Source" Words			
"Status" Words:	Earnings	Income	Profit	Total
Retained	87	1	—	88
Retained in the business	67	13	1	81
Retained—Invested	7	1	—	8
Retained—Used	74	12	—	86
Retained—Employed	6	—	—	6
Retained—Reinvested	1	—	1	2
Accumulated	6	—	—	6
Accumulated—Retained	4	—	—	4
Accumulated—Retained—Used	5	2	—	7
Accumulated—Used	4	1	—	5
Accumulated—Employed	4	—	—	4
Accumulated—Invested	—	—	—	—
Accumulated—Reinvested	2	—	—	2
Reinvested	8	—	1	9
Reinvested in the business	9	2	1	12
Reinvested—Employed in the business	3	2	—	5
Reinvested—Retained in the business	1	—	—	1
Employed	—	—	—	—
Employed in the business	17	3	1	21
Invested in the business	6	4	—	10
Invested—additions and working capital	1	—	—	1
Undistributed	1	—	—	1
Used in the business	2	—	—	2
Operations	—	1	—	1
Undivided	—	—	1	1
Deficit from operations	—	—	1	1
Total	315	42	7	364
"Surplus" Words:				
Earned Surplus	—	—	—	209
Earned Surplus used with:				
Retained	2	—	—	2
Retained in the business	2	—	—	2
Retained—used in the business	4	2	—	6
Reinvested	3	1	—	4
Employed	1	—	—	1
Accumulated	1	—	—	1
Deficit	—	—	2	2
Surplus: Deficit	—	—	1	1
Surplus: Unclassified	—	—	—	8
Total				236
				600

"Consolidated Statement of Ownership Interest" (*Co. No. 278).

"Consolidated Ownership Equities" (*Co. No. 128).

"Summary of Changes in Consolidated Capital" (*Co. No. 576).

*Refer to Company Appendix Section.

TABLE 17: STOCKHOLDERS' EQUITY STATEMENTS

Including details of:	1956	1955	1954	1950	1946
Capital stock, capital surplus, and retained earnings	15	20	20	15	5
Capital stock, capital surplus, retained earnings, and appropriated surplus reserves	—	1	1	1	1
Capital stock and capital surplus	—	—	1	1	1
Capital stock and retained earnings	2	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	18	23	24	19	11
Statement not presented	582	577	576	581	589
	600	600	600	600	600

COMPARATIVE CUSTOMARY CERTIFIED STATEMENTS

Combination of Comparative Statements

Comparative customary certified statements in their 1956 annual reports were provided by 485 of the 600 survey companies. Table 19 summarizes the various combinations of comparative statements presented and the number of companies which provided all or some of the statements in comparative form. It is of interest to note that the tabulation continues to disclose a steady increase in the use of comparative statements in annual reports.

Cents Omitted or Presented

Only 61 of the 600 survey companies included cents in their statements presented in the 1956 annual reports. This is a decrease of 14 companies from 1955, when 75 survey companies utilized cents in their statements. There has been a continuing increase in the number of companies eliminating cents from their statements; in 1946, approximately 40 per cent of the survey companies presented statements in this manner; in 1956 the ratio increased to 90% of the total.

TABLE 18: STOCKHOLDERS' EQUITY STATEMENT TITLE

Terminology Used	1956	1955	1954	1950	1946
Stockholders' equity	4	7	6	6	—
Stockholders' interest	1	1	1	1	1
Stockholders' ownership	1	1	1	—	—
Stockholders' capital	1	1	1	2	—
Stockholders' investment	1	—	—	—	—
Shareholders' equity	3	4	4	1	1
Shareholders' capital	—	—	1	1	—
Shareholders' investment	3	3	2	1	—
Shareholders' ownership	—	—	—	1	—
Shareowners' equity	—	1	1	—	—
Shareowners' investment	1	1	1	1	—
Capital	1	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	5
Total	18	23	24	19	11
Statement not presented	582	577	576	581	589
	600	600	600	600	600

TABLE 19: COMPARATIVE CUSTOMARY CERTIFIED STATEMENTS

Combination of Comparative Statements	1956	1955	1954	1950	1946
Balance Sheet and Combined Income & Retained Earnings Statement	171	155	145	97	51
Balance Sheet, Income, and Retained Earnings Statements	109	116	112	96	53
Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	88	71	68	53	43
Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings	5	2	3	2	—
Balance Sheet in Combination with Various Other Statements	2	5	4	4	—
Balance Sheet, Income, and Stockholders' Equity Statements	5	10	12	8	1
Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements	19	12	10	13	4
Balance Sheet, Income, and Unclassified Surplus Statements	2	4	3	6	4
Balance Sheet and Income Statement	68	81	75	73	53
Balance Sheet	5	4	6	4	7
Income Statement in Combination with Various Other Statements	2	4	5	8	12
Combined Income & Retained Earnings Statement	2	2	3	6	4
Income Statement	7	5	10	13	24
Total	485	471	456	383	256
Number of Companies Presenting					
All statements in comparative form	369	382	365	290	164
Some statements in comparative form	116	89	91	93	92
No statements in comparative form	115	129	144	217	344
	600	600	600	600	600

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 1956 annual reports of the survey companies, in order of the frequency of their presentation were applicable to (a) the reporting company, (b) domestic subsidiaries, (c) foreign subsidiaries, (d) the parent company, and (e) affiliated companies. The types of additional certified statements most frequently included in the 1956 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 20 summarizes the various types of additional certified statements presented in the annual reports of the 600 survey companies for the years 1956, 1955, 1954, and 1950. There were 79 companies that included 114 such additional certified statements, examples of which are described below.

Reporting Company Statements

Sixty-two "additional certified statements" applicable to the reporting company were presented by 54 of the 600 survey companies in their 1956 annual reports. *Peoples Drug Stores, Incorporated* included in its report the usual certified statements as well as a "Condensed Comparative Consolidated Balance Sheet." *Caterpillar Tractor Co.* included additional certified statements on a comparative basis for the years 1953 to 1956, inclusive. *Hamilton Watch Company* presented the usual certified statements and in addition included in its report a "Condensed Consolidated Balance Sheet as at December 31, 1955"; the company had changed its fiscal year ending from Decem-

TABLE 20: ADDITIONAL CERTIFIED STATEMENTS

Statements Applicable To:	1956	1955	1954	1950
*A: Reporting Company**				
Balance sheet	5	9	6	7
Income statement	3	8	6	4
Retained earnings statement	1	1	—	—
Combined income & retained earnings	1	—	—	1
Capital surplus statement	10	2	2	—
Stockholders' equity statement	—	1	1	1
Statement of working capital, source & application of funds	28	23	24	13
Financial operating data	4	10	8	6
Pro forma statement	—	—	2	—
Employee bonus—retirement	3	4	8	8
Geographical statement	4	6	4	4
Branch store—investment	—	—	1	2
Long-term indebtedness	2	1	1	—
Special letter from accountant (not customary certificate)	—	1	—	—
Financial highlights	—	1	—	—
Reserve for contingencies	1	1	1	—
*B: Parent Company**				
Balance sheet	2	2	3	4
Income statement	2	2	3	3
Retained earnings statement	1	1	1	1
Capital surplus statement	1	1	—	1
Stockholders' equity statement	1	1	1	1
*C: Domestic Subsidiary**				
Balance sheet	17	12	13	13
Income statement	4	2	1	6
Combined income & retained earnings	6	5	6	4
Retained earnings	1	—	—	3
Financial data	1	—	1	—
Shareholders' investment	—	1	1	—
*D: Foreign Subsidiary**				
Balance sheet	8	9	10	10
Income statement	3	4	3	6
Combined income & retained earnings	1	4	4	3
Retained earnings statement	—	—	1	1
Financial data	1	1	3	3
Assets and liabilities	1	1	1	2
Minority interests	1	—	1	1
Long-term indebtedness	1	1	1	1
E: Affiliated Company				
Balance sheet	—	—	4	1
Income statement	—	—	3	—
Total	114	115	125	110

	Additional Certified Statements:					Number of Companies With:		
Year	Type A	Type B	Type C	Type D	Type E	Additional certified statements	No additional certified statements	Total
1956:	54	2	12	13	—	79	521	600
1955:	51	2	11	13	—	72	528	600
1954:	46	3	13	14	3	73	527	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
1956:	49	1	4	—	1	—	6	61	53	114
1955:	58	1	3	—	2	—	12	76	39	115
1954:	46	2	3	1	1	—	14	67	58	125
1950:	45	1	1	2	—	2	6	57	53	110

*Refer to Company Appendix Section—A: Co. Nos. 2, 58, 59, 62, 88, 89, 90, 117, 126, 128, 132, 181, 189, 214, 244, 263, 393, 585, 589, 599; B: Co. Nos. 143, 520; C: Co. Nos. 1, 18, 33, 68, 99; D: Co. Nos. 40, 43, 116.

ber 31 (1954) to January 31 (1956). *Century Electric Co.* included balance sheets on a comparative basis for the years 1947 through 1956. *Armour & Company* presented the usual consolidated statements for domestic operations and provided additional certified statements relating to their investments in foreign subsidiaries. *Montgomery Ward & Co., Inc.* and *Abbott Laboratories* presented comparative statements of changes in working capital for the years ending in 1956 and 1955. *Scott Paper Company* included a certified statement of "Source and Application of Funds" on a comparative basis for the years 1953 to 1956, inclusive. The report of *The National Supply Company* revealed a statement of changes in working capital which contained a column presenting the figures for the ten-year period ended December 31, 1956, as well as another column for the details of the current year. *The Gillette Company* included an additional statement of "Geographical Distribution of Consolidated Net Assets." *Sperry Rand Corporation* included a condensed balance sheet statement entitled "Amounts Included in Consolidation with Respect to Foreign Subsidiaries and Branches."

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, Inc. The Trane Company* provided the customary statements on a comparative basis, with separate columns for "Parent Company" and "Consolidated" figures.

Domestic Subsidiary Statements

The 1956 survey reports contained 29 additional statements applicable to domestic subsidiaries. *Associated Dry Goods Corporation* and *City Stores Company* included additional certified statements on the operations of their unconsolidated real estate subsidiaries. *Pullman, Incorporated, Clark Equipment Company,* and *Fruehauf Trailer Company* each included separate statements pertaining to their wholly-owned unconsolidated finance companies. *The Curtis Publishing Company* and *Sears, Roebuck and Co.* presented certified statements pertaining to their wholly-owned subsidiaries (unconsolidated). *Bohn Aluminum & Brass Corporation* and *United Industrial Corporation* provided certified balance sheets and statements of income and retained earnings for their partially-owned unconsolidated subsidiaries.

Foreign Subsidiary Statements

Sixteen additional certified statements applicable to foreign subsidiaries were presented by 13 survey companies in their 1956 reports. *Standard Brands Incorporated, Armour and Company,* and *Wilson & Co., Inc.* presented certified balance sheets and statements of income and retained earnings for their foreign subsidiaries. *United Merchants and Manufacturers Inc.* presented customary statements on a consolidated basis, including all its domestic and foreign subsidiaries except four. For one of these companies, an Argentine subsidiary, a certified balance sheet was presented. *The American Metal Company, Limited* presented statements for its partially-owned subsidiary, Rhodesian Selection Trust Limited, expressed in terms of British pounds.

Exhibits—Customary Certified Statements

Examples of various certified statements have been selected from the 1956 annual reports and reproduced as exhibits. (Refer to Index to Exhibits, following the Table of Contents, for page numbers.)

1. *Consolidated Balance Sheets; Consolidated Statements of Income; Consolidated Statements of Retained Earnings and Capital Surplus; Notes to Financial Statements* (American Home Products Corporation). These statements, complete with notes, are examples of conventional form and are provided on a comparative basis.
2. *Consolidated Statement of Financial Position; Notes to 1956 Consolidated Financial Statements* (American Box Board Company). This statement is presented in the financial position form on a comparative basis. The notes to financial statements are also provided.
3. *Statement of Consolidated Income and Retained Earnings* (Motorola Inc.). This statement is given in comparative form for 1956 and 1955 and is an example of the single-step form.
4. *Consolidated Statement of Additional Paid-In Capital and Retained Earnings* (P. R. Mallory & Co., Inc.). These statements disclose the details of transactions pertaining to the current period.
5. *Statement of Changes in Stockholders' Capital Invested in Business During the Year Ended October 31, 1956* (Midwest Rubber Reclaiming Co.). This statement includes the details of transactions pertaining to the current period.
6. *Combined Pension Trusts—Statement of Assets, Changes During the Year and Summary of Investments* (United States Steel Corporation). These statements are covered by a separate accountant's report and provide details of the pension trust.

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 21, there were 179 survey companies that presented 317 certified supplementary financial schedules in their 1956 annual reports. The schedules most frequently given were concerned with the depreciation of fixed assets, the composition of inventories, and the details of long-term indebtedness, examples of which are described below:

Allied Chemical & Dye Corporation presented with its statements schedules of "Marketable Securities" and "Inventories."

AMERICAN METAL PRODUCTS COMPANY

Comparative Highlights

	DEC. 31-1956	DEC. 31-1955
Net sales	$65,153,193	$63,506,431
Net profit	3,969,063	4,289,053
Retained earnings at December 31	22,079,705	20,119,732
Expenditures for property, plant, and equipment	3,151,400	2,314,996
Total property, plant, and equipment	15,160,144	14,232,958
Inventories	8,708,267	6,782,531
Number of employees at December 31	4,513	4,150
Number of stockholders at December 31	6,251	5,580
Working capital per common share at December 31	7.57	7.02
Net worth	27,902,465	25,942,632
Net worth per common share	20.60	19.10
Earnings per share of Common Stock	3.01	3.71
Dividends paid:		
On Preferred Stock	68,060	88,570
On Common Stock	1,941,030	1,778,744
Dividends paid per share:		
On Preferred Stock	1.10	1.10
On Common Stock	1.50	1.50

Facts in Brief 1956

Received from customers (net sales and miscellaneous income)		$65,744,885	
Paid for material, supplies, and outside services		35,935,673	
Added by our manufacturing efforts		$29,809,212	
The amount was distributed as follows:			
Salaries and wages	$18,199,821		61.06%
Taxes	5,518,475		18.51
Dividends	2,009,090		6.74
Set aside for wear and tear and future growth	4,081,826		13.69
		$29,809,212	100.00%

TABLE 21: CERTIFIED SUPPLEMENTARY SCHEDULES

Nature of Schedule*	1956	1955	1954	1950
A: Accounts, notes receivable	12	15	22	17
B: Inventory composition	59	64	61	47
C: Fixed assets, depreciation	64	75	77	61
D: Foreign investments	14	22	26	24
E: Investments—subsidiaries	16	14	14	21
F: Investments—securities	4	4	6	10
G: Investments—securities, subsidiaries, affiliates	8	9	4	5
H: Various balance sheet items	20	15	23	31
I: Long-term indebtedness	66	68	55	30
J: Capital stock	16	29	25	21
K: Capital	8	5	9	8
L: Dividends	1	3	2	3
M: Special funds, reserves, appropriations	11	10	15	17
N: Sales, earnings	1	2	6	5
O: Employment costs	—	—	1	2
P: Taxes	4	5	8	4
Q: Various income and operating items	12	10	4	5
R: Minority stockholders' interest in subsidiary	1	3	—	—
Total	317	353	358	311
Number of Companies Presenting				
Certified supplementary schedules	143	148	135	118
Certified supplementary schedules and additional certified statements	36	32	37	25
Additional certified statements	42	40	36	39
Total	221	220	208	182
No additional certified presentations	379	380	392	418
	600	600	600	600

Comparative Presentation of Schedules:

Year	2 Yrs.	3-9 Yrs.	10-70 Yrs.	Total	Not Comparative	Grand Total
1956:	194	2	7	203	114	317
1955:	214	8	8	230	123	353
1954:	226	5	4	235	123	358
1950:	194	2	5	201	110	311

*Refer to Company Appendix Section—A: Co. Nos. 18, 234, 255, 450, 494, 564, 584; B: Co. Nos. 6, 10, 15, 21, 51, 181, 234, 255, 450, 494, 571, 584; C: Co. Nos. 18, 57, 181, 234, 255, 318, 341, 494, 513, 584, 596; D: Co. Nos. 7, 108, 346, 513, 549, 596; E: Co. Nos. 2, 254, 317, 319; F & G: Co. Nos. 15, 130, 181, 400, 494, 513; H: Co. Nos. 318, 450, 494, 564, 596; I: Co. Nos. 18, 181, 234, 313, 315, 317, 321, 432, 445, 447, 451, 471, 494, 564; J, K & L: Co. Nos. 82, 118, 181, 209, 255, 319, 432, 445, 451, 521; M & N: Co. Nos. 40, 318, 463, 471, 568; O & P: Co. Nos. 318, 513, 564; Q & R: Co. Nos. 8, 181, 254, 313, 583.

Allied Stores Corporation included schedules of "Accounts and Notes Receivable," "Property and Equipment," and "Long-term Notes Payable."

Crucible Steel Company of America provided similar schedules of "Capital Stock," "Long-term Debt," "Inventories," "Plant and Equipment," "Investments in affiliated companies," "Incentive Stock Option Plan," and "Incentive Compensation Plan."

Johns-Manville Corporation presented schedules of "Current Liabilities," "Fund for Deferred Expenditure," "Other Assets," "Reserves for Contingencies, etc.," "Provisions for Depreciation and Depletion," and "Taxes."

The United Piece Dye Works included schedules of "Trade Accounts Receivable," "Federal Income Taxes," "Other Assets," "Property, Plant and Equipment," and "Long-term Liabilities."

The Wayne Pump Company provided comparative schedules of "Accounts Receivable," "Inventories," and "Plant Assets."

Exhibits—Additional Certified Statements and Supplementary Schedules

The following "additional certified statements and supplementary schedules" have been taken from the 1956 annual reports and reproduced as illustrations of such statements and schedules. (See Index to Exhibits following the Table of Contents for page numbers.)

1. *Consolidated Financial Statements of Foreign Subsidiaries* (Johnson & Johnson). This statement presents in comparative form the Consolidated Balance Sheet and Statement of Consolidated Earnings of the foreign subsidiaries.
2. *Parent Company Statement of Financial Position, Income, and Shareholders' Equity* (Standard Oil Company [New Jersey]). These statements present the financial record of the parent company on a two-year comparative basis.
3. *Summary of Changes In Working Capital* (The National Supply Company). Data summarized to show working capital changes on a one- and ten-year comparative basis.
4. *Investment in Subsidiary Companies* (International Harvester Company). This schedule provides a summary of the company's investment in subsidiary companies.
5. *Summary of Investments Outside the United States and Canada* (General Motors Corporation). This statement provides a general geographical distribution of the total net investments outside the United States and Canada.

UNCERTIFIED FINANCIAL PRESENTATIONS

In the annual reports for 1956, there were 1052 uncertified statements, summaries, and highlights presented by 492 of the 600 survey companies. 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 22. In 1956, 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 are 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 20% 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 22.

TABLE 22: UNCERTIFIED STATEMENTS, SUMMARIES, AND HIGHLIGHTS

Type of Presentation*	1956	1955	1954	1950
A: Statement of working capital; changes in working capital and source and application of funds	123	104	113	103
B: Cash receipts and disbursements	3	2	8	6
C: Employee bonus or retirement funds	4	5	2	2
D: Condensed balance sheet	55	71	65	61
Condensed income statement	59	69	67	65
Various other condensed statements	5	16	9	6
E: Detailed balance sheet	4	5	8	6
Detailed income statement	7	3	7	6
Various other detailed statements	3	—	2	4
F: Simplified balance sheet	5	14	13	26
Simplified income statement	8	20	27	40
G: Subsidiary balance sheet	11	11	5	6
Subsidiary income statement	4	3	2	3
H: Summary—Financial and operating data	285	243	224	140
Summary—Balance sheet data	25	63	32	29
Summary—Operating data	63	101	76	76
I: Highlights	273	321	258	200
Year in review	83	34	70	30
Operations at a glance	32	14	28	13
Total	1052	1099	1016	822

	Total Companies Represented in Statement:								Number of Companies With:		
Year	Types A-B	Type C	Type D	Type E	Type F	Type G	Type H	Type I	Statements, summaries, highlights	No statements, summaries, highlights	Total Companies
1956:	126	4	119	14	13	15	373	388	492	108	600
1955:	100	5	82	6	25	12	312	366	491	109	600
1954:	110	2	85	12	24	6	287	345	467	133	600
1950:	101	2	82	10	51	6	205	249	404	196	600

	Comparative Presentation of Uncertified Statements, Summaries, Highlights											
Year	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
1956:	389	54	110	37	233	41	26	15	8	913	139	1052
1955:	399	49	112	32	283	38	25	27	17	982	117	1099
1954:	387	41	107	48	197	38	15	20	7	860	156	1016
1950:	281	45	86	20	175	36	9	11	9	672	150	822

*Refer to Company Appendix Section—A: Co. Nos. 3, 35, 45, 58, 154, 161, 172, 189, 194, 263, 267, 273, 311, 312, 331, 360, 411, 415, 418, 521, 560, 590; B: Co. No. 126; C: Co. No. 92; D: Co. Nos. 18, 56, 71, 90, 168, 287, 288, 299, 374, 388, 413, 462; E: Co. Nos. 326, 340; F: Co. Nos. 43, 69, 135, 198, 318; G: Co. Nos. 86, 129, 314, 384, 401; H: Co. Nos. 3, 36, 99, 121, 154, 203, 223, 237, 245, 292, 316, 317, 408, 417, 588; I: Co. Nos. 1, 33, 43, 56, 71, 87, 176, 255, 268, 328, 338, 342, 366, 398.

Exhibits—Uncertified Statements, Summaries, and Highlights

Listed below are illustrative examples of uncertified statements, summaries, and highlights which have been taken from the 1956 annual reports which were reviewed. (Refer to Index to Exhibits following the Table of Contents for page numbers.)

1. *Explanation of Balance Sheet and Earnings Statement* (Federal-Mogul-Bower Bearing, Inc.).
2. *Working Capital Changes* (The Colorado Fuel and Iron Corporation).
3. *Statement of Source and Disposition of Funds* (American Machine & Foundry Company).
4. *Employees' Retirement Income Trust* (McCormick & Company, Incorporated).
5. *Comparative Highlights, Facts in Brief 1956* (American Metal Products Company).
6. *Property Account and Summary of Changes in Net Assets* (International Harvester Company).
7. *Combined Condensed Balance Sheets of Foreign Subsidiaries Not Consolidated* (Minnesota Mining and Manufacturing Company).

For additional references to various types of uncertified statements, summaries, and highlights presented in the 1956 annual survey reports, refer to the companies noted in Table 22.

UNCERTIFIED SUPPLEMENTARY SCHEDULES

Uncertified supplementary financial charts and summaries 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, etc. The terminology, form, and content of these schedules vary so greatly that statistical comparisons with prior years are not presented. For typical examples of presentation, the following references are provided:

Nature of Data

Distribution of sales dollar (*Co. Nos. 69, 366, 481, 505, 535).

Distribution of income dollar (Charts) (*Co. Nos. 16, 82, 166, 308, 505).

Earnings and dividends (*Co. Nos. 7, 441, 467, 498).

Taxes (*Co. Nos. 481, 536, 547).

Fixed assets and/or depreciation (*Co. Nos. 33, 166, 192).

Inventory composition (*Co. Nos. 151, 471).

Effect of price level changes (*Co. Nos. 355, 569).

*Refer to Company Appendix Section.

CASH

Table 1 indicates a continuing trend in presenting cash accounts in the balance sheet simply as "cash" in the current asset section. The current review disclosed 524 companies using this method of presentation as compared with 511 and 487 in the years 1955 and 1954, respectively. Only 27 of the 600 survey companies provided any additional information in the balance sheet caption regarding cash (details in Table 1).

Segregations of Cash

The *Restatement and Revision of Accounting Research Bulletins,* issued in 1953 by the committee on accounting procedure of the American Institute of Certified Public 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 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.

TABLE 1: CASH—CURRENT ASSETS

Balance Sheet Description	1956	1955	1954
Cash (*Co. Nos. 3, 8, 25)	524	511	487
Cash in banks and on hand (*Co. Nos. 143, 156, 198)	49	55	65
Cash in banks	—	—	1
Cash on hand and demand deposits (*Co. Nos. 53, 280, 472)	7	12	17
Cash on hand, demand and time deposits (*Co. No. 173)	1	1	2
Cash and demand deposits (*Co. No. 524)	1	1	1
Demand deposits in banks and cash on hand (*Co. Nos. 250, 330, 493)	6	8	16
Cash including time deposits (*Co. Nos. 24, 424)	2	1	—
Cash, including time certificate of deposit and accrued interest (*Co. No. 329)	1	1	1
Cash and securities	—	—	1
Cash, net of cash reserved for taxes (*Co. No. 576)	1	1	1
Cash in banks and offices (*Co. No. 85)	1	1	1
Cash in banks, on hand, and in transit (*Co. No. 412)	1	1	1
Cash on deposit, in transit, and on hand (*Co. No. 498)	1	1	1
Cash including call loans	—	1	1
Cash including savings bank accounts (*Co. No. 212)	1	1	1
Cash on hand and on deposit (*Co. No. 353)	1	1	—
Cash and short-term notes	—	1	1
Bank balances and cash funds (*Co. No. 261)	1	2	2
Cash and United States Government Securities (*Co. Nos. 167, 240)	2	—	—
	600	600	600

*Refer to Company Appendix Section.

The different purposes for which cash was segregated and the related treatment in the balance sheet are also summarized in Table 2.

The following examples indicate certain descriptive captions for cash and segregations of cash as disclosed in the 1956 annual reports.

Special Contracts

AMERICAN MACHINE AND FOUNDRY COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Deposit under contract with Republic of Turkey—contra:

Cash	$ 411,677
Notes Receivable	768,000
	$1,179,677

Noncurrent Liabilities:
Deposit on Contract—contra $1,179,677

NATIONAL GYPSUM COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Assets applicable to cost-plus-fixed-fee contracts:
Cash and reimbursable costs $491,285

Fixed Assets

CHARMIN PAPER MILLS, INC.
Comparative Balance Sheet
Investments and Other Assets:
Cash and Marketable Securities reserved for plant expansion program (Note 1) $2,842,915

Note 1: Marketable securities are valued at amortized cost which totaled $4,955,099 at April 30, 1956. These securities which had a market value of $4,936,029 on that date are reflected in the balance sheet as follows:

Current assets	$ 640,992
Reserved for plant expansion program	2,782,915
Deducted from the liability for Federal and State taxes on income	1,531,192
Total	$4,955,099

JONES & LAMSON MACHINE COMPANY
Statement of Financial Condition
Other Assets:
Fund for replacement of Property—Cash $428,774

MARCHANT CALCULATORS, INC.
Balance Sheet
Noncurrent Assets:
Plant replacement fund—Cash and United States Government Securities at cost (Note 2) $3,000,000

Note 2: Plant Replacement Fund—The Plant Replacement Fund of $3,000,000 will be used during 1957 in part payment of commitments approximating $6,000,000 made in August 1956 for construction of a new factory and administration building. Approximately $1,000,000 in progress payments was made in 1956 and is included in "Construction in Progress" on the balance sheet. During 1957 about $4,000,000 will be expended and the balance will be paid in 1958.

Sinking Funds

AMERICAN BAKERIES COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Investments:
Cash and United States Government Securities (cost) in sinking funds for retirement of Preferred Stock $144,735

TABLE 2: SEGREGATION OF CASH

Purpose and Balance Sheet Presentation	Current Asset	Noncurrent Asset	1956 Total
Insurance, workmen's compensation, or pension funds (*Co. Nos. 24, 27, 153, 175, 182, 283, 310, 452, 534, 568)	—	10	10
Restricted to performance under contracts (*Co. Nos. 37, 403)	—	2	2
Preferred stock retirement or redemption (*Co. Nos. 26, 172, 221, 346)	—	4	4
Cash deposited for payment of dividends (*Co. No. 314)	1	—	1
Deposit in bank restricted to payment of bank loan (*Co. No. 493)	1	—	1
Cash appropriated for purchase of stock (*Co. No. 583)	—	1	1
Deferred incentive compensation fund (*Co. No. 355)	—	1	1
Funds held by trustee (*Co. Nos. 246, 337)	—	2	2
Funds in foreign currency or in foreign countries (*Co. No. 218)	1	—	1
Fund for deferred expenditure (*Co. No. 318)	—	1	1
Deferred bonus fund (*Co. No. 284)	—	1	1
General or working funds (*Co. Nos. 20, 288, 356)	3	—	3
Cash received as progress payments on orders (*Co. No. 307)	1	—	1
Plant expansion, improvement, or replacement funds (*Co. Nos. 165, 320, 345, 361, 375, 423)	—	6	6
Cash in bank for account of merchandise consignors (*Co. No. 118)	1	—	1
Total	8	28	36

Number of Companies with	1956
Cash segregated in current assets	8
Cash segregated in current and noncurrent assets (*Co. No. 353)	1
Cash segregated in noncurrent assets	28
Cash offsetting a liability account (*Co. No. 576)	1
Cash excluded from the accounts (*Co. Nos. 11, 277)	2
Total	40
No reference to cash segregation or exclusion	560
	600

*Refer to Company Appendix Section.

ELLIOTT COMPANY
Statement of Financial Position
Noncurrent Assets:
Purchase Funds for Preferred Stock $64,653

LIBBY, McNEIL & LIBBY
Consolidated Balance Sheet
Noncurrent Assets:
Investments, etc.:
Cash designated for redemption of Preferred Stock $300,000

PENN FRUIT CO., INC.
Consolidated Balance Sheet
Investments and Other Assets:
Cash balances held in sinking, purchase, and conversion funds for Preferred Stock $54,801

Customers

GENERAL AMERICAN TRANSPORTATION CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:
Funds held by Trustee:
Cash ($408) and United States Government Securities held pending completion and delivery of rolling stock $3,599,115

INGERSOLL-RAND COMPANY
Balance Sheet
Current Assets:
Cash $10,292,875
Cash received as progress payments on orders 4,200,443
Current Liabilities:
Progress Payments on orders .... $ 4,200,443

Employees

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Cash and U. S. Government Securities (at market which is below cost) segregated against reserves for insurance and retirement payments $2,434,562
Noncurrent Liabilities:
Reserves:
For Insurance .... $ 984,562
For Retirement Payments 1,450,000
$2,434,562

AMERICAN BANK NOTE COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Investments of subsidiary company appropriation for employees' pensions:
Securities, at cost (market $368,200 and $381,000) $390,722
Cash 138,854

CRADDOCK-TERRY SHOE CORP.
Balance Sheet
Other Assets:
Pension Fund: (Note 3)
Cash .... $ 51,612
United States and Virginia Bonds 59,590
Corporate Securities and Real Estate Mortgages 321,626
$432,829

Note 3: Treasury stock, consisting of twelve hundred sixteen shares of preferred stock, constitutes the investment of a portion of the funds deposited with the trustees of the pension trust fund—a revocable trust with no restrictive covenants; the funds and securities so designated are therefore available for general corporate purposes at the pleasure of the Board of Directors.

Stockholders

THE INTERNATIONAL SILVER COMPANY
Statement of Financial Position
Current Assets:
Cash deposited for payment of dividends (see contra) $87,500
Current Liabilities:
Dividends payable in January (see contra) $87,500

WARNER BROS. PICTURES, INC.
Comparative Consolidated Balance Sheet
Noncurrent Assets:
Cash appropriated for purchase of stock (Note B) $17,921,113

Note B: The Board of Directors in August 1956 authorized the purchase of the Company's stock by inviting sealed tenders of such stock at prices not exceeding $28.50 per share and subject to the terms and conditions set forth in the Invitation to Tender Stock dated August 15, 1956.

In September 1956, $17,921,113 was paid for the 638,951 shares of stock tendered and accepted. The shares are being held in the Treasury of the Company.

Insurance Funds

THE PITTSTON COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Special deposits as self-insurer, etc.:
Federal and Municipal Securities (quoted value $525,930) $575,773
Cash 84,808
$660,581

SUPERIOR STEEL CORPORATION
Balance Sheet
Other Assets:
Workmen's Compensation Fund—Cash and marketable securities (contra) $49,985
Noncurrent Liabilities:
Reserve for Workmen's Compensation (contra) . $49,985

UNITED STATES SMELTING REFINING AND MINING COMPANY
Comparative Consolidated Balance Sheet
Noncurrent Assets:
Insurance Fund—see contra (cash and market value of securities in the Fund — 1956, $597,305; 1955, $581,464) $604,292
Noncurrent Liabilities:
Reserves for Contingencies:
For Insurance—see contra $604,292

Various Purposes

THE BYRNDUN CORPORATION
Comparative Balance Sheet
Current Assets:
Cash $30,495
Cash in Bank for account of merchandise consignors 22,365
Less amounts due to consignors for merchandise sold 22,326
$ 39

THE HARSHAW CHEMICAL COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Deferred Bonus Fund (Note C):
Cash $169,359
Common Stock of Parent Company 346,045
$515,404

Note C: The Company's Profit Sharing Plan initiated in 1950, as amended, provides that payment of portions of some of the allocations made under the Plan shall be deferred and that the funds so deferred shall be held in a Deferred Bonus Fund which is intended to be used primarily for the purchase of Common Stock of the Company in the open market. Distributions from the Deferred Bonus Fund are to be made to the participating employee in annual installments over a period of five years, but only after his retirement, and then only if he shall have remained in the employ of the Company until that time and complied with the other provisions of the Plan.

JOHNS-MANVILLE CORPORATION
Investment
Noncurrent Assets:
Fund for deferred expenditure (Note 3) .. $41,576,402

Note 3: The fund for deferred expenditure, established to provide cash when needed for contingencies and for additions to plant facilities, comprises:

Cash .... $ 2,058,184
United States Treasury obligations at cost plus accrued interest (approximately market) 39,518,218
$41,576,402

In 1956, proceeds of the sale of common stock, $25,355,000, were added to the fund, and $4,059,000 was withdrawn to meet the peak mid-year requirement of cash.

KUNER-EMPSON COMPANY
Balance Sheet
Noncurrent Assets:
Cash on deposit with Trustee under bond indenture .. $20

LUKENS STEEL COMPANY
Comparative Balance Sheet
Noncurrent Assets:
Special Funds:
In Cash—
Deferred Incentive Compensation Fund $246,081
Less Liability to participants, net of future income tax reductions 118,081

SERVEL, INC.
Consolidated Balance Sheet
Current Assets:
Deposit in Bank restricted to payment of Bank Loan $73,834

TABLE 3: CASH ADVANCES

Balance Sheet Description*	Current Asset	Noncurrent Asset	1956 Total
A: Advances to outside growers, packers, planters, producers	1	4	5
B: Advances to suppliers and subcontractors	6	1	7
C: Advances on purchase commitments for raw materials	3	—	3
D: Advances on purchase contracts	5	1	6
E: Advances on construction or purchase of fixed assets	4	1	5
F: Advances for leasehold improvements	—	2	2
G: Advances to employees for selling, travel, and other expenses	1	2	3
H: Advances for employees under pension plans	—	2	2
I: Advances—loans to employees	—	2	2
J: Advances to sales agents or vendors	—	1	1
K: Advances to joint venture or logging operations	3	1	4
L: Advances to customers	—	1	1
M: "Advances"—not identified	6	25	31
N: Advance royalties paid to artists	1	—	1
O: Advances on homes under construction for employees	1	—	1
Total	31	43	74
Number of Companies Showing			
Advances in current assets	29	—	29
Advances in current and noncurrent assets	2	2	2
Advances in noncurrent assets	—	41	41
Total	31	43	72
No reference to advances			528
			600

*Refer to Company Appendix Section—A: Co. Nos. 49, 119, 182, 225, 524, 561; B: Co. Nos. 45, 294, 350, 364, 365; C: Co. Nos. 40, 47, 155; D: Co. Nos. 445, 464, 525, 585; E: Co. Nos. 180, 336, 419, 544, 552; F: Co. Nos. 100, 334; G: Co. Nos. 90, 437, 581; H: Co. Nos. 173, 324; I: Co. Nos. 14, 285; J: Co. No. 6; K: Co. Nos. 67, 225, 467; L: Co. No. 374; M: Co. Nos. 32, 60, 162, 265, 320, 442, 450, 532, 540; N: Co. No. 124; O: Co. No. 131.

CASH ADVANCES AND DEPOSITS

Cash Advances

The balance sheets of 72 of the 600 survey companies disclosed cash advances. Table 3 summarizes the captions used in the presentation of cash advances and their related placement in the balance sheet.

Various types of cash advances found in the 1956 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 SUGAR REFINING COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Advances to Colonos, growing cane, etc. $2,220,313

THE ARUNDEL CORPORATION
Consolidated Comparative Balance Sheet
Current Assets:
Advances to, and amounts due from, joint ventures (a portion of which will be collected after a year) $1,374,335

CROWN ZELLERBACH CORPORATION
Balance Sheet
Current Assets:
Notes and accounts receivable, net of allowances for losses:
Trade $40,056,000

Advances on Construction (Note 4)	2,624,000
Other	3,611,000
	$46,291,000

Note 4: Properties—Depreciation, amortization and depletion have been charged against income as follows:

1956	$16,172,000
1955	$15,776,000

Premises at various locations are occupied under long term leases with expirations ranging from 1960 to 1986 and, in some instances, with renewal privileges at reduced annual rentals. Current annual rentals under these leases, exclusive of real property taxes and insurance, aggregate approximately $1,400,000, including nine premises occupied under sale and lease back agreements with rentals aggregating $885,000.

The corporation is constructing buildings and plants at four locations at an estimated aggregate cost of $21,500,000 which it will sell upon completion and occupy under long term leases. At December 31, 1956 $6,773,000 had been expended on these premises, of which $4,149,000 is not recoverable within one year.

HIGGINS, INCORPORATED
Balance Sheet
Current Assets:
Deposits and advances to suppliers $45,807

HARVILL CORPORATION
Statement of Financial Position
Other Assets:
Advances to and sundry receivables from officers and employees—
Advances (officers $12,339) in connection with stock purchases $22,797

KUHLMAN ELECTRIC COMPANY
Balance Sheet
Current Assets:

Cash	$ 920,359
Receivables:	
Customers, less reserve of $20,000	1,582,069
Advances for construction (Note 1)	231,523

Note 1: The Company has advanced $231,523 for the construction of a new office building to be completed early in 1957. Arrangements have been made with The Prudential Insurance Company of America to purchase the land and completed building at the lower of cost or $400,000, and to lease the property back to the Company. The lease is to be for 20 years at an annual rental equal to 8.05% of the purchase price with an option for 6 renewals of 5 years each at an annual rental equal to 3.0% of the purchase price.

THE PERMUTIT COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Deferred Charges:
Advances for traveling expenses $22,156

RALSTON PURINA COMPANY
Balance Sheet
Current Assets:
Advances on purchases of materials $1,949,133

Cash Deposits

Deposits of cash or securities for certain purposes were presented by 106 survey companies in their 1956 annual reports. Table 4 discloses the presentation and description of these deposits in the balance sheets of the companies.

The following examples illustrate certain types of deposits found in the 1956 annual reports:

TABLE 4: DEPOSITS—CASH AND SECURITIES

Balance Sheet Description	Current Asset	Noncurrent Asset	1956 Total
Deposit for "insurance" (*Co. Nos. 68, 232, 280, 330, 490)	1	19	20
Deposit with mutual insurance company (*Co. Nos. 218, 303, 410, 489, 541)	—	11	11
Deposit with insurance company (*Co. Nos. 30, 188, 251)	—	3	3
Deposit with "public agencies" (*Co. Nos. 26, 224, 288, 371)	2	7	9
Deposit with "escrow agent" (*Co. Nos. 218, 227, 533)	—	3	3
Deposit with surety company (*Co. No. 21)	—	1	1
Deposit for preferred stock or bond retirement (*Co. Nos. 63, 288, 337)	—	3	3
Deposit for dividend payments (*Co. Nos. 155, 314)	2	—	2
Deposit for fixed asset commitment (*Co. Nos. 5, 31)	—	2	2
Deposit for purchase commitment (*Co. Nos. 131, 225, 294, 356)	2	2	4
Deposit with lessors (*Co. Nos. 47, 196, 351, 533, 541)	—	5	5
Special deposits re payroll deductions (*Co. No. 554)	—	1	1
"Deposits"—not identified (*Co. Nos. 38, 125, 400, 473, 479, 530)	9	40	49
Other types of deposits (*Co. Nos. 27, 122, 278)	—	3	3
Total	16	100	116

Number of Companies with	
Deposits in current assets	12
Deposits in current and noncurrent assets	4
Deposits in noncurrent assets	90
Total	106
No reference to deposits	494
	600

*Refer to Company Appendix Section.

ALUMINUM COMPANY OF AMERICA
Consolidated Balance Sheet
Other Assets and Deferred Charges:
Indemnity and surety deposits $1,034,782

THE ELECTRIC STORAGE BATTERY COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Unabsorbed deposits with mutual insurance companies $245,955

ENDICOTT JOHNSON CORPORATION
Consolidated Balance Sheet
Investments and Other Assets:
Securities deposited under New York Workmen's Compensation Insurance Law, at cost (market quotations $423,850) $477,940

EX-CELL-O CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:
Investments, including U. S. Government securities deposited in escrow—Note 1 .... $1,713,040

Note 1: Provision of $600,000 has been made for possible liability for a damages award against the company which is being appealed, and U. S. Government bonds in the amount of $1,560,000 have been deposited as security for the appeal bond.

LOEW'S INCORPORATED
Consolidated Balance Sheet
Investments and Other Assets:
Deposits on leases and contracts $765,027

SOUTHWEST LUMBER MILLS, INC.
Consolidated Balance Sheet
Investments and Other Assets:
Utility deposit with Arizona public service company $162,253
U. S. Government bonds (held in escrow under terms of conditional sales contract on plant acquisition) 135,502
Deposit on purchase of timberlands (Note 5) . 155,000

Note 5: During May, 1956, the company acquired approximately 87,000 acres of timberlands in the northern part of Arizona. This purchase was financed principally by an additional loan of $5,100,000, secured by such timberlands and by the mortgage of substantially all of the property of the company not otherwise pledged at April 30, 1956. In addition, the company has commitments totaling approximately $800,000 for completing the reconstruction of the Flagstaff plant.

THE SUPERIOR OIL COMPANY
Balance Sheet
Noncurrent Assets:
Deferred charges:
Lease and other escrow deposits $64,327

TEXTRON INC.
Consolidated Balance Sheet
Other Assets:
Long term rental deposit $600,000
Deposits with mutual insurance companies 216,448

MARKETABLE SECURITIES—Current Assets

BASIS OF VALUATION

Table 5 summarizes the bases of valuation of marketable securities shown in the current assets section of the balance sheet and classifies such marketable securities as "government" and "nongovernment" for the years 1956 and 1955.

"Cost" as shown in Table 5 remains the usual basis of valuation of marketable securities. Where cost is used as the basis of valuation it is a common practice to show the market value of the securities or to refer to the relationship of the market value to cost (133 instances in 1956).

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 1956 reports, show the valuation of marketable securities in the current asset section of the balance sheet:

Cost—Market Value Not Stated

EASTERN CORPORATION
Consolidated Balance Sheet
Current Assets:
Marketable securities, at cost $98,421

PRATT & LAMBERT, INC.
Consolidated Balance Sheet
Current Assets:
U. S. Government securities—at cost $101,233

Cost—Market Value Stated Below Cost

THE AMERICAN SHIPBUILDING COMPANY
Consolidated Balance Sheet
Current Assets:
United States Government securities, at cost (quoted market price $1,056,142) $1,059,580

NEPTUNE METER COMPANY
Consolidated Statement of Financial Position
Current Assets:
Marketable securities, at cost (quoted market value—1956, $131,222; 1955, $144,175) .. $151,031

Cost—Market Value Stated Above Cost

THE COCA-COLA COMPANY
Consolidated Balance Sheet
Current Assets:
U. S. Government Securities—at cost:
(Market Price $53,847,088) $53,801,139

EVERSHARP, INC.
Consolidated Balance Sheet
Current Assets:
Marketable securities—at cost, quoted market —$4,629,889 (1956) and $3,337,085 (1955) $3,822,684

Cost—Market Value Stated Above or Approximate Cost

ALLIED CHEMICAL & DYE CORPORATION
Consolidated Balance Sheet
Current Assets:
U. S. Government and Other short term securities at cost, which approximates market $32,341,011
Marketable securities at cost (quoted market value at end of 1956 $75,368,704 and 1955 $80,082,012) 17,827,272

Notes to Financial Statements: Marketable Securities—Marketable securities consist of stocks listed on the New York Stock Exchange and one unlisted item valued at $97,520, as follows:

Shares		Dec. 31, 1956 Book Value	Quoted Market Value
416,618	Owens-Illinois Glass Co. common	$ 5,985,081	$26,090,702

414,570	American Viscose Corp. common	4,435,872	14,561,771
284,600	U. S. Steel Corp. common	3,647,911	20,918,100
43,502	Virginia-Carolina Chemical Corp. pfd.	1,155,035	4,741,718
55,225	Libbey-Owens-Ford Glass Co. common	777,902	4,473,225
	Miscellaneous items	1,825,471	4,583,188
	Total	$17,827,272	$75,368,704

Amortized Cost

BRISTOL-MYERS COMPANY
Consolidated Statement of Financial Position
Current Assets:
Marketable Securities at amortized cost—market value, 1956, $4,735,750 .... $4,744,661

SUNSHINE BISCUITS, INC.
Statement of Financial Position
Current Assets:
United States Government obligations due in 1957 and 1956, at amortized cost (par value $2,000,000 in 1956 and $5,500,000 in 1955) $1,990,003

Lower of Cost or Market

INTERNATIONAL HARVESTER COMPANY
Statement of Financial Condition
Current Assets:
United States Government securities at lower of cost or market $91,081,443

PITTSBURGH PLATE GLASS COMPANY
Consolidated Balance Sheet
Current Assets:
Securities of the United States Government and its agencies—at lower of cost or market (quoted market value: 1956, $48,837,484; 1955, $76,680,063) $48,834,813
Other marketable securities—at cost which approximates market 521,095

Cost Plus Accrued Interest

CHRYSLER CORPORATION
Consolidated Balance Sheet
Current Assets:

TABLE 5: MARKETABLE SECURITIES—Current Assets

Basis of Valuation	A: Government	B: Nongovernment	1956 Total	A: Government	B: Nongovernment	1955 Total
Cost—market value not stated (*Co. Nos. A: 456, 484; B: 211, 291)	77	30	107	87	28	115
Cost—stated as approximate market (*Co. Nos. A: 391, 437; B: 424, 571)	34	24	58	34	21	55
Cost—market value stated above cost (*Co. Nos. A: 150, 436; B: 226, 533)	8	23	31	8	24	32
Cost—market value stated below cost (*Co. Nos. A: 46, 263; B: 409, 519)	24	19	43	24	16	40
Cost plus accrued interest (*Co. Nos. A: 286, 342; B: 13, 142)	64	24	88	65	20	85
Cost less amortization or reserves (*Co. Nos. B: 69, 186, 562)	—	4	4	1	3	4
Amortized cost (*Co. Nos. A: 532, 545; B: 108, 506)	9	7	16	7	5	12
Cost or below cost (*Co. No. A: 353)	1	—	1	1	—	1
Less than cost (*Co. No. B: 282)	—	1	1	—	1	1
Cost—not in excess of market value (*Co. No. B: 406)	—	1	1	1	1	2
Lower of cost or market (*Co. Nos. A: 311, 449; B: 117, 520)	6	6	12	6	7	13
Lower of cost or principal amount	—	—	—	1	1	2
Market value (*Co. Nos. B: 426, 561)	—	4	4	2	1	3
Approximate market value (*Co. Nos. A: 307; B: 214, 397)	4	3	7	6	2	8
Redemption value (*Co. Nos. A: 182, 273, 420)	3	—	3	4	—	4
Face value (*Co. No. A: 373)	1	—	1	2	—	2
Total	231	146	377	249	130	379
Basis of valuation not set forth	53	16	69	60	16	76
Total	284	162	446	309	146	455
Number of Companies Presenting:						
Government securities in current assets	199	—	199	222	—	222
Government and nongovernment securities in current assets	80	80	80	78	78	78
Nongovernment securities in current assets	—	70	70	—	59	59
Total	279	150	349	300	137	359
No marketable securities in current assets			251			241
Total			600			600

*Refer to Company Appendix Section.

STANDARD
OIL COMPANY
• NEW JERSEY •

Parent Company Statement of Financial Position

DECEMBER 31, 1956-1955

	1956	1955
CURRENT ASSETS		
Cash	$ 74,352,932	$ 63,805,720
Marketable securities, at lower of cost or market	866,018,121	971,380,707
Accounts receivable	6,743,922	7,191,930
Total current assets	947,114,975	1,042,378,357
LESS—CURRENT LIABILITIES		
Indebtedness to companies consolidated	387,722,873	439,859,599
Accounts payable and accrued liabilities	15,467,940	9,630,710
Income taxes payable	38,252,948	34,800,598
Total current liabilities	441,443,761	484,290,907
WORKING CAPITAL	505,671,214	558,087,450
INVESTMENTS AND LONG-TERM RECEIVABLES, at cost or less		
Stocks of companies consolidated	1,939,691,323	1,732,715,871
Receivables from companies consolidated	197,271,631	173,633,390
Other investments and long-term receivables	225,180,290	213,594,370
PREPAID CHARGES AND OTHER ASSETS	29,555,532	22,745,553
Total assets less current liabilities	2,897,369,990	2,700,776,634
DEDUCTIONS		
Long-term debt	314,751,150	315,796,631
Deferred credits	486,455	508,483
Annuity and other reserves	5,976,853	6,082,942
NET ASSETS	$2,576,155,532	$2,378,388,578
SHAREHOLDERS' EQUITY		
Capital:		
Stock issued—(see page 9)	$1,378,574,946	$ 981,532,110
Amount in excess of par value	30,193,656	364,828,659
Earnings reinvested and employed in business	1,167,386,930	1,032,027,809
	$2,576,155,532	$2,378,388,578

The financial review on pages 9 to 17 is an integral part of this statement.

Parent Company Statement of Income

FOR THE YEARS 1956 AND 1955

	1956	*1955*
REVENUE		
Dividends from investments in companies consolidated	$528,048,168	$481,763,307
Dividends from other investments	107,160,493	101,103,512
Interest	26,358,172	17,529,749
Profit on sale of securities	264,500	113,089
	661,831,333	600,509,657
DEDUCTIONS		
General and administrative expenses	35,273,331	29,477,911
Taxes, other than income taxes	1,192,873	1,000,466
Interest on long-term debt	8,794,782	8,759,747
Other interest	13,696,932	9,908,464
Provision for loss on investments	6,282,149	5,288,766
Provision for income taxes	21,500,000	28,000,000
	86,740,067	82,435,354
NET INCOME	$575,091,266	$518,074,303

Parent Company Statement of Shareholders' Equity

FOR THE YEAR 1956

	CAPITAL			
	PAR VALUE OF STOCK ISSUED	AMOUNT IN EXCESS OF PAR VALUE	EARNINGS REINVESTED AND EMPLOYED	TOTAL
Balances at December 31, 1955	$ 981,532,110	$364,828,659	$1,032,027,809	$2,378,388,578
Three-for-one stock split (see page 9)	392,612,844	(364,828,659)	(27,784,185)	
Stock issued (see page 9)	4,429,992	30,193,656		34,623,648
Net income for 1956			575,091,266	575,091,266
Cash dividends paid in 1956			(411,947,960)	(411,947,960)
Balances at December 31, 1956	$1,378,574,946	$ 30,193,656	$1,167,386,930	$2,576,155,532

The financial review on pages 9 to 17 is an integral part of these statements.

Short term marketable securities—at cost and accrued interest $124,158,784

HARRIS-SEYBOLD COMPANY
Statement of Consolidated Financial Condition
Current Assets:
U. S. Treasury securities at cost plus accrued interest $3,229,281

TRADE RECEIVABLES

Table 6 summarizes the various types of trade receivables shown in the current asset section of the balance sheets of the 600 survey companies. Except for a comparatively small number of instances all trade receivables were shown as current assets. They were most frequently described as "accounts receivable," "receivables," "notes receivable" or "notes and accounts receivable." Some companies segregated trade receivables showing them in the noncurrent asset section but, as mentioned above, they were comparatively few.

The reports of 21 survey companies disclosed special features applicable to accounts receivable as follows:

Special Feature	No. of Companies
Assigned receivables (*Co. Nos. 4, 339, 415)	3
Discounted receivables (*Co. Nos. 234, 419, 587)	3
Factored (*Co. Nos. 305, 564)	2
Hypothecated (*Co. No. 57)	1
Secured (*Co. Nos. 77, 101, 207, 357, 598)	7
Various other (*Co. Nos. 37, 111, 166, 199, 408)	5
	21

Examples illustrating the various types of accounts receivable presentations found in the 1956 reports are as follows:

TABLE 6: TRADE RECEIVABLES

Current Asset Description	1956	1955
Accounts receivable or receivables (*Co. Nos. 121, 149, 176, 311, 381, 472, 505, 588)	449	439
Notes and accounts receivable combined (*Co. Nos. 70, 120, 235, 266, 281, 308, 565)	156	153
Notes receivable (*Co. Nos. 17, 192, 301, 320)	21	18
Installment accounts receivable (*Co. Nos. 77, 273, 368, 405, 491)	14	14
Installment notes receivable (*Co. Nos. 38, 84, 111, 195)	6	4
Trade acceptances—bills—drafts (*Co. Nos. 17, 218, 255, 419)	9	14
Employees—trade receivables (*Co. Nos. 430, 535, 587)	8	2
Deferred receivables (*Co. Nos. 18, 264, 358)	3	5
Foreign receivables (*Co. No. 253)	1	2
Contracts receivable (*Co. Nos. 79, 250, 316, 413)	8	11
Trading exchange accounts (*Co. Nos. 57, 59)	2	4
Equity in installment accounts sold (*Co. Nos. 18, 77, 273, 286)	4	5
Joint venture accounts receivable (*Co. No. 67)	1	1
Claims receivable (*Co. No. 273)	1	2
Accounts receivable—vendors, suppliers (*Co. Nos. 57, 430, 587)	3	6
Reimbursable expenditures (*Co. Nos. 8, 376)	2	1
Customer balances on layaway merchandise sales (*Co. No. 196)	1	1
Rotating charge accounts (*Co. No. 264)	1	1
Receivable from factor for accounts receivable sold (*Co. No. 564)	1	2
Total	691	685
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.

Accounts and Notes Receivables

ANDERSON, CLAYTON & CO.
Consolidated Balance Sheet
Current Assets:

Documents in process of collection (Note 7)	$22,139,821
Trade accounts receivable (less Reserves 1956, $520,431; 1955, $379,305)	30,912,489
Other accounts and notes receivable (less Reserves 1956, $6,946; 1955, $9,806)	1,970,219
Market differences due from brokers and in outstanding contracts—net	18,811,058
Crop loans and accrued interest (Note 7) (less Reserves 1956, $1,286,334; 1955, $769,360)	61,713,056

Note 7: The following assets of the Company and its subsidiaries had been hypothecated as of July 31, 1956 as security for the following liabilities or performance of contracts:

Indebtedness on notes and acceptances payable to banks:
Crop loans, and documents in process of collection .. $8,932,316

GENERAL MILLS, INC.
Financial Position
Current Assets:
Receivables (Note 1) $40,391,339

Note 1: Receivables—

Customers:	
Drafts and acceptances	$ 4,184,095
Notes and accounts	35,492,194
Miscellaneous	2,600,323
	42,276,612
Less allowance for possible losses	1,885,273
	$40,391,339

LEAR, INCORPORATED
Consolidated Balance Sheet
Current Assets:
Trade accounts receivable (Note B):
United States Government .... $ 3,706,834

Other, less allowance of $90,000 for doubtful accounts	6,533,538
	$10,240,372

Note B: V-Loan Agreement and Restrictions on Payment of Dividends—The V-Loan Agreement, which has been extended to December 31, 1957, provides, among other covenants, that the Company may borrow under a revolving credit up to $10,000,000, subject to the availability of the required collateral. At December 31, 1956, all accounts receivable due and to become due were assigned as collateral (certain defense production contracts by specific assignment and all other accounts by general assignment), and all inventories were subject to lien under the credit agreement.

NORTHROP AIRCRAFT, INC.
Consolidated Balance Sheet
Current Assets:

Accounts receivable from U. S. Government—Note A	$ 4,802,266
Other trade accounts receivable—Note A	2,279,374
Unreimbursed costs and fees under cost-plus-fixed-fee contracts, less allowances (1956—$521,000; 1955—$315,000) for adjustments—Note A	19,195,409

Note A: Credit Agreements—Under the terms of a credit agreement expiring July 31, 1957, and subject to the borrowing formula contained therein, the company may borrow up to $12,000,000 ($7,000,000 borrowed at July 31, 1956). As collateral to such loans, the company has assigned amounts due and to become due under all of its sales contracts, with minor exceptions. The agreement requires the company to maintain an excess of current assets over current liabilities of not less than $10,000,000. The company's separate balance sheet at July 31, 1956 shows an excess of $22,276,390 of current assets over current liabilities.

The company's subsidiary has entered into a credit agreement expiring July 31, 1957 which permits borrowings of $3,000,000 under a borrowing formula and covenants as to net current assets and net worth, and has assigned amounts due and to become due under all of its sales contracts, with minor exceptions. Borrowings under this agreement amounted to $1,500,000 at July 31, 1956.

UNITED STATES RUBBER COMPANY
Consolidated Balance Sheet
Current Assets:

Accounts and notes receivable from customers, less reserves for doubtful accounts: $2,904,079 for 1956; $3,159,500 for 1955	$125,445,560
Other accounts and notes receivable, less reserves of $11,239 for 1956; $10,824 for 1955	12,895,715
Total Receivables	$138,341,275

Installment Accounts

MACK TRUCKS, INC.
Consolidated Balance Sheet
Current Assets:

Accounts receivable	$ 23,119,353
Customers' instalment obligations (Notes 1 and 2)	130,770,255
	$153,889,608
Less:	
Unearned interest on instalment obligations	10,972,035
Allowance for possible losses	1,800,000
Total receivables—net	$141,117,573

Note 1: Customers' instalment obligations are secured by conditional sales contracts or other lien instruments. Of such obligations at December 31, 1956 approximately $65,000,000 are due subsequent to 1957.

Note 2: Of the notes payable to banks at December 31, 1956, $90,000,000 were issued under an agreement providing a revolving credit until July 31, 1958 of the lesser of (a) $90,000,000 until April 8, 1957 and $80,000,000 thereafter or (b) 83 1/3% of "eligible" customers' accounts receivable and instalment obligations. Borrowings under this agreement are unsecured but if certain events should occur the banks may require the Company to pledge, as security, "eligible" receivables aggregating 120% of the borrowings (except that the stock of the Company's consolidated Canadian subsidiary shall be pledged in lieu of its receivables).

SEARS, ROEBUCK AND CO.
Statement of Financial Position
Current Assets:

Accounts and notes receivable:	
Customers installment accounts	$851,667,854
Less accounts sold	318,782,039
	$532,885,815
Less allowance for collection expense and losses on installment accounts	86,955,287
Customers installment accounts (net)	$445,930,528
Other customers accounts (including revolving charge accounts)	79,147,301
Manufacturers and miscellaneous receivables	31,670,658
	$110,817,959
Less allowance for losses on other receivables	615,381
Other receivables (net)	$110,202,578
Installment accounts purchased from foreign subsidiaries	13,036,306
Total accounts and notes receivable (net)	$569,169,412

WESTERN AUTO SUPPLY COMPANY
Comparative Balance Sheet
Current Assets:

Notes and accounts receivable:	
Retail customers' accounts—mainly installment accounts	$34,740,877
Associate store owners' customer installment accounts—less unearned handling charges of $1,092,337 and $842,088 respectively (Note 2)	15,077,992
	$49,818,869
Less—Accounts sold to banks (less Company's equity therein, $3,544,888 and $3,416,136 respectively) (Note 3)	26,453,839
	$23,365,030
Associate store owners' accounts, unsecured	2,817,019
Due from suppliers	939,084
Employees' merchandise accounts	838,113
Sundry notes and accounts	1,408,809
	$29,368,055
Less allowance for doubtful accounts and collection expenses	2,204,628
Notes and accounts receivable—net	$27,163,427

Note 2: Handling Charges—Associate Store Owners' Customer Installment Accounts—On installment accounts of Associate Store Owners' customers, the Company takes handling charges into income as such accounts become due.

Note 3: Installment Accounts Sold—Installment accounts have been sold to banks subject to terms of a purchase agreement under which the Company assumes certain obligations under specified conditions. It is believed that the actual liability thereunder is reasonably covered by the allowance of $1,462,132 against installment accounts included in the allowance for doubtful accounts and collection expenses.

Deferred Accounts

ALLIED STORES CORPORATION
Statement of Financial Position
Current Assets:

Accounts and notes receivable—customers (Schedule 1)	$95,554,949

Schedule 1: Accounts and Notes Receivable—Customers—

Regular accounts	$ 50,331,608
Deferred accounts and notes	47,967,323
Equity in deferred accounts ($28,407,155) sold	3,408,859
	$101,707,790
Less allowances for losses on collection and for deferred carrying charges	6,152,841
	$ 95,554,949

GIMBEL BROTHERS, INC.
Comparative Consolidated Balance Sheet
Current Assets:

Accounts receivable (see accompanying statement)	$60,092,469

Accounts receivable:
Retail customers:

Regular charge accounts	$38,641,753
Deferred payment accounts	16,295,381
Rotating charge and miscellaneous accounts	6,438,739
	$61,375,873
Other accounts receivable	2,100,407
	$63,476,280
Less provision for doubtful accounts, etc.	3,383,811
	$60,092,469

R. H. MACY & CO., INC.
Consolidated Statement of Financial Condition
Current Assets:
Receivables:
Customers' accounts:

Regular accounts (principally 30-day)	$15,177,778
Deferred payment accounts, a portion of which is due after one year—	
Equity in $37,702,347 and $31,937,221 of accounts sold to banks	3,785,533
Accounts not sold	17,012,421
	$35,975,732
Less—estimated doubtful amounts	2,317,000
Customers' accounts—net	$33,658,732

Installment Notes

BEECH AIRCRAFT CORPORATION
Consolidated Balance Sheet
Current Assets:
Installment notes receivable—Note A:

Principal and interest (including installments of $318,822 not due within one year)	$2,943,888
Less unearned income of $59,992 and allowance for losses	87,992
	$2,855,896

Note A: Finance Agreements—Notes payable to banks included $2,000,000 at September 30, 1956, borrowed under a $3,000,000 revolving credit agreement extending to December 31, 1957, the proceeds of which were being used to finance certain installment sales and wholesale floor plan contracts. The Company has agreed not to permit the outstanding loan balance under this agreement to exceed the aggregate unpaid amount of the installment notes receivable at any time.

Subsequent to the date of this report the Company intends to assign all installment notes receivable and related contracts to Beech Acceptance Corporation, Inc. This subsidiary intends to arrange for financing in sufficient amount to permit it to pay the Company for the notes to be assigned and to carry notes to be acquired in the future.

THE BRUNSWICK-BALKE-COLLENDER COMPANY
Consolidated Balance Sheet
Current Assets:
Notes and accounts receivable:

Instalment notes, including amounts due after one year (1956, $467,316; 1955, $5,613,873) (Note 1)	$ 1,184,903
Accounts	11,489,328
	$12,674,231
Less—Reserves for losses and unearned interest	1,138,457
	$11,535,774

Note 1: On December 31, 1956, all Parent Company long-term instalment notes receivable were sold for a net amount of $12,511,035 which was substantially book value. Under the agreement of sale, the Company may be required to purchase repossessed equipment. A portion of the net proceeds was used to liquidate all the Parent Company's bank loans, and the Company's 5-year bank credit agreement was canceled.

ALLEN B. DU MONT LABORATORIES, INC.
Consolidated Balance Sheet
Current Assets:

Notes and accounts receivable—trade (Note 1)	$13,619,570
Less allowance for doubtful accounts	613,112
	$13,006,458

Note 1: Notes and Accounts Receivable—Trade—The receivables of the Companies at December 31, 1956 and 1955 are made up as follows:

Accounts receivable (note 2)	$11,167,303
Installment notes and accounts secured by conditional sale contracts or chattel mortgages on television broadcast equipment sold (approximately $1,556,445 at December 31, 1956 and $2,158,000 at December 31, 1955 due after one year)	2,452,267
	$13,619,570
Less allowance for doubtful accounts	613,112
	$13,006,458

Accounts Receivable—Factored

INDIAN HEAD MILLS, INC.
Comparative Balance Sheet
Current Assets:
Accounts receivable:

Equity in assigned accounts receivable (Note B)	$1,024,479
Other miscellaneous receivables	101,109
	$1,125,588

Note B: Accounts Receivable—The Company has pledged its accounts receivable in accordance with an agreement under which a bank acts as factor for the Company and assumes the credit risk of approved accounts receivable, the Company's loss being limited to an aggregate of 1/20 of 1% of the annual amount of approved accounts receivable.

THE UNITED PIECE DYE WORKS
Statement of Financial Condition
Current Assets:

Trade accounts receivable (Note 1)	$1,756,259

Note 1: Trade accounts receivable comprise the following:

Due from factor	$1,006,693
Other	970,926
	$1,977,619
Less estimated losses on claims and allowances	221,360
	$1,756,259

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, 1956 the factor had a total of $1,282,673 of outstanding accounts receivable.

TABLE 7: GOVERNMENT CONTRACTS AND DEFENSE BUSINESS

Balance Sheet Information	1956	1955
Current Asset Section		
Accounts receivable due from government (*Co. Nos. 38, 362, 476, 584)	51	62
Unbilled costs or fees (*Co. Nos. 142, 399, 512, 527)	14	14
Recoverable costs (*Co. Nos. 168, 470)	5	5
Reimbursable expenditures (*Co. Nos. 217, 253, 543)	5	10
Fees or costs less progress payments received (*Co. Nos. 393, 413, 442)	3	4
Advances or payments to subcontractors less progress payments received from government (*Co. Nos. 350, 364)	2	2
Deferred general and administrative expenses applicable to contracts (*Co. No. 367)	1	1
Contract termination claims (*Co. Nos. 276, 493)	4	2
Inventory less billings or progress payment received (*Co. Nos. 12, 37, 111, 262, 277, 296)	38	42
Government inventory not further described	—	7
Advances or progress payments received deducted from current asset sub-total (*Co. Nos. 19, 589)	5	4
Emergency facilities purchased, to be acquired by U. S. Government	—	1
Noncurrent Asset Section		
Advances received with liability account contra thereto (*Co. No. 271)	1	1
Recoverable costs (*Co. No. 280)	1	1
Current Liability Section		
Invoices, payrolls, etc. applicable to contracts (*Co. No. 79)	1	1
Estimated price adjustments (*Co. Nos. 42, 479, 507)	7	9
Advances received (*Co. No. 90)	1	2
Advance payments received in excess of expenditures (*Co. Nos. 202, 253)	2	2
Refunds due—U. S. Government (*Co. Nos. 90, 364)	3	4
Estimated costs to be incurred (*Co. Nos. 202, 562)	2	2
Liability under incentive type government contracts	—	2
Progress billings (*Co. No. 126)	1	—
Progress billings (net) and estimated costs to be incurred on billed contracts (*Co. No. 562)	1	—
Noncurrent Liability Section		
Advances received (contra to asset account)	—	1
Notes payable due to government	—	1
Funds for payments under U. S. Government contracts	—	1
Total	148	181
Number of Companies referring to government contracts or defense business		
In balance sheet presentation	84	88
In body of report, but not including balance sheet presentation	140	190
Not referring to contracts, defense business, etc.	376	322
	600	600

*Refer to Company Appendix Section.

U. S. GOVERNMENT CONTRACTS

The committee on accounting procedure of the American Institute of Certified Public 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.

As shown in Table 7, the number of companies indicating government contracts or defense business in their annual reports has decreased from 278 in 1955 to 224 in 1956. There were 84 companies which made specific reference to U. S. Government contracts or defense business within the balance sheet, and 140 companies which included such information elsewhere in their annual report. Table 7 discloses the various methods used by the survey companies in presenting this information in the balance sheets.

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	87, 137, 311, 405
U. S. Government contracts	1, 12, 13, 70, 84, 120, 126, 253, 367, 383, 442, 463, 472, 600
Cost reimbursement contracts	253, 350
Prime contracts	116, 276, 281, 339, 364, 483
Sub-contracts	84, 111, 113, 276, 285, 330, 339, 367
Facility contracts	37, 261, 364
Cost-plus-fixed-fee contracts	87, 96, 277, 364
Fixed fee contracts	44, 70, 98, 469
Incentive type contracts	414, 415, 470
Contracts subject to price redetermination	1, 7, 229, 311
Research-development type contracts	239, 296, 359, 565, 571, 588, 589
U. S. Ordinance contracts	168, 290, 534

The amount and nature of the information given in the 1956 reports of the survey companies with respect to their U. S. Government contracts and defense business differed widely. Some gave specific information as to the nature of the contracts while others indicated that contracts existed only by reference to accelerated depreciation of emergency facilities, or by stating that certain sales were subject to renegotiation.

Many companies disclosed special features applicable to U. S. Government contracts, some of which are listed below:

*Refer to Company Appendix Section.

Special Feature	*Company Numbers**
Government-owned plant and equipment operated by company	44, 271, 290, 504
Price redetermination or contract adjustment clause	42, 187, 463
Clause covering incentive feature	277, 414
Certain assets pledged as collateral or security for loan or financial aid from government	87, 90
Certain receivables due to company from government pledged to secure loans obtained from non-government sources	207, 339, 483, 507
Contract completed during year	149, 492, 538

The following examples selected from the 1956 annual reports illustrate the methods of disclosure used by the companies regarding their U. S. Government contracts:

Contracts Subject to Price Redetermination

ADMIRAL CORPORATION
Consolidated Balance Sheet
Current Assets:

Notes and accounts receivable:	
Due from United States Government	$ 3,005,028
Trade, less reserve for losses (1956, $1,141,-252; 1955, $958,796)	21,441,459
	$24,446,487
Current Liabilities:	
Accrued compensation, cooperative advertising and other expenses, including employees' withholding taxes and other reserves—Note B	$ 8,468,858

Note B: Price Redetermination and Renegotiation—The company is a party to Government contracts which are subject to price redetermination and renegotiation. It is the opinion of management, based upon numerous discussions with Government representatives and partial settlements in 1955 and 1956, that reasonable provision has been made in the accompanying consolidated financial statements for adjustments which may arise out of future price redetermination and renegotiation.

FAIRCHILD ENGINE AND AIRPLANE CORPORATION
Consolidated Balance Sheet
Current Assets:

Amounts receivable (Note 1):	
United States Government (including unbilled items)	$14,573,493
Current Liabilities:	
Anticipated contract price adjustments (Note 1)	$ 7,862,680

Note 1: The ultimate effect upon operations of certain indeterminate items, including those described below, cannot yet be determined. The Corporation believes that the net loss (after credit for taxes on income) from all of these items will not exceed the amount provided in the accounts of $600,000.

(a) For the year 1952 the Renegotiation Board made a determination that the Corporation earned excessive profits. A refund, net of tax adjustments, of approximately $90,000 was made.

For the year 1953 the Board made a determination of excessive profits of $2,000,000 which, after tax adjustments, would require a net refund of approximately $400,000. The Corporation intends to petition The Tax Court of The United States to review this determination.

*Refer to Company Appendix Section.

For years subsequent to 1953 no determinations of excessive profits are anticipated.

(b) Certain sales in 1956 and prior years are subject to price redetermination proceedings, which have not been completed.

(c) Billings and costs under certain cost-type contracts are subject to Government audit and allocation of additional funds.

RADIO CORPORATION OF AMERICA
Consolidated Financial Position
Current Assets:

Receivables, less reserves (Note 4)	$ 190,275,280
Consolidated Earnings	
Products and services sold (Note 1)	$1,127,773,541

Note 1: Products and Services Sold—Interest of $3,242,750, dividends of $586,743 from wholly and partially owned foreign companies, dividends of $1,621,988 from Whirlpool-Seeger Corporation, and other miscellaneous income of $1,262,155 are included in products and services sold in 1956.

Approximately 21% of product and service sales in 1956 were made under U. S. Government contracts which are generally subject to price redetermination and renegotiation of profits. Provision has been made for estimated price adjustments based upon redetermination clauses in these contracts. No provision for renegotiation refunds is considered necessary for 1956 or prior years.

Note 4: Receivables—Receivables at December 31, 1956 include $36,699,845 from the U. S. Government and $9,696,812 for installment contracts due beyond one year. Reserves of $4,786,996 have been deducted from receivables at December 31, 1956.

Cost-Plus-Fixed Fee— Incentive Fixed Price Contracts

NORTHROP AIRCRAFT, INC.
Consolidated Balance Sheet
Current Assets:

Accounts receivable from U. S. Government —Note A	$ 4,802,266
Other trade accounts receivable—Note A ..	2,279,374
Unreimbursed costs and fees under cost-plus-fixed-fee contracts, less allowances (1956—$521,000; 1955—$315,000) for adjustments—Note A	19,195,409
Inventories—Notes A and B:	
Fixed-price contracts in process, materials and supplies	36,485,952
Less progress payments received	16,993,960
Current Liabilities:	
Notes payable to banks—Note A	$8,500,000

Note A: Credit Agreements—Under the terms of a credit agreement expiring July 31, 1957, and subject to the borrowing formula contained therein, the company may borrow up to $12,000,000 ($7,000,000 borrowed at July 31, 1956). As collateral to such loans, the company has assigned amounts due and to become due under all of its sales contracts, with minor exceptions. The agreement requires the company to maintain an excess of current assets over current liabilities of not less than $10,000,000. The company's separate balance sheet at July 31, 1956 shows an excess of $22,276,390 of current assets over current liabilities.

The company's subsidiary has entered into a credit agreement expiring July 31, 1957 which permits borrowings of $3,000,000 under a borrowing formula and covenants as to net current assets and net worth, and has assigned amounts due and to become due under all of its sales contracts, with minor exceptions. Borrowings under this agreement amounted to $1,500,000 at July 31, 1956.

Note B: Inventories—Inventories are priced at the lower of cost or market. Fixed-price contracts in process are stated on the basis of accumulated costs including, as to the company, applicable administrative and general expenses, less the portion of such costs allocated to units and articles delivered, but not in excess of estimated recoverable amounts. Costs relating to delivered product are computed for each contract at the estimated average cost of each unit based on the estimated total cost of the contract. In estimating the recoverable amounts, provision has been made for losses anticipated in the performance by the company of certain subcontracts. Costs of materials and supplies are determined generally under the first-in, first-out method.

The principal fixed-price contracts in process are of the incentive type and contain provisions for redetermination of unit prices during the period of performance. Recognition has been given in the financial statements to adjustments in respect of the incentive and redetermination provisions of the contracts.

Title to substantially all inventories is vested in the U. S. Government pursuant to the progress payment provisions of the contracts.

REPUBLIC AVIATION CORPORATION
Consolidated Statement of Financial Condition
Current Assets:

Accounts receivable, principally from United States Government (Note 1)	$19,508,396
Unreimbursed costs and fees under cost-plus-fixed-fee contracts (Note 1)	23,240,467
Contracts in progress (see page 9 and Note 1)	17,037,304
Current Liabilities:	
Notes payable (Note 1)	$ 5,432,000

Note 1: Under the terms of a bank credit agreement, the Company may borrow up to $15,000,000 to be evidenced by notes that mature in 90 days from date of borrowing but not later than March 31, 1957. At December 31, 1956 loans of $5,000,000 were outstanding under this agreement. In accordance with the terms of the agreement, the Company has assigned, and during the life of the agreement will continue to assign, to the banks as collateral moneys due and to become due under contracts with the United States Government, the dollar volume of which exceeds $100,000. In addition, the Company must maintain net current assets of at least $10,000,000. The balance of notes payable represents a bank loan to the Company of $1,512,000 of which $432,000 is due within one year.

Note 2: Renegotiation proceedings for the years 1952 and 1953 were concluded in the year 1956. Settlement was made for the year 1952 at a net cost to the Company of $987,587, which amount has been charged to retained earnings. No refund was required for the year 1953. The Company does not believe that excessive profits have been realized in 1954, 1955 or 1956 and no provisions for refunds have been made.

Note 3: The principal contracts for aircraft are of an incentive type upon completion of which the Government and the Company share in any savings or extra costs resulting from variances between actual and target costs. It is the Company's practice under such incentive type contracts to estimate costs of deliveries on the basis of target prices less applicable portions of the estimated or target profit. Until completion of a contract no consideration is given to the Company's share of savings, if any.

THE RYAN AERONAUTICAL COMPANY
Consolidated Balance Sheet
Current Assets:

Accounts receivable including estimated price adjustments under military contracts (Note 1)	$ 7,622,288
Unreimbursed costs and fees under United States Government cost-plus-fixed-fee contracts (Note 1)	2,047,313
Current Liabilities:	
Notes payable to bank (Note 1)	$17,000,000

Note 1: Bank Loan—The Company has an agreement with the bank which provides, until December 31, 1957, a line of credit not to exceed $25,000,000 to be evidenced by ninety-day notes. The agreement provides, among other things, that without consent of the bank the Company may not, in any year (subsequent to October 31, 1956), purchase any of its own stock or declare cash dividends which exceed 50% of net income.

The notes payable to bank are secured by assignment of monies due and to become due under certain contracts. Practically all of the accounts receivable, unreimbursed costs and fees, and inventories included in the balance sheet at October 31, 1956 are applicable to these contracts.

Contract Termination Claims, etc.

THE GRUEN WATCH COMPANY
Consolidated Balance Sheet
Current Assets:

Claims against the U. S. Government resulting from contract terminations, at estimated realizable amounts, less partial payment	$127,766

A. O. SMITH CORPORATION
Consolidated Statement of Financial Position
Current Assets:

Claims relating to discontinued defense production, at cost, less, in 1956, allowance for possible adjustments	$1,363,199

STEWART-WARNER CORPORATION
Consolidated Statement of Financial Position
Current Assets:

Receivables, including termination claims, less reserve of $558,192	$18,043,569

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:

W. L. MAXSON CORPORATION
Consolidated Balance Sheet
Current Assets:

Accounts receivable—trade (Note 1):	
U. S. Government	$1,987,261
Other	1,544,083
	$3,531,344
Current Liabilities:	
Notes payable to banks (Note 1)	$2,700,000

Note 1: Notes payable to banks amounting to $2,700,000 at September 30, 1956 were repaid from the proceeds of borrowings under a "Regulation V" loan agreement made October 11, 1956 which provides a revolving line of credit of $4,000,000 until December 31, 1957. Borrowings under this agreement are secured by assignment of all amounts due or to become due under certain U. S. Government contracts and subcontracts. Accounts receivable, inventories (less progress payments) and deferred general and administrative expenses (less progress payments) at September 30, 1956 applicable to such contracts and subcontracts amounted to $1,742,485, $2,171,834 and $360,918, respectively.

The agreement limits the payment of cash dividends to 20% of consolidated net income subsequent to September 30, 1956 and requires the Corporation to maintain certain minimum consolidated net current assets (as defined in the agreement). At September 30, 1956 the consolidated net current assets were $492,607 in excess of the required minimum.

GAR WOOD INDUSTRIES, INC.
Consolidated Balance Sheet
Current Assets:

Trade accounts receivable, less allowance of $150,000 at October 31, 1956, and $200,000 at October 31, 1955, for doubtful accounts	$4,942,196
Current Liabilities:	
Notes payable to banks (Note B)	$4,550,000

Note B: Notes Payable to Banks—At October 31, 1956, the Corporation had short-term borrowings as follows:

V-Loan Agreement	$3,300,000
Unsecured notes	1,250,000
Total	$4,550,000

The V-Loan Agreement provides for a maximum commitment of $4,000,000. The borrowings are secured by pledge of monies due or to become due under certain government contracts. The agreement further provides, among other covenants, that the Corporation will not, without consent of the banks and the guarantor:

1. Permit consolidated net current assets to decline below $6,500,000, which amount shall be increased at the end of each fiscal year beginning with the year ended October 31, 1951, by an amount equal to 20% of the consolidated net earnings for such fiscal year. At October 31, 1956, the net current assets on this basis were in excess of the minimum requirements.

2. Pay cash dividends on its capital stock or purchase shares of such stock in amounts which will exceed 20% of consolidated net earnings after October 31, 1950.

3. Make, subject to certain conditions, any principal payments on the 3½% Sinking Fund Debentures, the 3½% Five-Year Convertible Notes, or the indebtedness to the General Services Administration other than those required by the terms thereof.

SONOTONE CORPORATION
Consolidated Balance Sheet

Current Assets:

Accounts receivable:	
Regular accounts	$ 869,157
Instalment accounts	1,691,494
Government contracts and subcontracts (Note 1)	345,991
Other	57,539
	$2,964,181
Less provision for possible losses in collection	175,000
	$2,789,181

Current Liabilities:

Note payable to bank under V-loan agreement (Note 1)	$ 699,478

Note 1: The note payable to bank represents borrowings under a V-loan agreement providing for a maximum revolving credit of $2,000,000 for the period ending April 1, 1957. Application is in progress for the extension of the maturity of the loan to December 31, 1957. Accounts receivable and inventories are the bases for the borrowings and the Company has assigned the amounts due or to become due under its government contracts and subcontracts. The assigned accounts receivable aggregated $283,487 at December 31, 1956.

The long-term notes are required to be prepaid by annual instalments of $134,000.

The agreements relating to the foregoing obligations impose various requirements and restrictions as to borrowing and other financial activities, including a restriction on the payment of dividends and requirements for maintaining working capital amounts and ratios, which have been met.

Consolidated earnings retained in the business at December 31, 1956 are restricted under the V-loan agreement to the extent of $2,222,539 as to dividends on the common stock and $2,004,539 with respect to the preferred stock. The limitations with respect to dividends in the long-term note agreements are not as restrictive as those under the V-loan agreement.

Renegotiation

There were 149 survey companies that referred to renegotiation or to renegotiable sales in their 1956 reports. Of these companies, 28 included in their balance sheets a provision for estimated renegotiation liability and an additional 12 companies referred to such provision in the notes to the financial statements or in the letter to the stockholders. The remaining 109 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.

TABLE 8: ESTIMATED RENEGOTIATION LIABILITY

Balance Sheet or Other Presentation	1956	1955	1954
Provision for estimated renegotiation liability—			
Set forth under current liabilities:			
Combined with liability for taxes (*Co. Nos. 38, 65, 103, 239, 332, 344, 526)	19	24	22
Combined with non-tax liability (*Co. Nos. 90, 229, 254)	3	3	5
Separately set forth (*Co. Nos. 98, 216, 262, 493)	6	5	6
Referred to in:			
Notes to financial statements (*Co. Nos. 1, 7, 160, 214, 301, 350)	10	10	12
Letter to stockholders (*Co. Nos. 523, 600)	2	5	2
No provision made for possible renegotiation liability, although reference made thereto or to "renegotiable sales" (*Co. Nos. 13, 99, 184, 215, 231, 338, 393, 405, 552)	109	132	163
Number of Companies Referring To			
Renegotiation or renegotiable sales	149	179	210
Not referring thereto	451	421	390
	600	600	600

*Refer to Company Appendix Section.

Table 8 gives the balance sheet or other presentation of estimated renegotiation liability as shown in the survey reports.

Examples—Renegotiation

The following examples, taken from the 1956 reports, illustrate the nature and scope of the information disclosed therein concerning renegotiation and the provision made therefor:

BOEING AIRPLANE COMPANY
Balance Sheet

Current Liabilities:

Allowance for renegotiation, net of taxes	$ 4,500,000

Statement of Retained Earnings

Add:	
Net earnings for the year	$32,134,989
Revision of allowance for renegotiation established for prior years	2,500,000
	$34,634,989

Notes to Financial Statements: Renegotiation—In 1955 a charge was made to retained earnings of $8,746,702 (net of taxes) to provide for the additional estimated liability for renegotiation refunds for the years 1952, 1953, and 1954, based on the company's interpretation of the Renegotiation Board's unilateral determination that excessive profits of $2,946,702 (net of taxes) were realized in 1952. The Renegotiation Board subsequently determined unilaterally that excessive profits of $2,057,793 (net of taxes) were realized in 1953. Based upon the company's interpretation of this latter determination, the charge made to retained earnings at the end of 1955 was $2,500,000 more than is now estimated will be required, and this amount has been returned to retained earnings in 1956. Since the company's interpretation of the Board's determinations indicates that no refunds will be required for the years 1955 and 1956, no provision therefor has been made in the accounts.

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 and it is expected that the decision for the year 1953 will likewise be appealed.

Financial Review: Renegotiation—The company has been advised by the Renegotiation Board that excessive profits in the amount of $7,315,080 ($7,500,000 less applicable state income taxes) were realized during the year 1953. The net refund, after credit for federal income and excess profits taxes already paid, will amount to $2,057,793. The Board's determination, in the opinion of your management, is unjustified and is not consistent with the intent and objectives of the Renegotiation Act of 1951. The company will appeal to the Tax Court of the United States for a redetermination of the Board's findings.

The Board commended the company for its contribution to the nation's defense and for the efficient manner in which all phases of operations were conducted. It was indicated that the principal reasons for the determination of excessive profits were the increased volume of sales and earnings, the extensive use of government-owned facilities, and the high rate of return (as compared to companies in other industries) on beginning book net worth. Government procurement representatives, in the negotiation of the basic contractual profit framework, were required to give consideration to the extent that government-owned facilities were utilized in our operations, to the capital investment as represented by beginning net worth, and to all other factors affecting the volume of sales and earnings attained.

The company's earnings rate, as related to sales prior to renegotiation, was well within the negotiated contractual profit framework and was less than one-half that realized by manufacturing industry generally. There are numerous reasons why return on beginning book net worth is not a valid criterion of earnings in the aircraft industry. However, even this criterion when applied over a period of years compatible with our product cycle results in a lower return than that realized by many nationally recognized manufacturing companies.

Renegotiable earnings were increased in 1953 under the incentive provisions of major production contracts. Under these same provisions the company's efficient performance resulted in a very substantial reduction in the sales price of articles delivered. The Board's determination, therefore, requires the refund of incentive profits that were earned by reason of extraordinary efforts which resulted in substantial savings to the government. This action is completely inconsistent with the stated objectives of the government to preserve and foster incentives in the performance of contracts. We do not believe this was the intent of Congress when it enacted the renegotiation legislation.

The management of your company sincerely believes that its earnings in all years subject to renegotiation have been extremely reasonable when measured against the job done. However, by reason of the Board's 1953 determination, it is necessary to re-evaluate the possible liability for 1954 and subsequent years. At last year end an estimated requirement for total refunds, after taxes, of $7,000,000 was established in the accounts for 1953 and 1954. No provision for refund for the year 1955 was established.

A projection of the Board's determination for the year 1953, as interpreted by the company, indicates that the estimated liability established at last year end for the years 1953 and 1954 was overstated by approximately $2,500,000. A projection on the same basis indicates that refunds should not be required for the years 1955 and 1956.

The projection for 1954 is based on the fact that in the opinion of your company its performance under all statutory factors considered in the renegotiation process was equal to or better than 1953. The amount of $2,500,000 is therefore being returned to retained earnings. (Net earnings for 1954 and the applicable balance sheet accounts have been adjusted in the statistical financial summary on pages 30 and 31 of this report.)

Substantial efforts have been directed toward the preparation for the hearing before the Tax Court of the United States with respect to the company's 1952 renegotiation case, which involves $2,946,702. However, a date for the trial has not been established.

FAIRCHILD ENGINE AND AIRPLANE CORPORATION

Consolidated Balance Sheet

Current Liabilities:

Indeterminate liabilities, net of applicable Federal taxes (Note 1)	$600,000

Statement of Consolidated Earnings

Income:

Deduct: (special item)

Renegotiation—Adjustment of provision for the years 1952 and 1953, less applicable Federal tax credit of $1,172,243 (Note 1)	$328,175

Note 1: The ultimate effect upon operations of certain indeterminate items, including those described below, cannot yet be determined. The Corporation believes that the net loss (after credit for taxes on income) from all of these items will not exceed the amount provided in the accounts of $600,000.

(a) For the year 1952 the Renegotiation Board made a determination that the Corporation earned excessive profits. A refund, net of tax adjustments, of approximately $90,000 was made.

For the year 1953 the Board made a determination of excessive profits of $2,000,000 which, after tax adjustments, would require a net refund of approximately $400,000. The Corporation intends to petition The Tax Court of The United States to review this determination.

For years subsequent to 1953 no determinations of excessive profits are anticipated.

(b) Certain sales in 1956 and prior years are subject to price redetermination proceedings, which have not been completed.

(c) Billings and costs under certain cost-type contracts are subject to Government audit and allocation of additional funds.

MENASCO MANUFACTURING COMPANY

Balance Sheet

Current Liabilities:

Federal income taxes and renegotiation (Note 1)	$1,484,340

Statement of Income and Earnings

Income before Federal income taxes and renegotiation	$1,833,533
Provision for Federal income taxes and renegotiation (Note 1)	900,000

Note 1: Renegotiation—The major portion of the sales is subject to the Renegotiation Act of 1951. Renegotiation proceedings with the Government have been concluded through June 30, 1953. Provision, based upon prior settlements, has been made in the accounts for estimated net renegotiation refunds for the years ended June 30, 1954 and 1955. It is believed that no refund will be required for the year ended June 30, 1956, and no provision has been made therefor.

THE PFAUDLER CO.

Consolidated Statement of Financial Position

Current Liabilities:

Estimated federal taxes on income and provision for renegotiation refund—Note C	$666,308

Statement of Operations

Earnings before federal taxes on income and renegotiation and federal tax adjustments		$1,432,255
Federal taxes on income—estimated	659,000	
Add portion of vacation pay attributable to prior year equal to reduction in income tax resulting therefrom	—	
	$ 659,000	
		$ 773,255
Reduction in amounts provided in prior years for estimated renegotiation refund and federal taxes on income—Note C		134,113
Net Earnings		907,368

Note C: Renegotiation—Defense Contracts—Renegotiation of defense contracts for fiscal years prior to 1956 has been completed and settled. It is anticipated that no renegotiation proceedings will be applicable in the fiscal year 1956.

ROCKWELL MANUFACTURING COMPANY

Consolidated Statement of Financial Condition

Current Liabilities:

Estimated renegotiation refund—Note C	$620,000

Note C: Renegotiation—The amount stated for estimated renegotiation refund represents provision made for possible renegotiation refund for the year 1945 of a subsidiary (acquired in 1946) based upon the refund proposed by the Price Adjustment Board.

SERVEL, INC.

Consolidated Balance Sheet

Current Liabilities:

Provision for renegotiation	$1,000,000

Consolidated Statement of Income and Deficit
Deficit:
Special charges:
Provision for renegotiation of defense contracts (Note 1) $1,000,000

Note 1: A substantial portion of the Company's business in recent years has been subject to the Renegotiation Act of 1951 which provided for refunds of profits on defense business which are determined to have been excessive under the standards prescribed by the Act. On January 17, 1957, the Renegotiation Board determined that the company made excessive profits of $1,000,000 on its renegotiable business for its fiscal year ended October 31, 1953, and provision for such sum has been made in the accounts as at October 31, 1956, however, this determination may be appealed to the Tax Court of the United States at the option of the Company. Special counsel for the Company has stated that in his opinion, since the facts concerning the renegotiable business of the company for its fiscal years 1954 and 1955 differ in material respects from those for the fiscal year 1953, and since the Renegotiation Act requires the Board to take these differing facts into consideration in determining whether or not excessive profits were realized for such years, no appropriate basis exists for making an estimate of the possible liability, if any, of the company for refunds on its renegotiable business for the fiscal years 1954 and 1955, and accordingly, no provision with respect thereto has been made therefor in the accounts.

Annual Report to Stockholders: Renegotiation—On January 17, 1957, the National Renegotiation Board advised the Company that it had determined $1,000,000 of the 1953 defense profits to be refundable under the Renegotiation Act of 1951 as amended. Provision has been made for this refund, and it has been charged to the deficit account.

THE SPARKS-WITHINGTON COMPANY
Consolidated Balance Sheet
Current Liabilities:
Liability for United States and Canadian income taxes and for renegotiation and price redetermination of United States Government contracts—estimated (Note B) $815,904

Note B: Provision has been made in prior years for estimated refunds under renegotiation and price redetermination of Government defense contracts in amounts considered by the management to be adequate. It is the opinion of management that no refunds of material amount will be required for the current year.

INVENTORY

Presentation

Inventories were presented on the balance sheets of the 600 survey companies in varying detail. The term "inventory" or "inventories" was used by 111 companies exclusive of other detail on the balance sheet. An additional 81 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 the financial statements or elsewhere in the report. The remaining 408 companies provided detail on the balance sheet as follows:

Separate captions and amounts presented for:	*Number of Items*
Finished products	172
Work in process	136
Raw materials	152
Materials	17
Supplies	93
Merchandise	28
Various other separate captions	80
	678

Combined caption with one total amount presented for:	
Finished goods and work in process	50
Raw materials and work in process	7
Raw materials, work in process, and supplies	14
Raw materials and supplies	47
Raw materials, work in process, and finished goods	4
Raw materials, work in process, finished goods, and supplies	48
Materials and supplies	51
Various other combined captions	49

Pricing Basis

The most commonly used basis of valuation for inventories continues to be "lower of cost or market," as shown by the 1956 reports of the 600 survey companies. Table 9 summarizes the various bases stated by the survey companies to have been used in the pricing of their inventories. Only four of the companies failed to disclose the basis used in pricing their inventories in their 1956 reports.

Methods of "Cost" Determination

Table 9 discloses the methods of "cost" determination for the pricing of inventories as reported by 377 of the 600 survey companies. The remaining 223 companies did not disclose their method of cost determination and of these, four did not refer to the basis of pricing their inventories. The most frequently used method of cost determination for the pricing of inventories disclosed by the survey companies is the "last-in, first-out" (LIFO) method. The only other extensively mentioned methods were "average cost" and "first-in, first-out" (FIFO).

Examples illustrating the various methods of cost determination for inventory pricing are as follows:

First-in, First-out "Cost"

BOND STORES, INCORPORATED
Consolidated Balance Sheet
Current Assets:
Merchandise inventories—Note A:

Woolens, trimmings, etc.	$ 2,687,590
Work in process	1,470,023
Finished goods	20,253,947
	$24,411,560

Note A: Merchandise inventories are stated at or below the lower of cost (prime cost as to goods manufactured by the Corporation, retail inventory method as to furnishings and invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. These methods for pricing the merchandise inventories are consistent with the practice of prior years.

TABLE 9: INVENTORY PRICING

I: Basis of Pricing

Bases:*	1956	1955	1954	1950
Lower of Cost or Market—				
A: Lower of Cost or Market	368	353	339	342
B: Lower of Cost or Market; and, Cost	71	82	78	67
C: Lower of Cost or Market; and, one or more other bases	39	56	55	53
D: "Cost not in excess of market"	36	38	33	24
	514	529	505	486
Cost—				
E: Cost	57	34	49	63
F: Cost; and, one or more other bases	24	59	60	57
G: Cost; and, Lower of Cost or Market (See above)	71	82	78	67
	152	175	187	187
Other Bases—				
H: Cost or less than cost	25	28	25	37
I: Cost or less than cost "not in excess of market"	9	6	7	10
J: Cost, less than market	21	20	16	6
K: Lowest of—cost, market, adjusted selling price	2	1	2	1
L: Market	16	17	28	29
M: Market or less than market	10	6	10	8
N: Contract price	4	4	7	11
O: Selling price	3	3	4	4
P: Assigned values	1	3	5	7
Q: Various other bases	11	22	16	11
	102	110	120	124
Total	768	814	812	797

II: Method of Determining "Cost"

Methods:**	1956	1955	1954	1950
A: Last-in, first-out	200	199	198	164
B: Average cost	145	148	146	136
C: First-in, first-out	141	143	143	134
D: Standard costs	27	29	29	32
E: Approximate cost	11	11	11	16
F: Actual cost	4	8	8	7
G: Invoice cost	1	—	—	5
H: Production cost	5	4	2	5
I: Estimated cost	5	4	4	2
J: Replacement cost	5	4	1	2
K: Retail method	16	13	10	6
L: Base stock method	4	4	7	6
M: Job-order method	3	2	1	2
N: Other methods	12	8	2	4
Total	579	577	562	521
Number of Companies				
Stating inventory pricing basis and cost method	377	382	384	361
Stating inventory pricing basis but omitting cost method	219	212	208	232
Not stating inventory pricing basis or cost method	4	6	8	7
	600	600	600	600

I. *Refer to Company Appendix Section—A: Nos. 30, 64, 323, 400, 466, 593; B: Nos. 20, 92, 148, 189, 194, 255; C: Nos. 100, 210; D: Nos. 12, 200, 298, 338, 462, 464; E: Nos. 50, 97, 109, 118, 127, 181; F: Nos. 58, 69, 141, 143; G: See "B"; H: Nos. 23, 27, 69, 496, 553; I: Nos. 129, 178, 207, 209, 422, 469; J: Nos. 353, 358, 408, 444, 502, 559; K: Nos. 390, 593; L: Nos. 57, 59, 131, 204, 255, 533; M: 55, 57, 59, 63, 183, 441; N: Nos. 47, 182, 229; O: Nos. 40, 47, 182; P: No. 173; Q: Nos. 55, 57, 58, 63, 547.
II. **Refer to Company Appendix Section—A: Nos. 270, 271, 273, 298, 346; B: Nos. 82, 86, 87, 91, 355; C: Nos. 2, 14, 100, 103, 122; D: Nos. 34, 35, 66, 508, 522; E: Nos. 88, 191, 208, 283, 437; F: Nos. 167, 452, 560, 578; G: No. 100; H: Nos. 141, 433, 488; I: Nos. 147, 175, 382, 542; J: Nos. 123, 321, 331, 444; K: Nos. 18, 100, 358, 491, 595; L: Nos. 173, 210, 224, 407; M: Nos. 84, 221, 229; N: Nos. 55, 84, 267, 393.

BORG-WARNER CORPORATION
Statement of Consolidated Assets and Liabilities
Current Assets:

Raw materials, work in process, finished goods, and supplies, at the lower of cost (first-in, first-out) or market	$124,992,932

GUSTIN-BACON MANUFACTURING COMPANY
Balance Sheet
Current Assets:

Inventories, at the lower of "first-in, first-out" cost or market (Note 1):	
Raw materials, goods in process, finished goods, etc.	$2,761,280
Merchandise in transit	222,699
Supplies	19,255
Total inventories	$3,003,234

Note 1: Inventories are based on physical inventories and priced at the lower of "first-in, first-out" cost or market (replacement cost).

NATIONAL ALUMINATE CORPORATION
Statement of Consolidated Financial Condition
Current Assets:

Inventories—at the lower of cost (first-in, first-out method) or market:	
Finished products	$1,401,684
Raw materials	1,353,988
Total inventories	$2,755,672

VICKS CHEMICAL COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories of finished stocks, work in process, raw materials and supplies (See Note 1)	$18,841,562

Note 1: Inventories are valued at cost or market, whichever is lower. The last-in, first-out method is used by one subsidiary in determining cost of a substantial portion of its inventories. The cost of the remaining inventories is, in general, determined by the first-in, first-out method.

Average "Cost"

BEATRICE FOODS CO.
Consolidated Balance Sheet
Current Assets:

Inventories at lower of average cost or market:	
Products and other merchandise	$6,440,070
Materials and supplies	3,366,153
	$9,806,223

BELDING HEMINWAY COMPANY, INC.
Consolidated Balance Sheet
Current Assets:

Merchandise inventories (Note A):	
Raw materials and greige goods	$1,941,103
Work in process	947,934
Finished goods	2,913,558

Note A: Merchandise inventories as at December 31, 1956, are stated at the lower of cost (as outlined below) or market, representing replacement market after making allowance for any significant decline in prices of basic commodities, or selling market after making allowance for estimated selling expense and normal margin of profit.

(a) Cost of raw yarns, raw yarns in process and the raw yarn content of finished threads, amounting to 26% of the inventories, is determined on the basis of last-in, first-out.

(b) Cost of finished piece goods and greige goods, amounting to 54% of the inventories, is determined essentially on the basis of last-in, first-out computed on a monthly basis.

(c) Other items, principally labor and overhead on in-process and finished thread inventories, represent average cost.

THE BEST FOODS, INC.
Consolidated Statement of Financial Position
Current Assets:

Marketable products, raw materials, goods in process and supplies (at lower of average cost or market)	$14,297,952

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	$4,266,574
In stores	3,480,317
In transit	599,650
Supplies in warehouse	442,202
	$8,788,743

Note 2: Inventories—Merchandise Inventories (except non-perishable merchandise in stores) are priced at the lower of average cost or market. Non-perishable merchandise in stores is 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.

Standard "Cost"

AMERICAN HARDWARE CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories (Note 1)	$13,258,757

Note 1: The inventories included in the accompanying balance sheet are summarized as follows:

Finished goods	$ 2,376,797
Work in process	8,752,918
Raw materials	1,579,936
Factory supplies	549,106
Total	$13,258,757

Inventories are valued at the lower of cost or market. Generally, finished goods and work in process are valued at standard cost representing the estimated value of material and direct labor, based on product specifications and time studies, plus overhead which is applied on a basis of ratios of factory expenses to direct labor.

ERIE FORGE & STEEL CORPORATION
Balance Sheet
Current Assets:

Inventories—Note A:	
Work in process and finished products	$2,826,959
Raw materials	652,229
Supplies	515,107
	$3,994,297

Note A: Inventories—Inventories are stated at the lower of cost (raw materials—mainly cumulative average cost; work in process and finished—mainly standard cost, adjusted at reasonable intervals to reflect changed conditions; supplies—mainly first-in, first-out) or replacement market.

SMITH-CORONA INC.
Consolidated Balance Sheet
Current Assets:

Inventories (includes finished products, work in process, materials and supplies) (Substantially all valued at standard costs with certain items at actual costs. Inventory values did not exceed the lower of cost or market)	$11,109,807

A. G. SPALDING & BROS., INC.
Consolidated Balance Sheet
Current Assets:

Inventories—at lower of standard cost or market:	
Finished goods	$ 7,569,960

Work in process	3,041,811
Raw materials	2,572,448
	$13,184,219

Retail Method

SEARS, ROEBUCK AND CO.
Statement of Financial Position
Current Assets:
Inventories at lower of cost or market $513,378,952

Financial Review and Data: Inventories—Merchandise inventories valued at the lower of cost or market, cost being determined on a first-in, first-out basis by individual items for mail order and factory inventories, and by the retail method for retail store inventories, totaled $513,378,952, compared with $456,631,131 at the close of last year. Merchandise on order for future delivery totaled $505,443,000 compared with $445,203,000 at the end of 1954. The increases are in line with anticipated turnover and are justified by market conditions.

SIBLEY, LINDSAY & CURR CO.
Balance Sheet
Current Assets:
Merchandise inventories—on the basis of cost or market, whichever is lower, as determined, in the main, by the retail inventory method . $4,147,878

F. W. WOOLWORTH CO.
Consolidated Balance Sheet
Current Assets:
Merchandise inventories $139,074,982

Footnote to Balance Sheet: 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.

Base Stock Method

EAGLE-PICHER COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories of raw materials, work in process, finished products, and supplies (Note 1) .. $16,244,643

Note 1: 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.

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	$26,633,965
Footwear in process	2,042,450
Raw materials on hand and in transit	13,733,931
Miscellaneous	1,255,768
	$43,666,114

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.

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 $17,359,662. 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 $8,332,638 and the excess of $9,027,024 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 decreases. Prices increased during the year, and earnings have been decreased by an addition to the provision accumulated in prior years. Moreover, since the addition also resulted in an increase in 1956 federal income taxes, such charge to earnings has been reduced to $894,138 by an amount equivalent to the tax increase ($968,650), which has been charged directly to "Accumulated retained earnings."

Replacement Cost

KIMBERLY-CLARK CORPORATION
Consolidated Balance Sheet
Current Assets:
Inventories of finished goods, work in process, raw materials, and supplies (Note 3) $39,998,322

Note 3: Inventories—Inventories of finished goods, work in process, raw materials, and supplies at April 30, 1956 were priced as follows:

	At Cost Which Approximates Reproduction or Replacement Cost	At Cost on Lifo Method	Total
Finished goods and work in process	$11,326,442	$3,460,805	$14,787,247
Raw materials and supplies:			
Pulpwood	7,223,399	2,385,580	9,608,979
Other	13,005,225	2,596,871	15,602,096
Total	$31,555,066	$8,443,256	$39,998,322

Determination of "Market"

Only 70 of the 600 survey companies presented additional information as to the data upon which "market" was determined. Examples illustrating the presentation of this supplemental data are as follows:

ALASKA PACIFIC SALMON COMPANY
Balance Sheet
Current Assets:
Inventories:

Canned salmon, at cost, which was lower than net realizable value at current market prices	$156,972.10
Salmon canning and packing supplies, commissary and store merchandise, etc., at cost	143,626.13
	$300,598.23

ANDERSON, CLAYTON & CO.
Consolidated Balance Sheet
Current Assets:
Inventories (Note 3):
Cotton $106,382,703

Other:	
Finished products	34,188,962
Growing crops and work in process	4,357,731
Raw material	10,945,991
Supplies	11,297,257
Total Inventories	$167,172,646

Note 3: Cotton inventories are valued for U. S. growths at the market price quoted as of July 31, 1956 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. Appropriate reductions have been made to give effect to the U. S. Government's export sales prices applicable to U. S. growths in consignment stocks abroad and to cotton purchased under the Export Sales Program and not exported as of the close of the fiscal year. 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 material at the lower of cost or market; and supplies at cost or less.

COPPERWELD STEEL COMPANY
Statement of Financial Condition
Current Assets:

Inventories (Note 1):	
Finished products	$ 1,676,763
Work in process	8,004,931
Raw materials	7,492,342
Supplies	1,276,916
Rolls, molds, and guides	939,991
Total inventories	$19,390,943

Note 1: Inventories are valued generally at the lower of average cost or current replacement market except, for the purpose of computing cost of goods sold of the Wire and Cable Division of the Company, copper used in production is charged at the price in the inventory (including firm purchase commitments) at the date of shipment which is nearest to the price on the basis of which the related sale was made. The valuation at which copper is carried in the inventory represents the resulting residual cost and is lower than average cost or current replacement cost. The replacement cost of such copper included in inventories, after taking into account related firm purchase commitments used in costing copper consumption, exceeded the amount at which copper is included in inventories by $970,000 at December 31, 1956, and $1,675,000 at December 31, 1955. Rolls, molds, and guides are carried at estimated useful value.

PITTSBURGH STEEL COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories $34,046,012

Notes to Financial Statements: Inventories—

Ores and scrap	$11,493,437
Other raw materials and supplies	8,601,965
Semifinished products	7,893,455
Finished products	6,057,155
Total, as shown in balance sheet	$34,046,012

The basis of valuing inventories is cost or market whichever is lower. With minor exceptions, cost is represented by average cost. Market is considered to be quoted prices or replacement market on individual commodities in the case of raw materials and supplies, and the average net selling price of each class of commodity in the case of semifinished and finished products, without making any allowance for selling and administrative expenses. The method of computing cost of goods sold is average cost.

REPUBLIC STEEL CORPORATION
Statement of Consolidated Financial Position
Current Assets:
Inventories—at cost (principally last-in, first-out), not in excess of replacement market $199,989,641

SUPERIOR OIL COMPANY
Balance Sheet
Current Assets:

Inventories:	
Crude Oil, natural gasoline, etc., at posted market prices	$1,298,850
Materials and supplies, at or below cost	8,389,571

Lifo Inventory Cost Method

Use of Lifo by Industrial Groups

Table 11 contains a classification of the 600 survey companies by industrial groups and subgroups 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, 1954, 1955, and 1956.

Presentation of Lifo

The changes in the number of survey companies adopting or abandoning the use of lifo are summarized, comparatively, in Table 10. Six of the survey companies referred to the use of lifo for the first time in their 1956 reports and six companies, having reported the use of lifo in prior years, made no reference to lifo in the current year.

TABLE 10: LIFO INVENTORY COST METHOD

Number of Companies	1956	1955	1954	1950
Using Lifo at beginning of year (See Table 11)	201	199	197	118
Adopting Lifo during year (*Co. Nos. 96, 189, 213, 290, 314, 376)	6	4	—	42
Subsidiaries acquired with Lifo	—	2	2	—
No reference to Lifo in current year (*Co. Nos. 240, 304, 449, 510, 516, 541)	(6)	—	—	—
Readopting Lifo during 1950	—	—	—	1
Abandoning Lifo during year	—	(4)	—	—
Using Lifo at end of year (See Table 11)	201	201	199	161
Not referring to use of Lifo	399	399	401	439
Total	600	600	600	600
Extending Lifo to additional inventory classes during year (*Co. Nos. 13, 113, 591)	3	3	—	16
Partially abandoning Lifo during year	—	—	—	1

*Refer to Company Appendix Section.

Examples—Lifo Inventory Cost Method

Examples illustrating the disclosure of the use of lifo in the 1956 reports are as follows:

Adoption of Lifo

DAYSTROM, INCORPORATED
Consolidated Balance Sheet
Current Assets:
Inventories of raw materials, finished and partially finished products (Note 3) $15,045,939

TABLE 11: INDUSTRIAL GROUPS USING LIFO INVENTORY COST METHOD

Group Total	Industrial Group and Company Appendix Numbers		Lifo Use In: 1956	1955	1954	1950
	Chemicals & Chemical Products:					
27	Chemicals	(*Co. Nos. 32, 70, 284, 290, 309, 332, 387, 585)	8	7	7	7
11	Drugs and Medicines		—	—	—	—
7	Paints and Varnish	(*Co. Nos. 265, 404)	2	2	2	3
25	Clay, Glass & Building Materials	(*Co. Nos. 20, 133, 282, 318, 341, 376, 403, 555)	8	9	9	4
31	Electrical Appliances & Machinery	(*Co. Nos. 132, 217, 251, 254, 286, 513, 559)	7	6	5	3
	Food Products:					
8	Bakery	(*Co. No. 397)	1	1	1	1
12	Beverage	(*Co. Nos. 230, 402)	2	2	2	2
15	Canning and Preserving	(*Co. Nos. 39, 119, 346, 372, 509, 515, 524)	7	8	8	6
7	Confectionery	(*Co. Nos. 85, 104, 291, 597)	4	4	4	4
10	Dairy	(*Co. Nos. 102, 125)	2	3	3	3
9	Grain Milled Products	(*Co. No. 59)	1	1	2	2
11	Meat Products	(*Co. Nos. 63, 369, 390, 465, 536, 593)	6	7	7	6
8	Sugar	(*Co. Nos. 298, 574)	2	2	2	2
12	Instruments—Scientific	(*Co. Nos. 89, 214, 319)	3	3	3	3
9	Leather and Shoe Products	(*Co. Nos. 275, 313, 377)	3	3	3	3
8	Lumber and Wood Products	(*Co. Nos. 194, 206, 416, 590)	4	5	5	1
	Machinery:					
6	Agricultural	(*Co. Nos. 19, 127, 128, 192, 418)	5	5	5	1
11	Business and Store	(*Co. Nos. 116, 280, 398)	3	4	4	3
28	General Industrial	(*Co. Nos. 45, 176, 289, 323, 485, 499)	6	5	6	3
7	Household and Service	(*Co. Nos. 106, 370, 581)	3	3	1	1
25	Special Industrial	(*Co. Nos. 96, 109, 179, 189, 408, 558)	6	4	4	2
24	Metal Products	(*Co. Nos. 29, 43, 167, 231, 380, 450, 489, 500)	8	8	7	5
6	Motion Pictures		—	—	—	—
17	Nonferrous Metals	(*Co. Nos. 21, 40, 47, 54, 55, 99, 105, 120, 141, 148, 149, 328, 441, 472, 474)	15	15	15	12
22	Paper	(*Co. Nos. 136, 193, 200, 211, 312, 331, 360, 375, 423, 488, 550, 586)	12	12	12	9
30	Petroleum	(*Co. Nos. 69, 143, 169, 278, 444, 459, 462, 478, 502, 517, 518, 519, 520, 521)	17	17	17	17
10	Printing and Publishing	(*Co. No. 545)	1	1	1	1
10	Radio, Records, Television		—	—	—	—
35	Retail Stores	(*Co. Nos. 18, 68, 117, 145, 234, 236, 264, 268, 273, 335, 358, 368)	12	12	12	13
9	Rubber Products	(*Co. Nos. 235, 261, 270, 271)	4	4	4	4
29	Steel and Iron	(*Co. Nos. 3, 10, 13, 62, 92, 154, 178, 181, 213, 308, 321, 355, 406, 471, 494, 526, 569, 571, 575, 591, 599)	21	20	19	15
	Textiles:					
7	Floor Covering	(*Co. Nos. 14, 64, 66, 93, 340, 385)	6	6	6	6
6	Synthetic Fibers	(*Co. No. 51)	1	1	1	1
19	Wool and Cotton	(*Co. Nos. 86, 115, 123, 152, 317, 327, 468, 522, 559, 563)	10	11	13	13
11	Tobacco	(*Co. No. 162)	1	1	1	1
	Transportation Equipment:					
7	Boat and Ship	(*Co. No. 244)	1	1	1	—
13	Railway	(*Co. Nos. 41, 258, 455, 458)	4	4	4	3
18	Aircraft		—	—	—	—
18	Motor Vehicles	(*Co. No. 113)	1	1	—	—
22	Miscellaneous	(*Co. Nos. 314, 432, 457, 494)	4	3	3	1
600	Total		201	201	199	161

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

Note 3: Inventories at March 31, 1956 are stated at cost and are summarized as follows:

Government contracts and subcontracts	$ 3,688,428
Raw materials and finished parts	4,094,660
Partially finished products	4,430,847
Finished products	3,486,041
	15,699,976
Less progress statements	654,037
	$15,045,939

The last-in, first-out method was used in determining cost in respect of $7,825,879 of the total inventories at March 31, 1956, this amount being substantially less than the replacement cost of such inventories at that date. The remaining inventories were priced at the lower of average cost or market.

EASTERN STAINLESS STEEL CORPORATION
Comparative Balance Sheet
Current Assets:

Inventories (Note 1)	$10,670,312

Note 1: In 1956, the Corporation and its subsidiary adopted the last-in, first-out method for determining cost of finished products, work in process and raw materials. Other inventories are stated generally at average cost or market whichever is lower.

The application of the last-in, first-out method reduced the reported net income for 1956 by approximately $1,025,000.

INTERNATIONAL SILVER COMPANY
Statement of Financial Position
Current Assets:

Inventories at lower of average cost or market except for nickel and steel in 1956 at last-in, first-out cost	$16,846,882

MEDUSA PORTLAND CEMENT COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories (Note A):	
Finished products, raw materials, and supplies	$3,054,157
Repair parts and general stores	608,386
	$3,662,543

Note A: Inventories—Inventories are priced at the lower of cost or market. Cost ($2,118,365) of finished products, raw materials, and sacks was determined on the last-in, first-out (Lifo) method at December 31, 1956, instead of the average cost method previously used. This change had no material effect on the financial statements. Other inventories were priced generally on the basis of average cost as in prior years.

Continuing Lifo Adopted in Prior Years

AMERICAN & EFIRD MILLS, INC.
Consolidated Balance Sheet
Current Assets:

Inventories (Note A):	
Finished goods	$1,416,452
Goods in process	1,109,102
Raw materials	395,837
Waste and supplies	275,109
	$3,196,502

Note A: Inventories—Certain raw materials and raw material content of finished goods and goods in process of the Corporation and its wholly-owned subsidiary, American & Efird Mills, Inc. (A Michigan Corporation) have been valued at cost, based on the last-in, first-out method of valuation which is lower than market by approximately $1,590,000.00. All other inventories have been valued at the lower of average cost (first-in, first-out) or replacement market.

Inventories of wool tops and nylon have been valued at the lower of average cost (first-in, first-out) or replacement market instead of cost, based on the last-in, first-out method of valuation as previously used. This change had the effect of reducing the inventory valuation at April 1, 1956 and of reducing the net income for the year ended April 1, 1956 by approximately $90,000.00.

ASHLAND OIL & REFINING COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—Note A—	
Crude oil	$11,988,422
Refined products and merchandise	24,500,002
Supplies	4,748,673
	$41,237,097

Note A: Inventories—Principal inventories of crude oil and inventories of refined and semi-refined products at refineries and terminals are stated at cost (last-in, first-out method) which did not exceed market. Refined products and merchandise at bulk plants and service stations are stated at lower of approximate cost (first-in, first-out method) or market. Supplies are stated at cost.

PENN-DIXIE CEMENT CORPORATION
Consolidated Statement of Financial Position
Current Assets:

Inventories, at lower of lifo cost or market, except supplies at lower of average cost or market:	
Finished products	$2,277,757
Raw materials and fuel	1,845,421
Paper bags	398,952
Supplies	2,308,906

ST. CROIX PAPER COMPANY
Comparative Consolidated Balance Sheet
Current Assets:

Inventories (Note 1)	$3,390,274

Note 1: Inventories—

Pulpwood at mill and in storage area	$1,140,729
Pulpwood operations (including advances to contractors)	1,212,306
Materials and supplies	837,558
Newsprint and pulp	199,679
	$3,390,274

The inventories are stated at cost or market, whichever is lower, cost representing actual or average except in the case of pulpwood on hand. Pulpwood on hand in the parent company is valued at cost on the last-in, first-out basis. Pulpwood on hand in subsidiaries is valued at cost, including stumpage, not in excess of market.

Extension of Lifo

ALLEGHENY LUDLUM STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories (Note 1):	
Raw materials	$13,878,587
Semi-finished	33,848,927
Finished	4,364,052
Supplies	2,030,328
	$54,121,894

Note 1: Inventories—The principal raw materials of the corporation, together with the related raw material and hourly labor content of its inventories of semi-finished and finished goods, are stated at cost under the "last-in, first-out" method as in the prior year. During 1956, a subsidiary which formerly valued only certain raw materials, together with the related raw material, labor and burden content in its semi-finished and finished goods at cost under the "last-in, first-out" method, extended this method of valuation to substantially all its raw material and the related raw material, labor and burden content in its semi-finished and finished goods. The effect upon earnings for the year of this extension 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.

WHEELING STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories (Note D)	$71,687,026

Note D: Inventories—Inventories at December 31, 1956 and at the end of 1955 (certain items of which have been reclassified for purpose of comparison) were as follows:

Finished and semi-finished products on last-in, first-out basis (see below)	$33,715,359
Raw materials principally on last-in, first-out basis	31,000,586
Other materials and supplies principally at average cost	6,971,081
	$71,687,026

During 1956 there was an extension of the Lifo method to all finished and semi-finished products; however, the effect of such extension on net income was not material.

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 inventory reserves are those for obsolescence, possible future inventory price declines, or the restatement of, or replacement of, or reduction to lifo inventories. Since 1950 there has been a decrease of over 50 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 9 in 1956) and basic lifo replacement (18 in 1950; 6 in 1956). During 1956 there was a net decrease of sixteen reserves since the prior year; eighteen reserves were eliminated and two new reserves were created. Extensive references are given within Table 12 to the companies which disclose the respective reserves.

TABLE 12: INVENTORY RESERVES

Purpose Stated	1956	1955	1954	1950
Possible future inventory price decline (*Co. Nos. 63, 188, 255, 295)	9	15	19	49
Increased replacement costs (*Co. No. 459)	1	—	—	1
Restatement of Lifo (*Co. Nos. 3, 474)	2	2	1	—
Basic Lifo replacement (*Co. Nos. 59, 346, 369, 390, 536, 593)	6	6	7	18
Reduction to Lifo cost (*Co. Nos. 273, 289, 318, 370)	5	6	6	6
"Base stock" adjustment (*Co. Nos. 173, 224, 404, 523)	4	4	4	5
Reduction to market (*Co. Nos. 93, 568)	2	3	4	2
Inventory markdown (*Co. No. 342)	1	2	2	2
"Released film" amortization (*Co. Nos. 199, 351, 424, 549, 583)	5	5	5	5
Inventory obsolescence (*Co. Nos. 306, 307, 320, 592)	11	12	12	19
Inventory shrinkage (*Co. Nos. 215, 406, 428)	3	3	4	3
Overhead in inventory (*Co. No. 577)	1	1	1	1
Materials and supplies adjustments (*Co. Nos. 353, 459)	2	1	1	4
Intercompany sales—discounts—profits	—	2	4	7
Purchase commitments	—	—	1	—
Inventory hazard (*Co. No. 162)	1	1	1	1
Purpose not stated (*Co. Nos. 6, 40, 75, 373)	10	16	16	24
Total	63	79	88	147
Number of Companies with:				
Inventory reserves	60	70	77	124
No inventory reserves	540	530	523	476
	600	600	600	600
Terminology Used:				
"Reserve"	31	42	44	86
"Provision"	5	7	9	11
Various other terms	27	30	35	50
	63	79	88	147

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

Examples of Inventory Reserves
Inventory Price Decline

ALLIED MILLS, INC.
Consolidated Balance Sheet
Current Assets:

Inventories—valued at the lower of cost or market:	
Finished products and merchandise	$4,293,507
Raw materials	4,262,044
Bags and supplies	593,235
	$9,148,787
Capital Stock and Surplus:	
Surplus reserve:	
Possible market decline in inventories	$ 621,000

GENERAL MILLS, INC.
Financial Position
Current Assets:

Inventories (Note 2)	$49,301,969
Above Stockholders' Equity Section:	
Long Term Debt and Reserves:	
Reserves for self-insurance, price declines, and other purposes (Note 2)	$ 5,057,704
Results of Operations:	
Costs:	
Increase or (decrease) in inventory valuation allowances (Note 2)	$ (223,678)

Note 2: Inventories—

Grain for processing, flour and soybean products, at market, after appropriate adjustment for open cash trades, unfilled orders, etc.	$23,812,949
Formula feeds, ingredients, package foods, sponges, etc., at the lower of cost or market	15,223,939
Containers, supplies, mechanical equipment contracts, etc., at cost	8,428,366
	47,465,254
Less valuation allowances	—
	47,465,254
Advances on grain and other commodities	1,836,715
	$49,301,969

During the year, the Board of Directors determined that the inventory valuation allowances provided in prior years were no longer required for the purpose originally established. However, in view of the broadening scope of operations of the company requiring the accumulation of substantial quantities of unhedged inventories, the Board directed that, from accumulated valuation allowances at May 31, 1955, $2,250,000 be established as a reserve for price declines, the balance of $223,678 being restored to earnings for the year.

THE SCRANTON LACE COMPANY
Consolidated Balance Sheet

Current Assets:	
Inventories—at the lower of cost (Fifo) or market	$1,240,570
Stockholders' Investment:	
Earnings used in the business:	
Appropriated for possible price decline in inventories	$ 200,000

SPIEGEL, INC.
Consolidated Financial Position

Current Assets:	
Inventories at approximate cost or market, whichever lower:	
Merchandise	$10,530,527
Supplies	514,668
	$11,045,195
Stockholders' Equity:	
Earnings invested in the business since January 1, 1933:	
Appropriated for inventory price declines, additional taxes, etc.	$ 1,500,000

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 (33 reserves in 1956); above stockholders' equity section (15 reserves in 1956); or within the stockholders' equity section of the balance sheet (10 reserves in 1956). 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, 1954, 1955, and 1956.

TABLE 13: INVENTORY RESERVES

Balance Sheet Presentation:	1956	1955	1954	1950
With Inventories for:				
Possible future inventory price decline	1	2	3	9
Increased replacement cost	—	—	—	1
Intercompany sales—discounts—profits	—	1	2	6
Reduction to "Lifo" cost	2	4	5	5
Materials and supplies adjustments	2	1	1	3
Inventory obsolescence	11	12	12	15
Reduction to market	1	2	3	1
"Base stock" adjustments	1	3	3	4
Inventory markdown	1	2	1	1
"Released film" amortization	5	5	5	5
Inventory shrinkage	3	2	3	3
Purpose not stated	6	7	6	11
Among Noncurrent Assets for:				
Intercompany sales—discounts—profits	—	—	1	—
Among Current Liabilities for:				
Basic "Lifo" replacement	4	3	3	7
Purchase commitments	—	—	1	—
Inventory markdowns	—	1	1	1
Reduction to "Lifo" cost	1	—	—	—
Above Stockholders' Equity for:				
Possible future inventory price decline	2	1	2	15
Increased Replacement cost	1	1	1	—
Intercompany sales—discounts—profits	—	—	—	1
Reduction to "Lifo" cost	2	2	1	1
Basic "Lifo" replacement	2	2	4	9
Overhead in inventory	1	1	1	1
Reduction to market	1	1	1	1
"Base stock" adjustments	3	1	1	1
Restatement of "Lifo"	2	2	1	—
Inventory obsolescence	—	—	—	4
Purpose not stated	1	4	5	7
Within Stockholders' Equity for:				
Possible future inventory price decline	6	11	14	25
Inventory hazard	1	1	1	1
Inventory shrinkage	—	1	1	—
Basic "Lifo" replacement	—	1	—	1
Materials and supplies adjustments	—	—	—	1
Purpose not stated	3	5	5	7
Total	63	79	88	147

Refer also to Table 12.

Restatement of Lifo

ACME STEEL COMPANY
Statement of Consolidated Financial Condition

Current Assets:	
Cash	$ 6,774,234
Trade accounts receivable, less allowances	10,983,611
Prepaid insurance and other expenses	365,006
Inventories—Note A	28,615,531
Total before adjustment of inventory amount	$46,738,382
Amount to increase inventories, as above, to first-in, first-out cost basis (1956—$10,100,000; 1955—$3,766,998) less applicable taxes on income at current rates—Note A	4,900,000
Total Current Assets	$51,638,382

Above Stockholders' Equity Section:	
Reserves:	
For net adjustment of inventories on last-in, first-out cost basis, to first-in, first-out cost basis—Note A	$ 4,900,000

Note A: Inventories—The major classifications of the inventories were as follows:

Finished products	$11,492,999
Work in process	6,267,747
Raw materials	7,065,975
Manufacturing supplies	3,788,810
Total	$28,615,531

Inventories have been stated at the lower of cost or market. Cost as to inventories carried at $18,179,229 at December 31, 1956, and

$13,421,591 at December 31, 1955, has been determined by the last-in, first-out method. Cost as to the remaining portion has been determined by the first-in, first-out method.

The use of the last-in, first-out basis (adopted in 1950) of pricing certain inventory components has resulted in inventory and working capital amounts being less than if the first-in, first-out method had been continued in use. In the statement of financial condition this difference (amounting to $4,900,000 at December 31, 1956, and $1,808,159 at December 31, 1955, after giving effect to applicable taxes on income at current rates) has been added to current assets.

Basic Lifo Replacement

ARCHER-DANIELS-MIDLAND COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—Note A:	
At lower of cost (last-in, first-out method) or market:	
Linseed oil, soybean oil, sperm oil, and crude fish oil	$ 7,653,913
At lower of cost (first-in, first-out method) or market:	
Flaxseed, soybeans, and other raw materials	10,775,457
Sundry oils	6,460,819
Packaging materials	868,962
Manufacturing supplies	1,835,067
At market:	
Flour, wheat, and other grains, including adjustment of open contracts to market	7,829,923
At market or less:	
Feed and meal, including adjustment of open contracts to market	5,943,815
	$41,367,956

Current Liabilities:

Reserve for anticipated replacement of inventories, less related income tax reduction—Note A	$ 397,000

Note A: . . . Current replacement cost of oils priced in the inventory at last-in first-out cost exceeds the inventory basis thereof by approximately $5,200,000 at June 30, 1956, and $3,800,000 at June 30, 1955. The increase in this so-called "lifo reserve" results principally from increased quantities at June 30, 1956; the excess of cost over lifo basis of such increased quantities has been charged against the reserve for anticipated replacement of inventories after adjustment for allocable income tax effect.

LIBBY, McNEIL & LIBBY
Consolidated Balance Sheet
Current Assets:

Inventories:	
Products	$52,468,154
Ingredients and supplies	9,972,083

Below Current Liabilities:

Reserve for replacement of Lifo inventories after income taxes)	$ 1,300,000

Notes to Financial Statements: 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 sheet is valued at cost or market, whichever is lower. Ingredients and supplies are valued at cost.

SWIFT & COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories:	
Products—see notes	$160,682,158
Ingredients and supplies, valued at the lower of cost or market	21,717,914

Current Liabilities:

Provision for replacement of basic Lifo inventories (net after income taxes)	$ 1,415,870

Notes to Financial Statements: Inventories—A substantial portion of the product inventories of Swift & Company and its domestic subsidiaries is valued at cost under the "Last-in, First-out" (Lifo) method provided in the Internal Revenue Code. Other product inventories of the Company and its domestic subsidiaries are valued at approximate market, less selling expense. The product inventories of the Canadian subsidiaries are valued at cost under a modified form of the "Lifo" method.

The Year in Review: . . . Your company uses the Lifo method of inventory valuation. The method minimizes the effect of fluctuating prices on earnings. During the past fiscal year there have been substantial price advances on many of our products. Under the Lifo method the unrealized appreciation is not recorded as income. This accounting method does, however, provide protection against future price declines. . . .

The reserve for inventory price decline has been carried since the 1930's. Because the Lifo method of inventory valuation now applies to substantially all of our product inventory, this reserve ($5,767,000) appeared unnecessary and has been transferred to accumulated earnings.

Reduction to Lifo Cost

W. T. GRANT COMPANY
Statement of Financial Position
Current Assets:

Merchandise inventories (including merchandise in transit), principally at Lifo cost, not in excess of market—Note A	$60,819,730

Above Stockholders' Equity:

Reserves:	
For reduction in inventory valuation less tax refunds, if retroactive Lifo is sustained—Note A	$ 3,214,118

Note A: The financial statements reflect adoption as of January 31, 1950 of the Lifo method of determining cost of inventories. The Company's claim to the right to use Lifo retroactively to 1941 is still pending, and the accompanying statement of financial position includes the amount of $1,635,000 for taxes recoverable by the Company if retroactive Lifo is not sustained, and the reserve of $3,214,118 for reduction in inventory valuation, less tax refunds, if retroactive Lifo is sustained. The balances in both of these accounts result from the accounting adjustments which reflect the adoption of Lifo as of January 31, 1950. The balance in the account for taxes recoverable was increased in October 1955 by $367,000 as a result of payment of the liability (previously treated as a reduction of this account) for additional taxes for 1949 attributable to the adoption of Lifo as of January 31, 1950. Except for this change, these balances have remained unchanged, as adjustments for 1950 to 1955, inclusive, which would be applicable only in the event that retroactive Lifo is sustained, have been relatively immaterial. A more detailed explanation appeared in the notes to financial statements in the report for the fiscal year ended January 31, 1951.

HERCULES MOTORS CORPORATION
Balance Sheet
Current Assets:

Inventories—Note A:	
Raw materials and purchased parts, products in process and finished—at cost not in excess of market	$8,894,125
Less allowance to reduce to substantially last-in, first-out not in excess of market	3,196,479
	$5,697,646

Note A: The inventories are reduced to cost on the basis of last-in, first-out by a reserve provided by charges to income less credits to income in certain years. The net charges to income in prior years ($2,944,000) were not used in the determination of federal taxes on income but as of August 1, 1955, the Corporation has elected to use this method of pricing inventories for federal income tax purposes. This election effected a reduction of approximately $125,000 in federal taxes on income for the year ended July 31, 1956.

To the Stockholders: Although the last-in, first-out method of valuing inventory adopted by your Corporation for federal income tax purposes as of August 1, 1955, requires certain allowances to be set aside to cover rising costs of material, it provides numerous long-term safeguards and substantial tax savings. The federal income tax saving for the current fiscal year alone is expected to amount to approximately $125,000.00.

THE MAYTAG COMPANY
Statement of Consolidated Financial Condition
Current Assets:

Inventories—Note A	$18,589,256

Above Equity Section:
Reserves:

For valuation of inventories on basis of Lifo method—Note A	$ 1,512,000

Note A: Inventories—Since 1946, inventories have been priced substantially on the basis of the lower of cost (last-in, first-out method) or market for financial accounting purposes. The first-in, first-out method of pricing inventories has been used for income tax purposes. In the statement of consolidated financial condition, inventories have been included in the assets at the income tax (Fifo) basis. The amount required to adjust the inventories to a Lifo basis is shown as a reserve after reduction for the approximate income tax allocable thereto.

The major classes of the inventories are as follows:

Finished products	$ 5,544,515
Work in process and finished parts	8,883,778
Raw materials	3,027,951
Manufacturing supplies	1,133,012
Total	$18,589,256

Base Stock Adjustment

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	$26,633,965
Footwear in process	2,042,450
Raw materials on hand and in transit	13,733,931
Miscellaneous	1,255,768
	$43,666,114

Above Stockholders' Equity:

Provision to give effect to the normal base stock method of inventory (Note 1)	$17,359,662

Consolidated Statement of Earnings

Net amount to give effect to the normal base stock method of inventory transferred to (transferred from, in 1955) provision therefor after deducting approximate applicable federal income taxes thereon at current rates (Note 1)	$ 894,138

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.

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 $17,359,662. 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 $8,332,638 and the excess of $9,027,024 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 decreases. Prices increased during the year, and earnings have been decreasd by an addition to the provision accumulated in prior years. Moreover, since the addition also resulted in an increase in 1956 federal income taxes, such charge to earnings has been reduced to $894,138 by an amount equivalent to the tax increase ($968,650), which has been charged directly to "Accumulated retained earnings."

NATIONAL LEAD COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories (Note 2)	$86,928,910

Above Stockholders' Equity:

Inventory reserves (Note 2)	$11,636,272

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)	Fixed Inventory Price per Pound
Lead	49,687½	$.03
Tin	1,124½	.21
Antimony	1,400	.05

Reduction to Market

UNITED STATES SMELTING REFINING AND MINING COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories (Note 1):	
Ores, by-products, metals in process and on hand	$9,464,634
Supplies, fuel and timber	7,136,274

Above Stockholders' Equity:
Reserves for contingencies:

For metal price fluctuations (Note 4)	$2,684,552

Note 1: Inventory of metals in process and on hand includes metal sold under firm contracts but not delivered at the end of the year. These undelivered sales are valued at sales contract prices. In accordance with the Company's established practice unsold metals are carried at the average of prices prevailing at the time of production or purchase, or at market price at the end of the year, whichever is lower. In the case of metals in process there has been deducted from the inventory value the estimated cost of further reduction processes. Inventories of purchased ores, supplies, fuel and timber are carried at or below cost. There are no commitments for purchases of materials at prices which may have a material effect on future earnings.

Note 4: Reserve for Metal Price Fluctuations has been built up from profits resulting from sales of metals at prices in excess of the average inventory values of the respective metals. In accordance with the Company's long established practice, metals produced are taken into Gross Value of Production for determination of operating profit, and into Inventory, at prices prevailing at the time of production at the mines (or for custom materials, at time of purchase). Gains resulting from the sale of metals at prices higher than the average price of the respective metals in Inventory are added to this Reserve and losses resulting from sales at less than inventory prices are deducted from this Reserve. If at the end of the year, the market prices of metals are lower than the average price of the respective unsold metals in Inventory, the amount necessary to write down the value of unsold metals to market prices is also deducted from this Reserve. The net effect of this method of accounting is to report net operating profit unaffected by gains or losses resulting from fluctuations in metal prices subsequent to production or purchase of the metal-bearing materials. The net gain or loss due to metal price fluctuations for the year is included following net operating profit on page 15 to show the results from operations for the year together with the net gain or loss due to metal price fluctuations. The effect of this inclusion on Surplus and on the Reserve for Metal Price Fluctuations is offset in each year by appropriation from Surplus to the Reserve, or restoration to Surplus from the Reserve, of an equal amount.

MINNESOTA MINING AND MANUFACTURING COMPANY

Combined Condensed Balance Sheets of Foreign Subsidiaries Not Consolidated as of October 31, 1956

Assets

Cash	$ 1,169,776
Receivables—net	5,973,112
Inventories	10,845,613
Total current assets	$17,988,501
Investments	187,738
Plant, property and equipment—net	10,359,926
Other assets	241,057
Total	$28,777,222

Liabilities

Amounts due banks	$ 3,474,031
Notes and accounts payable	2,611,724
Other liabilities	7,806,849
Total current liabilities	$13,892,604
Long-term debt—affiliated companies	184,668
Long-term debt—others	2,561,568
Equity of minority stockholders	1,562,126
Equity of Minnesota Mining and Manufacturing Company	10,576,256
Total	$28,777,222

Inventory Obsolescence and Shrinkage

EATON MANUFACTURING COMPANY
Statement of Consolidated Financial Position
Current Assets:

Inventories—at lower of cost (average or standard) or replacement market:	
Finished and in process	$22,398,399
Raw materials	9,947,393
Manufacturing supplies	2,325,963
	$34,671,755
Less allowances for shrinkage and obsolescence	1,733,583
	$32,938,172

NATIONAL STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories of finished and semi-finished products, raw materials and supplies—Note A	$71,184,952

Note A: Inventories—Inventories are stated at the lower of cost (determined generally under the last-in, first-out principle) or market, less reserves for shrinkage, and were comprised of the following items:

Finished and semi-finished products	$23,618,439
Raw materials	39,673,138
Supplies	9,633,364
	$72,924,941
Less reserves for shrinkage	1,739,989
	$71,184,952

WORTHINGTON CORPORATION
Consolidated Statement of Financial Condition
Current Assets:

Inventories (See page 10)	$62,741,170

Page 10: Supplementary Financial Information—Inventories consist of finished machines and parts, work in process, purchased materials and supplies and are stated at the lower of cost (principally average cost), or market, less a provision of $1,000,000 for possible future obsolescence.

CASH SURRENDER VALUE OF LIFE INSURANCE

Table 14 indicates that 78 survey companies revealed "cash surrender value of life insurance"; 76 of these companies presented the item on the balance sheet, one as a current asset, and the remaining 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 Certified Public Accountants.

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

TABLE 14: CASH SURRENDER VALUE OF LIFE INSURANCE

Balance Sheet Presentation	1956	1955	1954	1950
As a current asset separately set forth (*Co. No. 320)	1	1	2	3
As a noncurrent asset separately set forth (*Co. Nos. 179, 241, 267, 279, 302, 305, 317, 383, 394, 465)	20	36	28	31
Combined with or shown under heading of other noncurrent assets (*Co. Nos. 14, 33, 199, 289, 301, 382, 386, 429, 455, 498)	55	49	60	79
Not shown on balance sheet but existence thereof discussed in notes (*Co. Nos. 189, 372)	2	2	2	—
Number of Companies				
Disclosing the above asset	78	88	92	113
Not disclosing the above asset	522	512	508	487
	600	600	600	600

*Refer to Company Appendix Section.

AMPCO METAL, INC.
Statement of Financial Condition
Other Assets:

Cash surrender value of life insurance policies on life of president ($100,000 face amount)	$23,784

DAYSTROM, INCORPORATED
Consolidated Balance Sheet
Noncurrent Assets:

Other assets and deferred charges (Note 5)	$1,196,344

Note 5: Other assets and deferred charges consist of the following:

Investment in Weston Electrical Instrument Corporation—at cost	$ —
Excess of cost over net assets of wholly-owned subsidiary company acquired	732,000
Due from officers and employees under Company's stock option incentive plan (secured by 11,000 shares in 1956 and 30,250 shares in 1955 of common stock held in escrow until fully paid for)	121,195
Cash surrender value of life insurance policies	207,940
Investment in timberland	—
Miscellaneous	135,209
	$1,196,344

WALT DISNEY PRODUCTIONS
Consolidated Balance Sheet
Other Assets:

Cash surrender value of insurance on life of officer	$214,672

FORT PITT INDUSTRIES, INCORPORATED
Balance Sheet
Noncurrent Assets:

Cash surrender value of life insurance	$88,190

CLAIMS FOR REFUND OF INCOME TAXES

Table 15 summarizes the 72 claims for income tax refunds as disclosed by 58 of the survey companies in their 1956 annual reports. As in prior years, the most commonly stated bases of such claims for refund continue to be in connection with operating loss carry-backs, the use of lifo inventory pricing methods, and Sections 721 and 722 of the Internal Revenue Code of 1939. In 29 instances the basis of the claims was not explained.

TABLE 15: TAX REFUND CLAIMS

Nature of Tax Refund Claims	1956	1955
Claims for Refund of Federal Income or Excess Profits Taxes:		
Basis of Claims Explained As—		
A: Operating loss carry-back (*Co. Nos. 8, 276, 439, 490, 564, 578)	15	16
B: Sections 721-722 of Internal Revenue Code (*Co. Nos. 51, 98, 313)	5	3
C: Replacement of basic lifo inventory (*Co. Nos. 43, 236, 408)	4	7
D: Adoption of lifo inventory (*Co. Nos. 68, 264, 358)	5	6
E: Excess profits credit—carry-back (*Co. Nos. 47, 545)	3	2
F: Various other (*Co. Nos. 116, 487)	6	2
Basis of Claims Not Explained—		
G: Income taxes (*Co. Nos. 5, 66, 118, 179, 382, 399, 476, 483)	19	20
H: Excess profits taxes (*Co. Nos. 145, 463, 473)	6	9
I: Taxes (*Co. Nos. 108, 351, 482, 590)	4	4
Claims for Refund of:		
J: State taxes (*Co. No. 448)	3	1
K: Foreign taxes (*Co. No. 7)	2	2
Total	72	72

	Nature of Refund Claims									1956
Presentation in 1956	A	B	C-D	E	F	G-H	I	J	K	Total
Current assets	13	2	—	1	2	10	1	3	1	33
Noncurrent assets	—	—	7	1	1	5	3	—	1	18
Tax liability offset	1	—	—	—	—	2	—	—	—	3
Notes to statements	—	1	—	1	2	4	—	—	—	8
Letter to stockholders	1	2	2	—	1	4	—	—	—	10
Total	15	5	9	3	6	25	4	3	2	72

Number of Companies	1956	1955
Referring to tax refund claims	58	62
Not referring to tax refund claims	542	538
	600	600

*Refer to Company Appendix Section.

The following examples illustrate the nature and degree of disclosure of information concerning the basis of claims for refund of taxes and the accounting treatment given:

Operating Loss Carry-Back

AINSWORTH MANUFACTURING CORPORATION
Balance Sheet
Current Assets:
Claim for refund of federal income tax resulting from carry-back of operating loss .... $ 92,455

Summary of Income and Retained Earnings
Provision for federal taxes on income (1956, credit resulting from carry-back of operating loss) .... $(92,455)

PFEIFFER BREWING COMPANY
Balance Sheet
Current Assets:
Refundable federal income taxes $167,000
Statement of Income and Accumulated Earnings
Federal income tax refund arising from loss carry-back $167,000

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

AMERICAN VISCOSE CORPORATION
Consolidated Income and Retained Earnings

Net income for the year	$14,909,000
Retained earnings at beginning of year	77,692,000
Refund of federal taxes on income and reversal of excess tax provisions, Note 2	6,684,000
	$99,285,000

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 World War II excess profits taxes were settled early in 1956.

Review of the Year: Working Capital—Under an agreement with the Internal Revenue Service relating to claims for relief from World War II excess profits taxes, the Corporation received in 1956 a net tax refund of $3.5 million. Settlement of these claims also released income tax provisions of $3.2 million. The total of $6.7 million has not been included in income for the year but has been added to retained earnings. Interest of $1.8 million received on the net tax refund was reduced by income taxes and related expenses to $757,000, which has been included in the earnings for 1956.

BOEING AIRPLANE COMPANY

Financial Review: Federal Income Taxes—The federal income tax returns of the company have been examined through 1950. Except for certain claims for refund of prior years' taxes, agreements have been reached for these years. During the year, company claims under Section 721 of the Internal Revenue Code of 1939 for the years 1942 and 1943 were settled for $650,000. This amount and the interest thereon have been included in the statement of net earnings. The other refund claims have not been recorded in the accounts.

Tax returns for 1951, 1952, and 1953 are currently under examination by the Internal Revenue Service. The income tax liability as stated on the Balance Sheet is believed adequate for all open years.

INTERNATIONAL SHOE COMPANY
Consolidated Financial Position
Current Assets:
Net refund of prior years' excess profits taxes under Section 722 of the Internal Revenue Code $1,512,000
Consolidated Income and Retained Earnings
Nonrecurring items less applicable Federal income taxes:
Add—Refund of prior years' excess profits taxes under Section 722 of the Internal Revenue Code, including interest $1,512,000

Replacement or Adoption of Lifo Inventory

FIRST NATIONAL STORES, INC.
Balance Sheet
Other Assets and Deferred Charges:
Claims for refunds of federal taxes on income (Note 1) $2,950,000

Note 1: The use and method of application of the last-in first-out method of inventory valuation for each fiscal year since its adoption in 1941 are subject to review and acceptance by the Internal Revenue Service. As a result of amendments in the method of application the Company has claims for refund of federal income taxes in amount greater than the amount of $2,950,000 recorded on the books. The claims have been examined by the Internal Revenue Service and a proposed settlement on the basis of refunds aggregating approximately $4,000,000 plus interest has been agreed to by the company subject to approval by the Commissioner of Internal Revenue. Pending such approval no adjustment has been made in the amount at which the claims are carried on the books.

R. H. MACY & CO., INC.
Consolidated Statement of Financial Condition
Other Assets:

Overpayment of Federal income taxes claimed for the six years ended January, 1947, as a result of adoption of Lifo, including accrued interest of $2,102,699 to August 1, 1953 (Note 2)	$9,018,699

Note 2: In 1951, the Bureau of Internal Revenue held that the Corporation and its subsidiaries were entitled to use the Lifo method of inventory valuation in computing taxable income beginning with the year ended January 31, 1942, and issued reports of overassessment for that year. On post-audit review in 1954, the then Commissioner of Internal Revenue refused to follow the 1951 determination and the District Director issued new reports for the year ended January 31, 1942, disallowing the use of Lifo. On advice of counsel that the disallowance was erroneous, the Corporation instituted court action to contest the District Director's determination. The Corporation's and Government's motions for summary judgment in that action are awaiting decision by the Court.

The inventories are stated at July 28, 1956, at $12,517,651 and at July 30, 1955, at $11,893,487 less than they would have been if the first-in first-out principle had been applied in determining cost.

In 1956, the Corporation received Revenue Agent's reports for the period from February 1, 1942, through July 31, 1948, and the additional assessments agreed to were paid. Disallowed maintenance and repair items (less depreciation to date) in the net amount of $1,667,797 have been capitalized on the books. Pending settlement of the Lifo matter and the Newark store loss referred to below, and after deducting $1,300,000 for prior years' taxes, the resulting balance of $367,797 has been added to the Federal income tax liability account. Revenue Agents are now bringing their examinations up to a current date and, based on allowance of the Lifo method and the Newark store loss, it is believed that adequate provision has been made to cover possible additional assessments for subsequent periods.

The Revenue Agent proposed to capitalize the 1946 loss of $3,375,000 on the sale of the Newark, New Jersey, main store property. This proposal has not been agreed to and has been protested. The proposed capitalization (less estimated amortization of $1,600,000 to date) would involve approximately $1,400,000 of Federal income taxes, including interest, in excess of the amounts paid and provided.

Other Claims

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

Federal income tax—refund receivable	$96,815

BURROUGHS CORPORATION
Notes to Financial Statements

Note 6: Provision for U. S. Income Taxes—The provision for U. S. income taxes shown in the accompanying statement of income was reduced approximately $1,050,000 by reason of the carryover for U. S. income tax purposes of the operating losses of (1) Electro-Data Corporation prior to its integration with the Company and (2) a subsidiary company dissolved in 1956.

NATIONAL COMPANY, INC.
Comparative Condensed Balance Sheet
Current Assets:

Estimated refund of federal income taxes	$30,000

PITTSBURGH BREWING COMPANY
Comparative Balance Sheet
Current Assets:

State excise tax refunds due	$23,166

WEYERHAEUSER TIMBER COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Tax refund claims, other receivables, etc.	$7,032,752

FIXED ASSETS—Basis of Valuation

Of the 600 survey companies, 544 disclosed the basis used in the valuation of fixed assets as presented in their balance sheets. Table 16 presents the various bases used by the survey companies in valuing their fixed assets. The great majority of these companies valued their fixed assets at "cost." The method of valuing "subsequent additions" whenever indicated was usually "cost." Few companies disclosed a basis of valuation of fixed assets other than "cost."

Examples

Illustrations of the various methods of valuing fixed assets as disclosed in the 1956 reports are as follows:

At Cost

ALLEN INDUSTRIES, INC.
Balance Sheet

Property, Plant, and Equipment—on basis of cost:	
Buildings	$2,595,345
Machinery and equipment	5,394,295
	$7,989,640
Less allowances for depreciation	2,597,535
	$5,392,105
Land	359,959
Leasehold improvements, less amortization of $101,961 in 1956 and $65,854 in 1955	444,484
Total Property, Plant, and Equipment	$6,196,548

ARDEN FARMS CO.
Consolidated Balance Sheet

Plant and Equipment, at Cost	$35,352,265
Less reserves for depreciation	15,698,676
	$19,653,589

BUCYRUS-ERIE COMPANY
Consolidated Balance Sheet

Property, Plant and Equipment, at Cost (Note E)	$33,491,142
Less accumulated depreciation	11,109,861
Net Property, Plant and Equipment	$22,381,281

Note E: The Board of Directors has authorized an expenditure of $12,000,000 for constructing and equipping a new plant at Richmond, Indiana.

DELTA AIR LINES, INC.
Balance Sheet
Property and Equipment (including $13,335,448 and $3,912,188 fully depreciated in 1956 and 1955, respectively):

TABLE 16: PROPERTY—FIXED ASSETS

Basis of Valuation	1956	1955	1954	1950
Cost (*Co. Nos. 14, 60, 112, 336, 491, 568)	494	462	450	396
Cost plus appraisal value (*Co. Nos. 65, 173, 178, 441)	10	12	13	22
Cost plus assigned, estimated, or revised values (*Co. No. 78)	1	6	4	5
Cost plus cost in cash or securities	—	—	1	1
Cost plus various other bases (*Co. No. 147)	1	3	3	9
Cost in cash or securities (*Co. Nos. 55, 511, 540)	3	3	4	8
Cost in cash or securities plus subsequent additions at cost (*Co. Nos. 53, 472)	2	2	2	2
Cost in cash or securities plus estimated and nominal values or assigned values	—	—	1	2
Cost or below cost (*Co. Nos. 63, 314, 592)	3	10	15	17
Approximate cost (*Co. Nos. 119, 139, 209, 469)	4	12	18	11
Approximate cost plus appraisal or revised values	—	1	2	2
Appraisal value with subsequent additions at cost (*Co. Nos. 127, 251, 266, 275)	15	15	13	24
Appraisal value with subsequent additions at cost plus various other bases	—	1	4	6
Assigned value with subsequent additions at cost (*Co. Nos. 125, 327)	2	8	8	9
Revised value with subsequent additions at cost (*Co. No. 354)	1	2	1	5
Revised value with subsequent additions at cost plus various other bases	—	—	—	3
Acquisition value with subsequent additions at cost (*Co. No. 593)	1	—	2	2
Acquisition value with subsequent additions at cost plus assigned or appraisal values	—	—	1	—
Acquisition value	—	—	—	2
Bases of predecessor plus additions at cost (*Co. Nos. 94, 574)	2	2	2	2
Book value (*Co. Nos. 233, 484)	2	2	2	1
"Book value" with subsequent additions at cost (*Co. No. 448)	1	2	2	4
Reproductive value with subsequent additions at cost (*Co. Nos. 66, 106)	2	4	3	2
Number of Companies				
Stating valuation basis for fixed assets	544	547	551	535
Not stating valuation basis for fixed assets	56	53	49	65
	600	600	600	600

*Refer to Company Appendix Section.

	Flight Equipment	Other Property and Equipment	
Cost—			
1956	$51,901,684	$7,476,359	$59,378,043
1955	48,409,359	6,238,399	
Reserves for depreciation—			
1956	20,933,050	3,595,812	24,528,862
1955	17,848,912	3,158,139	
			$34,849,181

Note 1: Depreciation Rates—The Company's 11 DC-7s and 20 Model 340 Convairs are being depreciated for book purposes to residual values (10% of cost of DC-7s and 2% of cost of Convairs) over a period of seven years from the dates placed in service (19 Convairs in 1953 and 1 in 1954; 7 DC-7s in 1954, 3 in 1955 and 1 in 1956). For Federal income tax purposes, 80% of the cost of these aircraft and related spare parts is being amortized under Certificates of Necessity over a 60-month period from the dates placed in service and the remaining 20% of the cost of the equipment placed in service in 1954 and 1955 is being depreciated using a method of accelerated depreciation permitted by the Internal Revenue Code of 1954.

The 4 Model 049 Constellations, three of which at June 30, 1956, were being released to another airline, are being depreciated to a residual value of 10% of cost over a period of three years to February, 1959. The 7 DC-6s and 16 DC-3s have been fully depreciated to a residual value of 10% of cost.

KUHLMAN ELECTRIC COMPANY
Balance Sheet

Property, Plant and Equipment, at cost less reserves for depreciation:	
Land	$ 41,574
Leasehold improvements	101,532
Buildings and building equipment	604,765
Machinery, equipment, furniture and fixtures	1,176,544
	$1,924,415
Less—Reserves for depreciation	871,248
	$1,053,167

THE PARKER APPLIANCE COMPANY
Consolidated Balance Sheet

Plant and equipment, at cost (Note 3):	
Land and improvements	$ 770,506
Buildings and building equipment	3,197,225
Machinery and equipment	4,611,428
	$8,579,159
Less, Allowance for depreciation and amortization	4,771,627
	$3,807,532

Note 3: Accelerated amortization under Certificates of Necessity has been approved with respect to plant and equipment aggregating $1,746,050, the unamortized balance of which was $233,922 at June 30, 1956. Plant properties include $400,397 depreciated cost of emergency facilities which were fully amortized in prior years for federal income tax purposes.

Depreciation and amortization charged to costs and expenses for the year ended June 30, 1956 amounted to $738,485, including $34,649 depreciation of emergency facilities fully amortized in prior years for federal income tax purposes.

SEARS, ROEBUCK AND CO.
Statement of Financial Position

Property, Plant and Equipment, at cost:	
Land	$ 35,352,878
Buildings and improvements	229,992,035
Less accumulated depreciation	93,971,679
	$136,020,356
Furniture, fixtures and equipment	$149,508,434
Less accumulated depreciation	110,448,241
	$ 39,060,193
	$210,433,427

UNITED STATES SMELTING REFINING AND MINING COMPANY
Comparative Consolidated Balance Sheet

Capital Assets:	
Cost to the consolidation of investments, properties, plants, additions and improvements, less provision for depreciation, depletion and amortization, and less property written off (Note 3)	$50,208,941

Note 3: Changes in Capital Assets in 1956—

Cost to the consolidation of investments, mineral rights, leases, royalties, plants, additions and improvements, less provision for depreciation, depletion, amortization, and less property written off, as at December 31, 1955		$43,872,155
Add: Reversal of provisions for depreciation of Utah Railway Company's freight cars and certain other equipment for years prior to 1956, as ordered by Interstate Commerce Commission, credited to earned surplus		276,000
		$44,148,155
Add: Additions to mining properties, mineral rights, leases and royalties, plants and equipment, etc., added to capital assets during 1956	$ 2,560,093	
Additions to oil and gas properties, mineral rights, leases, royalties, gas plants, equipment, etc., added to capital assets during 1956	6,159,678	
	$8,719,771	
Deduct: Property, etc., sold and retired, after deducting reserves provided and miscellaneous adjustments	122,224	
		$ 8,597,547
		$52,745,702
Deduct: Depreciation, depletion and amortization provided in 1956 out of earnings		$ 2,536,761
Net book value as at December 31, 1956		$50,208,941

At Cost in Cash and/or Capital Stock

THE ANACONDA COMPANY
Consolidated Balance Sheet

Plant, Property and Equipment (Note G):	
Buildings, machinery and equipment	$713,520,570
Less accumulated depreciation and amortization	356,587,920
	$356,932,650
Mines and mining claims, water rights and lands	$264,665,673
Timber lands and phosphate and sulphur deposits, less accumulated depletion	2,846,891
	$624,445,214

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.

No representation is made that the values at which property, plant and equipment is carried in the Consolidated Balance Sheet indicate current values.

(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 and its subsidiaries have consistently followed the practice of publishing their 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 these financial statements and also from the cost basis shown in the Consolidated Balance Sheet.

SPIEGEL, INC.
Consolidated Financial Position

Properties (on the basis of cost in cash or at recorded value of capital stock issued therefor):	
Buildings and building improvements	$3,710,066
Furniture, fixtures and equipment	2,435,498
	$6,145,564
Accumulated depreciation	2,942,402
	$3,203,162
Land	387,603
Leasehold and leasehold improvements, less accumulated amortization of $278,751 and $461,873 at respective dates	537,480
	$4,128,245

TEXAS GULF SULPHUR COMPANY
Balance Sheet

Property, Plant and Equipment:	
Lands, contract rights and development, at cost (Note 2)	$41,568,532
Less accumulated amortization (Note 3)	29,344,004
	$12,224,528
Plants, buildings, machinery and equipment, at cost	$35,634,590
Less accumulated depreciation (Note 3)	19,798,498
	$15,836,092
Offshore leases, at cost, and related net exploration costs	$ 8,660,692
Less accumulated amortization (Note 3)	1,908,303
	$ 6,752,389
Net property, plant and equipment	$34,813,009

Note 2: Lands, Contract Rights and Development—Contract rights are included at $20,419,143, being the cost in cash plus the recorded value ($19,825,000) of 1,300,000 shares (before three-for-one stock split effective in 1954) of stock issued in payment for certain contract rights acquired in 1934. The recorded value of the shares thus issued was $15.25 per share, which amount was the approximate book value per share of the company's stock outstanding at the date of issuance of such shares.

Note 3: Depreciation and Amortization Policies—The company's policy in general is to depreciate and amortize property, plant and equipment 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. The cost of offshore leases is being amortized by charges to expense over the primary periods of the leases.

Depreciation and amortization charges for the year 1956 are as follows:

Charged to production	$2,696,863
Charged directly to expense	1,644,304
	$4,341,167

Intangible oil drilling costs are charged to expense as incurred.

Exploration and development costs incurred on properties (other than those covered by offshore leases) determined to contain sulphur or other minerals in commercial quantities are capitalized; exploration costs incurred on such properties which are determined not to contain sulphur or other minerals in commercial quantities are charged to expense. Exploration costs relating to offshore properties are capitalized and amounts equivalent to such exploration costs less related future Federal income tax credits computed at 50% are charged to expense. The company also charges expense with provisions for possible losses on advances to subsidiaries for exploration costs incurred by them.

At Cost to the Corporation or Its Predecessors

AIR ASSOCIATES INCORPORATED
Balance Sheet

Property, Plant and Equipment (Note 2):

Land, buildings, machinery and equipment	$1,845,574
Less—Depreciation	1,026,140
	$ 819,434

Note 2: Property, plant and equipment are stated at cost to the Company or its predecessors, and include $543,785 for facilities wholly or partially in use, the cost of which has been fully depreciated.

THE BILLINGS & SPENCER COMPANY
Condensed Consolidated Balance Sheet

Plant Assets (Note 1)	$4,754,089
Less: Accumulated depreciation and amortization	3,613,194
Net Recorded Value of Plant Assets	$1,140,895

Note 1: The property, plant and equipment of the Billings & Spencer Company, 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.

UTAH-IDAHO SUGAR COMPANY
Consolidated Balance Sheet

Property, Plant and Equipment: Generally on the basis of amounts recorded by predecessor companies, plus additions at cost:

Land, irrigation projects, and water rights—less $1,434,227 writedown and allowance for revaluation	$ 3,632,841
Plant and equipment	$34,985,798
Less allowances for depreciation ($3,050,000 less than amounts allowed for income tax purposes in years prior to 1932)	14,117,839
	$20,867,959
	$24,500,800

Appraisal Value

J. I. CASE COMPANY
Balance Sheet

Properties (based on 1907 or 1911 appraisals, plus subsequent additions at cost):

Land	$ 2,350,030
Buildings, plant and equipment	64,212,089
	$66,562,119
Accumulated depreciation	35,364,829
Total properties (net)	$31,197,290

GENERAL CABLE CORPORATION
Consolidated Balance Sheet

Property, Plant and Equipment: (Note 2)

Land	$ 1,884,715
Buildings	17,827,333
Machinery, equipment, containers, etc.	39,946,481
	$59,658,529
Less reserves for depreciation	25,195,360
	$34,463,169

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.

GODCHAUX SUGARS, INC.
Balance Sheet

Property, Plant and Equipment—at appraisal values (1919 and 1920) plus subsequent additions at cost, less deductions:

Land	$ 1,754,367
Buildings, machinery, railroads, tools, etc.	17,251,460
Work animals	15,832
	$19,021,659
Less allowance for depreciation	7,494,943
Property, Plant and Equipment (net)	$11,526,716

THE GRIESS-PFLEGER TANNING CO.
Consolidated Balance Sheet

Plant and Equipment, less depreciation (Note 2):

Land	$ 12,744.90
Buildings and improvements	640,813.56
Machinery and equipment	1,115,608.84
Office furniture and equipment	67,072.76
	$1,836,240.06
Less allowance for depreciation	900,032.20
	$ 936,207.86

Note 2: Land, buildings, machinery and equipment are stated at values determined by the Trustee in connection with the reorganization of the predecessor company in July 1939 plus subsequent additions at cost. Office furniture and equipment are valued at cost.

Assigned Value with Subsequent Additions at Cost

CARNATION COMPANY
Consolidated Balance Sheet

Plant Assets, on basis of values (below cost) determined by officials of the company as at January 1, 1933, plus subsequent additions at cost, less depreciation of $31,364,062 and $29,089,699 at respective dates	$40,811,017

THE KENDALL COMPANY
Balance Sheet

Fixed Assets (Note C):

Land and land improvements	$ 2,730,956
Buildings	11,945,499

Machinery and equipment	29,884,424
Construction-in-progress	2,737,843
	$47,298,722
Less Depreciation	21,804,913
	$25,493,809

Note C: Fixed Assets—The fixed assets are carried at amounts authorized by the directors as at December 31, 1932, with subsequent additions at cost, except for certain acquisitions of used plant and equipment to which the management has assigned book amounts in excess of cost with the excess offset by credits to allowance for depreciation. The net valuation substantially represents cost less depreciation provided since acquisition and charged to earnings.

The accompanying statements of earnings include charges for depreciation of fixed assets of $1,690,000 in 1956 and $1,448,000 in 1955.

LONG-TERM LEASES—Disclosure by Lessees

Table 17 summarizes the nature of the information disclosed in the 1956 survey reports with regard to long-term leases and the related methods of disclosure. There were 201 survey companies that referred to, or implied, the existence of long-term leases in their reports for 1956. One hundred thirty-nine of these companies merely mentioned or indicated that such leases existed but did not furnish any details with regard to them. The remaining 62 companies in this group provided in varying degrees and combinations such factual data as the amount of the annual rent, 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 Certified Public 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.

Examples—Long-Term Leases

Examples selected from the 1956 annual reports to illustrate the various types of long-term lease disclosures are as follows:

TABLE 17: LONG-TERM LEASES

Disclosures by Lessees	Details set forth in: Footnotes	Letter to Stockholders	1956 Total
Annual rental amount (*Co. Nos. 71, 166, 363, 541)	72	5	77
Aggregate rental amount (*Co. Nos. 138, 385)	5	—	5
Lease expiration date (*Co. Nos. 110, 352, 368)	11	—	11
Number of leases (*Co. Nos. 61, 158, 273, 368, 415)	28	5	33
Term of leases (*Co. Nos. 522, 523, 557)	40	3	43
Renewal option (*Co. Nos. 35, 415, 460)	7	3	10
Sell-lease-back feature (*Co. Nos. 16, 73, 329, 433)	10	3	13
Total	173	19	192

Number of Companies	
Setting forth details of long-term leases	62
Mentioning long-term leases but omitting details therof	84
Indicating long-term leases without mention thereof by reference to leaseholds or leasehold improvements	55
Total	201
Neither referring to nor indicating long-term leases	399
	600

*Refer to Company Appendix Section.

Sale and Lease Back

AVON PRODUCTS, INC.

Highlights of Interest to Stockholders: Branch Facilities—To meet the ever increasing demands for Avon Products, Branch facilities were expanded, and the construction of a new office and warehouse in Kansas City was completed in August, 1956. This addition provides 112,000 square feet for office, warehousing, and shipping purposes. The Kansas City property was sold upon completion and is occupied under a twenty-five year lease. This is in line with the Company's policy of owning its manufacturing facilities whenever practicable but renting the other facilities utilized in the operation of the business.

KEYSTONE STEEL & WIRE COMPANY

Notes to Financial Statements

Note A: A subsidiary has incurred construction costs of $600,738 through June 30, 1956 for a new manufacturing plant in Rockford, Illinois. An insurance company has agreed to purchase the property upon completion of the building for the incurred cost (limited, however, to $5,600,000) and to lease it back at a net annual rental of 7.5 percent of the purchase price for an initial term of 20 years. The insurance company's commitment may be terminated if the project is not completed by October 15, 1957.

The subsidiary has arranged a bank credit for a construction loan up to $5,600,000 on notes maturing not later than October 1, 1957.

At June 30, 1956, liabilities related to the building program comprised:

Note payable under bank credit arrangement	$500,000
Contractor's progress billings	180,793
	$680,793

Other contractual obligations for plant construction at June 30, 1956 aggregated approximately $8,200,000.

PENN-TEXAS CORP.

Notes to Financial Statements

Note 2: Long-Term Leases—At December 31, 1956, the company and its wholly-owned subsidiaries were obligated under twelve leases expiring subsequent to December 31, 1961 with aggregate rentals of approximately $2,580,000 plus in certain instances real estate taxes, etc.

Five of the above leases relate to lease back agreements entered into by certain subsidiaries or their predecessors. Three of such leases were entered into in 1956 and provide for aggregate annual rentals for a substantial number of years of $1,998,664 with reductions thereafter to an annual aggregate amount of $1,476,264. The other two leases entered into prior to 1956 provide for an average annual rental of $417,017.

THE RATH PACKING COMPANY

Notes to Financial Statements

Note: Contingent liabilities as at October 27, 1956, include: (1) commitments for new facilities of $1,200,000; (2) annual rentals of $98,500 for the next twenty-five years under a sale and lease-back agreement; and (3) past service premiums payable in connection with modified pension and retirement plans of the Company of approximately $225,000 per annum for the next thirty years. Pension plan expense for the current year of $1,386,086 includes $500,000 of past service cost applicable to the modified plans.

Disclosure by Lessees

THE AMERICAN HARDWARE CORPORATION

Report: Clarksdale Operations—The new plant leased from the city of Clarksdale, Mississippi, consisting of a one-story modern building, served by the Illinois Central Railroad with side track facilities, was completed in July 1956. The plant is rented under a long-term lease expiring in 1973, at which time the company has the option to renew the lease at an annual rental of $4000.00 for an additional 79 years, in successive ten-year terms.

BULLOCK'S INC.

Notes to Financial Statements

Note G: Lease Commitments—The companies occupy premises held under twenty-six lease agreements which provide for cash rentals plus taxes, insurance, and maintenance. Seven of the leases provide for rental based upon sales. The aggregate minimum annual cash rentals are as follows:

Three leases expiring from one to five years	$ 94,150
Thirteen leases expiring from six to twenty-five years	780,073
Ten leases expiring from twenty-six to fifty years	510,275
	$1,384,498

CONTINENTAL BAKING COMPANY

Notes to Financial Statements

Note 1: In 1953 the Company entered into an agreement, which may be cancelled on eighteen months' notice, under the terms of which substantially all trucks to be acquired thereafter by the Company and its subsidiaries will be leased rather than purchased. Rentals for trucks leased as of December 29, 1956 will amount to approximately $2,370,000 in 1957. In addition the Company had other leases covering automotive equipment at December 29, 1956 on which the annual rental will amount to approximately $490,000 in 1957.

The Company has entered into, or was negotiating at December 29, 1956, sale-lease-back agreements covering certain properties for periods of twenty, twenty-five and thirty years. It is estimated that the aggregate annual rentals covering such properties will amount to $895,000. The costs of certain new properties, which will be reimbursed upon sale-lease-back, are included in sundry accounts receivable.

ERIE FORGE & STEEL CORPORATION

Notes to Financial Statements

Note H: Long-Term Lease—Facilities representing approximately 50% of the floor space occupied by the Corporation are leased from the United States Navy under an agreement expiring May 1, 1957, with renewal rights for three additional periods of three years each. Rental under this lease is computed at certain specified hourly rates with a minimum of $100,000.00 annually. Rental payments for the fiscal year ended April 30, 1956, were approximately $400,000.00. The Corporation is also obligated to perform ordinary maintenance and repair of such facilities at its own expense and to maintain specified minimum insurance coverage.

W. T. GRANT COMPANY

Notes to Financial Statements

Note G: At January 31, 1956, the Company was lessee of real property under 601 leases expiring subsequently to January 31, 1959, at aggregate annual minimum rentals of approximately $12,771,000 (exclusive of taxes and other expenses payable under terms of certain of the leases). This amount includes approximately $5,019,000 minimum annual rentals under 200 leases which were on a percentage of sales basis with specified minimum annual rentals, but does not include any amount for 18 leases which were on a percentage of sales basis without any specified minimum annual rentals.

LOFT CANDY CORPORATION

Consolidated Balance Sheet

Property, Plant and Equipment—at Cost:	
Factory land, building and equipment	$2,924,174
Other land and building	78,862
Store equipment and leasehold improvements	3,291,025
	$6,294,061
Less depreciation and amortization	3,284,332
Net	$3,009,729

Note: The corporations' 215 store leases expire at various dates through 1977 and provide for payment of minimum annual rentals aggregating approximately $1,525,000, plus, in certain instances, real estate taxes and additional amounts based on percentage of sales.

MARSHALL FIELD & COMPANY

Letter to the Stockholders: There has been no appreciable change in your Company's annual rent obligation under long-term leases on properties now in operation. This amount is approximately $300,000 per annum, considerably lower in ratio to sales than is usually the case in the retailing industry.

THE MAY DEPARTMENT STORES COMPANY

Notes to Financial Statements

Note D: Property, Plant and Equipment—Property, plant and equipment are as follows:

	Cost	Accumulated depreciation and amortization	Net
Land	$ 17,985,060	$ —	$ 17,985,060
Buildings and building equipment substantially all on owned land	58,151,358	17,793,119	40,358,239
Buildings and building equipment substantially all on leased land, improvements to leased properties and leaseholds	59,121,296	26,969,337	32,151,959
Furniture, fixtures and equipment	42,523,647	16,324,970	26,198,677
	$177,781,361	$61,087,426	$116,693,935

Note H: Long-Term Leases—The Company had seventy-seven leases in effect at January 31, 1956 having terms of more than three years after that date. These leases provide for present aggregate minimum annual rentals of approximately $2,510,000 plus, in certain instances, real estate taxes (such amounts being included in taxes) and other expenses, and in respect of some of the minor leases, additional amounts based on percentages of sales. Of these seventy-seven leases, seven of the principal ones providing for aggregate annual rentals of $1,190,000 pertain to four major stores; these leases expire in 1972, 1994, 1996, 2000, 2004 and 2021.

MOHASCO INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Note 9: Commitments under leases—At December 31, 1956 the Company was committed to annual rental payments aggregating $1,005,000 under leases expiring after December 31, 1959. Of this amount approximately $273,000 relates to properties subleased to others.

PUROLATOR PRODUCTS, INC.

Notes to Consolidated Financial Statements

Note 4: The company leases its plant in Rahway, New Jersey from the John Hancock Mutual Life Insurance Company. The lease expires on March 14, 1978 with three renewal options of ten consecutive years each. The annual rental amounts to $87,640 or an aggregate of $1,862,350 from December 31, 1956. Pursuant to the terms of the lease, $150,000 of U. S. Treasury bonds were deposited with the lessor to be returned in part in 1961 and completely in 1964.

STEWART-WARNER CORPORATION

Letter to Shareholders: During 1956 we entered into arrangements with the Harlow Development Corporation in England for the construction of a new plant for our British subsidiary, Uni-Gun Lubricating Equipment, Limited. All of the Uni-Gun operations were moved into these new manufacturing facilities in January 1957, and the Uni-Gun corporate name has been changed to Stewart-Warner Limited. This plant is located advantageously about twenty-five miles outside London and will be occupied under a twenty-one year lease from the Harlow Development Corporation. We expect that these larger and more efficient facilities will permit us to improve our competitive position both in the United Kingdom and in Europe, where there are substantial markets for many of our products.

UNITED CIGAR-WHELAN STORES CORPORATION
Comparative Consolidated Balance Sheet
Fixed Assets, at cost or less:

Furniture, fixtures and equipment (includes approximately $1,400,000 on which depreciation provided is equal to asset)	$4,680,745
Less: Depreciation	3,258,071
	$1,422,674
Improvements to leaseholds, less amortization	$1,874,204
	$3,296,878

Note C: Long-Term Leases and Other Contingencies—The Corporation and its subsidiaries in the ordinary course of business lease all store properties. At December 31, 1956, there were 139 leases expiring more than three years after that date for which the minimum annual rentals were approximately $1,800,000. The majority of these leases provide for additional rentals based upon percentages of sales in excess of predetermined bases and upon other factors.

The Corporation is contingently liable with respect to the guarantee of another's obligation approximating $160,000.

Based upon the opinions of counsel, management believes that pending litigation against the Corporation will not result in a materially adverse effect on the consolidated financial position.

SMALL TOOLS, CONTAINERS, DIES, ETC.

Small tools, containers, dies, etc., were disclosed in the 1956 annual reports of 90 of the 600 survey companies. 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 1956 survey reports.

The examples which follow illustrate the various methods of presentation and valuation:

Current Asset Section

BELL AIRCRAFT CORPORATION
Consolidated Balance Sheets
Current Assets:
Inventories:

Raw materials, supplies, and perishable tools generally at average cost	$11,137,990

THE BUDD COMPANY
Consolidated Statement of Financial Position
Current Assets:
Inventories:

Work in process	$17,788,172
Raw materials	14,195,176
Other materials and supplies	8,129,082
Tools, dies and jigs chargeable to customers	4,917,149
	$45,029,579

LUKENS STEEL COMPANY
Comparative Balance Sheet
Current Assets:
Inventories at lower of cost (part at last-in, first-out, and part at average) or market:

Goods finished and in process	$ 9,873,665
Raw materials	3,829,381
Supplies, moulds, etc.	2,738,713
	$16,441,759

KELSEY-HAYES WHEEL COMPANY
Consolidated Balance Sheet
Current Assets:

Special tooling for current production	$1,438,094

Noncurrent Asset Section Under Fixed Assets

BRIGGS MANUFACTURING COMPANY
Statement of Financial Condition
After Working Capital:
Land, Buildings and Equipment, less reserves:

Land	$ 600,520
Buildings, machinery and equipment	10,901,762
Construction in progress	7,047,487
Total stated at reproductive cost as independently appraised in 1924, with subsequent additions at cost	$18,549,769
Accumulated depreciation, as reflected in the 1924 appraisal, with subsequent provisions for depreciation and amortization	7,211,123
	$11,338,646
Estimated loss on disposition of Hamtramck plant	$ (325,000)
Plumbingware dies at cost, less amortization	271,210
Property accounts (net)	$11,284,856

DEERE & COMPANY
Consolidated Balance Sheet
Fixed Assets:
Property and equipment—at cost:

Land	$ 6,102,544
Buildings and Building Equipment	68,423,423
Machinery and Equipment	84,535,935
Dies, Patterns, Tools, etc.	13,937,166
All Other	8,218,812
Total	$181,217,880
Less Reserve for depreciation	87,616,214
Net Investment in Property and Equipment	$ 93,601,666

GOEBEL BREWING COMPANY
Balance Sheet
Fixed Assets—at cost:

Land	$ 547,480
Buildings and equipment	10,125,142
Less: depreciation taken	3,584,938
	$ 6,540,204
Barrels	$ 436,838
Less: depreciation taken	250,475
	$ 186,363

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	1956 Total
Small tools, tools (*Co. Nos. 63, 90, 223, 344, 493, 513)	4	2	26	1	3	1	37
Dies, lasts (*Co. Nos. 90, 106, 329, 493, 513)	3	2	15	1	—	1	22
Jigs, fixtures (*Co. Nos. 8, 108, 113, 283)	1	1	7	2	—	—	11
Patterns (*Co. Nos. 13, 90, 135, 192)	—	5	9	1	2	—	17
Templates, masterplates, forms, guides (*Co. Nos. 172, 198)	1	—	1	—	—	—	2
Drawings (*Co. Nos. 105, 135, 283)	—	5	2	—	—	—	7
Molds, chills, flasks, stools (*Co. Nos. 329, 355, 513, 560)	3	1	2	—	—	1	7
Rolls (*Co. Nos. 170, 272, 564)	5	—	3	—	—	—	8
Equipment — annealing, repair, short-lived, "can-making," and "charging box" (*Co. Nos. 272, 329, 534)	2	—	1	—	—	—	3
Returnable containers, cases (*Co. Nos. 150, 155, 171)	5	—	10	—	—	—	15
Parts, spares, stores (*Co. Nos. 39, 98, 309, 310, 339)	9	—	2	2	4	—	17
Utensils, silverware, signs (*Co. No. 495)	—	—	1	—	—	—	1
Other (*Co. Nos. 11, 222, 256, 582, 592)	—	1	3	1	1	1	7
Total	33	17	82	8	10	4	154

	Balance Sheet Valuation					
Type of Asset	Amortized Value	Unamortized Value	Nominal Value	Inventory Value	Fixed or Arbitrary Value	1956 Total
Small tools, tools	25	5	—	5	2	37
Dies, lasts	11	2	2	4	3	22
Jigs, fixtures	6	1	1	1	2	11
Patterns	8	1	6	1	1	17
Templates, masterplates, forms, guides	1	—	—	1	—	2
Drawings	3	—	3	1	—	7
Molds, chills, flasks, stools	2	1	—	4	—	7
Rolls	2	1	—	3	2	8
Equipment — annealing, repair, short-lived, "can-making," and "charging box"	1	—	—	1	1	3
Returnable containers	8	1	—	4	2	15
Parts, spares, stores	4	3	—	8	2	17
Utensils, silverware, signs	1	—	—	—	—	1
Others	3	3	—	1	—	7
Total	75	18	12	34	15	154

Number of Companies Presenting	1956
Small tools, containers, dies, etc.	90
Account not presented	510
	600

Annealed bantam bottles and cartons (at cost or depreciated value) . . . . $	34,835
Construction and equipment in process of installation	35,965
	$ 7,344,847

Noncurrent Asset Section

BENDIX AVIATION CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:
Deferred charges:

Special tools, dies, jigs and patterns—unamortized balance (see Note 4)	$4,224,886

Note 4: By the terms of an agreement with a government department, under which the Corporation has received advances and partial payments on sales orders from the Government, inventories and non-durable tools acquired for such orders were subject to lien at September 30, 1956.

EMERSON RADIO & PHONOGRAPH CORPORATION
Consolidated Balance Sheet
Other Assets:

Unamortized tools and equipment (acquired for use on United States Government contracts), etc.	$127,030

UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

INVESTMENTS AND ADVANCES

A large number of the survey companies disclosed investments and advances pertaining to unconsolidated subsidiaries and affiliated companies in their 1956 reports. Table 19 summarizes the various balance sheet presentations by the survey companies of these investments and advances. 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.

The consolidation policies of survey companies fully or partially consolidating their subsidiaries are discussed in Section II, Table 44, "Consolidation of Subsidiary Companies" and are illustrated by applicable examples.

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 1954 through 1956, 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 1956 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:

CELANESE CORPORATION OF AMERICA
Consolidated Balance Sheet
Investments and Advances:

Equity in assets of foreign holding and operating companies (Note 2)	$89,824,002
Less reserve to reduce equity to cost	19,248,922
	$70,575,080
Other investments and advances, at cost	172,316
	$70,747,396

Note 2: Investments and Advances—As to the foreign holding and operating companies, the investments and advances are now carried at the amount of the Corporation's equity in the assets of such companies as shown by their balance sheets as of December 31, 1956, and there has been applied thereto the related reserve ($19,248,922) for the excess of such equity over cost.

The investments of the Corporation in the securities of foreign holding and operating companies are represented by all of the outstanding common stock of Celatino, S. A. and two other holding companies, minority interests in the common stock of two operating companies in Mexico and Colombia, and the preferred stock of one of the Canadian operating companies. The holding companies in turn own stocks of foreign operating companies in Canada, Venezuela and certain other foreign countries.

The increase in the equity applicable to the investments in the common stocks of the foreign holding and operating companies during the year ended December 31, 1956 amounted to $3,565,989.

EASTMAN KODAK COMPANY
Statement of Financial Condition
Other Assets:

Investments in and advances to foreign subsidiary companies	$5,210,730

Notes to Financial Statements: Investments in and Advances to Foreign Subsidiary Companies—The investments in foreign subsidiary companies were stated at cost, less reserves, except investments recovered in former World War II areas, which were stated at the lower of original cost or the estimated values on recovery dates. Reserves totaling $15,694,436 have been deducted in arriving at the value of $5,210,730 shown in the Statement of Financial Condition.

The company's equity in the net assets of the foreign subsidiary companies was $111,267,506 and its equity in earnings was $19,819,287. Details are shown in the condensed summary of sales, earnings, assets, liabilities, and dividends paid, on page 11. The dollar amounts in this summary were computed as described in the next paragraph and should be considered in the light of conditions abroad.

The foreign currency amounts of the net current assets were converted generally at official rates of exchange prevailing at the close of the financial years of the companies. If more than one rate of exchange was quoted, representing different types of exchange, the lowest rate was generally used. Property, plant, and equipment were converted at the average exchange rates prevailing during the year of acquisition, except in certain countries where the assets have been revalued to reflect, to some extent, the rise in local price levels. In these instances, the revalued assets were converted at the closing exchange rate for the year in which revaluation occurred. Reserves for depreciation were converted at the same exchange rates used to convert the corresponding assets. Earnings were converted at average exchange rates and the dollar equivalent was adjusted for exchange differences resulting from the conversion of the net assets.

FRUEHAUF TRAILER COMPANY
Consolidated Balance Sheet
Investments and Other Assets:
Investments in subsidiaries not consolidated (Notes A, B, and F):

Fruehauf Trailer Finance Company (100% owned)—at equity in net assets	$15,212,754

TABLE 19: UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

	I: Unconsolidated Subsidiary			II: Affiliated Company		
Balance Sheet Presentation:	1956	1955	1954	1956	1955	1954
Investment in	136	120	125	107	118	111
Investment in, Advances to	80	82	85	37	38	40
Investment in, Advances to, Receivables due from	1	—	1	2	1	—
Investment in, Receivables due from	15	15	15	8	11	7
Advances to, Receivables due from	—	—	—	—	—	1
Advances to	—	—	—	1	1	—
Due from	—	1	—	—	1	—
Securities of	3	2	2	2	1	1
Other Assets	3	3	3	1	1	1
Total	238	223	231	158	172	161
Basis of Valuation:						
A: Cost	107	96	109	81	94	81
B: Cost less reserve	23	25	22	11	19	13
C: Substantially at cost	2	1	2	—	—	—
D: Cost adjusted for undistributed profits	3	3	1	—	—	—
E: Cost adjusted for equity in profits	4	1	1	—	—	—
F: Cost plus accumulated earnings	2	1	1	—	—	—
G: Cost less dividends	1	1	1	1	2	2
H: Cost or below cost	25	21	22	19	19	16
I: Below cost	2	1	—	—	—	—
J: "Not in excess of cost"	2	2	3	1	1	2
K: Lower of cost or estimated value	1	1	1	—	—	—
L: Lower of cost or equity	—	—	1	—	—	1
M: Equity in net assets	7	7	11	2	2	—
N: Equity in net worth less reserves	2	2	3	—	—	—
O: Equity less unremitted profits	1	1	2	1	—	—
P: Dated equity value	1	2	1	—	—	—
Q: Asset values at acquisition	—	1	1	1	1	—
R: Market less than cost	1	—	—	—	—	—
S: Assigned value with additions at cost	3	4	3	1	2	2
T: Estimated realizable or recoverable value	1	1	1	1	—	—
U: Nominal value	3	5	6	2	3	1
V: At "No Value"	1	1	1	—	—	—
	192	177	193	121	143	118
Basis of valuation not set forth	57	61	47	40	35	41
Less reserve—(basis of valuation not set forth)	5	3	5	2	3	5
Total	254	241	245	163	181	164
Number of Companies with Investment Account for:						
Unconsolidated subsidiary companies,	238	223	231	—	—	—
Affiliated companies	—	—	—	158	172	161
Account not presented	362	377	369	442	428	439
	600	600	600	600	600	600

*Refer to Company Appendix Section—I: *Unconsolidated Subsidiary*:—A: Nos. 37, 135, 136, 243, 362, 548; B: 69, 109, 214; C: 70, 179; D: 458, 583; E: 261, 586; F: 228, 522; G: 90; H: 318, 404, 525; I: 133, 509; J: 50, 406; K: 214; M: 182, 592; N: 63, 129; O: 108; P: 442; R: 99; S: 351, 424; T: 515; U: 159, 548; V: 479.
II: *Affiliated Company*:—A: Nos. 33, 199, 472, 484; B: 261, 444; G: 90; H: 12, 49; J: 406; M: 111, 362; O: 108; Q: 299; S: 351; T: 130; V: 130, 560.

Trailer Acceptance Company Limited (100% owned subsidiary of Fruehauf Trailer Company Limited)—at equity in net assets	1,531,011
Fruehauf Trailer S.A.—Industria e Comercio (Brazil) (100% owned)—at cost	348,480
Fruehauf France, S.A. (67% owned)—at cost	489,645
Amounts due from Fruehauf Trailer Finance Company, subordinated to certain obligations of that subsidiary	20,993,503

Note A: Consolidation of Canadian Subsidiary— . . . On July 3, 1956, Fruehauf Trailer Company of Canada Limited organized Trailer Acceptance Company Limited, a wholly-owned subsidiary, to finance the purchase of truck-trailers. Trailer Acceptance Company Limited has not been included in the consolidation since its business is dissimilar to that of the parent company.

Note B: Investment in Fruehauf Trailer Company—On January 1, 1956 the basis for stating the investment in Fruehauf Trailer Company was changed from cost to equity in the net assets of the subsidiary. . . . Net earnings of the subsidiary for 1956 were $2,051,597.

Note F: Undistributed Earnings of Unconsolidated Subsidiaries—The equity of the Company in accumulated earnings retained for use in the business of the unconsolidated finance subsidiaries since their organization was $2,240,319 at December 31, 1956, and has been reflected in the accompanying statements.

The equity of the Company in accumulated earnings retained for use in the business of the other unconsolidated subsidiaries since their organization was $418,405 at December 31, 1956, and has not been reflected in the accompanying statements. No dividends were paid by these subsidiaries in 1956 or 1955, and the Company's equity in their net earnings for those years was $103,289 and $202,572, respectively.

GENERAL TIRE & RUBBER COMPANY

Consolidated Balance Sheet

Investments and Advances:

RKO Teleradio Pictures, Inc.—Capital stock —100%—stated at cost ($3,938,267) adjusted to include equity in undistributed earnings since dates of acquisition ($7,905,036), and subordinated notes receivable ($7,000,000) (Note A)	$18,843,303
A. M. Byers Company—Capital stock 52.3% at cost	6,983,131
Capital stocks of and advances to domestic and foreign subsidiary and affiliated companies, and other investments, less reserve (Note C)	4,989,440

Note A: In July 1955, General Teleradio, Inc. purchased the entire capital stock of RKO Radio Pictures, Inc. and of five other corporations. On December 30, 1955, General Teleradio, Inc. was merged into RKO Radio Pictures, Inc., and the name of the surviving company changed to RKO Teleradio Pictures, Inc.

At November 30, 1955 the investment in General Teleradio was carried at cost, $3,938,267, which exceeded by $1,982,003 the underlying book amount of net assets at dates of acquisition. In 1956 the basis of accounting for the investment was changed so that it is now shown at cost adjusted to include General's equity in the RKO undistributed earnings ($7,905,036 at September 30, 1956), and the RKO 1956 net profit (to September 30) is included in consolidated income. . . .

Note C: The equities in the reported underlying book amounts of the foreign and domestic companies' net assets are, in the aggregate, substantially in excess of the amount of $4,989,440 carried for such investments and advances. In determining the above net assets there were included in the deductions for liabilities (1) in the case of three wholly owned domestic real estate subsidiaries $2,350,000 for outside mortgage indebtedness on their properties which are under long-term leases to General Tire and (2) in the case of two foreign affiliated companies $1,200,000 of short-term debt for which General Tire is contingently liable.

LEHN & FINK PRODUCTS CORPORATION

Consolidated Balance Sheet

Investments and Other Assets (Note 1):

Investments in and advances to foreign subsidiary companies and branches, less reserve	$1,008,226
Miscellaneous	73,206
	$1,081,432

Note 1: Investments in subsidiary companies in England, France and Germany have been carried at no value since 1940, except for loans and advances aggregating $274,000 made subsequent to that date.

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 generally 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.

Provision was made in the amount of $100,000 during the year ended June 30, 1956 for possible losses on foreign advances.

NATIONAL LEAD COMPANY

Consolidated Balance Sheet

Noncurrent Assets:

Investments in, at cost or below, and advances to unconsolidated subsidiaries, less reserve of $3,801,088 (Note 4)	$19,153,435
Miscellaneous investments and advances, at cost or below, less reserves of: 1956, $40,955; 1955, $41,455 (Note 5)	3,837,272

Note 4: Unconsolidated subsidiaries comprise domestic subsidiaries more than 50, but less than 100 per cent owned, and foreign subsidiaries.

Based upon financial statements of the major unconsolidated subsidiaries (other than those in Continental Europe) as of the close of their respective fiscal years, the equity of the Company in the net tangible assets of those subsidiaries and amounts relating to such equity approximated the following:

	1956
Equity in net tangible assets	$32,029,000
Excess of equity over the Company's net investments and advances	14,662,000
Increase in excess equity during year	457,000

The equity in net tangible assets, shown in the preceding paragraph, includes $18,187,000 for 1956, represented by foreign net tangible assets, translated into U. S. dollars at appropriate rates of exchange.

The Company's net investments in and advances to Continental European subsidiaries were $1,786,797 at December 31, 1956. Unaudited financial statements as of September 30, 1956 received from the Continental European subsidiaries indicate that the Company's equity in the net assets thereof approximated the following foreign currency amounts at the respective dates:

	1956
Norwegian kroner	16,945,000
Belgian francs	29,312,000
Dutch florins	2,825,000
French francs	70,514,000
German deutsch marks	34,735,000

The realization of foreign assets and foreign earnings is subject to various exchange and other restrictions imposed by the respective foreign governments.

Dividends were received from unconsolidated subsidiaries and are included in consolidated net income as follows:

	1956
Subsidiaries other than Continental European	$ 2,136,229
Continental European subsidiaries	634,667
	$2,770,896

Note 5: National Lead Company and Allegheny Ludlum Steel Corporation each own 50 per cent of the capital stock of Titanium Metals Corporation of America. The cost of National Lead Company's investment in the latter corporation is included in miscellaneous investments. The equity of the Company in the net assets of Titanium Metals Corporation of America, as shown by audited financial statements, exceeded the cost of the Company's investment by approximately $9,440,000 at December 31, 1956.

REVERE COPPER AND BRASS INCORPORATED

Balance Sheet

Investments and advances, (at cost):

Industria Sul Americana de Metais, S.A.	$ 1,838,490
Olin Revere Metals Corporation (Note D)	15,300,000
Olin Revere Shipping Corporation (Note E)	500
	$17,138,990

Note D: During the year 1956, the Company invested $8,000,000 in 50% of the stock of Olin Revere Metals Corporation (herein referred to as ORM), which has been organized for the purpose of aluminum production, and $7,300,000 in notes of ORM, payable in 1981, with interest payable semi-annually at the rate of 4½% per annum.

Note E: In accordance with the terms of the agreement commented upon in Note D, the Company in 1956 purchased 5 shares of common stock of Olin Revere Shipping Corporation, a Liberian corporation (herein referred to as Shipping), constituting one-half the capital stock of Shipping, the other one-half being owned by a subsidiary of Olin.

Annual Report: Industria Sul Americana de Metais, S.A. (ISAM), Sao Paulo, Brazil—The Company owns 50% of the capital stock of the above company.

RITTER COMPANY, INC.
Consolidated Balance Sheet
Investments:
Foreign subsidiaries—wholly-owned (Note 1B) $———

Note 1B: Wholly-owned foreign subsidiaries—Wholly-owned foreign subsidiaries have been excluded from Consolidated Statements since December 31, 1933. Earnings of these subsidiaries are included in consolidated earnings only to the extent that cash dividends are received in United States Dollars. Dividends of $119,089 were received from these subsidiaries in 1956.

The investments at December 31, 1956 in these subsidiaries which are located in Germany and France consist of:

Cost	$1,173,946
Less: Reserve	1,173,946
Carrying Value	$ None

The book value of these subsidiaries as per audit reports at December 31, 1955, converted at exchange rates then in effect, totaled $2,213,798, or $2,213,798 in excess of carrying value. Audits at December 31, 1956 have not been completed.

PREPAID EXPENSES AND DEFERRED CHARGES

Table 20 summarizes and classifies the terminology used by the survey companies in presenting prepaid expenses or deferred charges in their balance sheets for the years 1950, 1954, 1955, and 1956. This tabulation also discloses the balance-sheet presentation of these items.

The committee on accounting procedure of the American Institute of Certified Public 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 600 survey companies, 588 presented prepaid expenses or deferred charges in their 1956 balance sheets. Of the 588 companies displaying such items, 201 companies presented them under "current assets," 107 companies presented them under both "current" and "noncurrent assets," and the remaining 280 companies included them among the "noncurrent assets."

Examples illustrating the various types of prepaid expenses and deferred charges and their presentation in the balance sheets of the respective companies are as follows:

Current Asset Section

DIXIE CUP COMPANY
Statement of Financial Position
Current Assets:
Prepaid operating expenses $523,182

THE INTERNATIONAL SHOE COMPANY
Consolidated Financial Position
Current Assets:
Prepaid insurance premiums, taxes, and sundry $563,996

NATIONAL PRESTO INDUSTRIES, INC.
Comparative Consolidated Balance Sheet
Current Assets:
Deferred charges $4,061,973

Current and Noncurrent Asset Sections

ALLIED STORES CORPORATION
Statement of Financial Position
Current Assets:
Prepaid rent, taxes, insurance, supplies and other expenses $4,757,327
Noncurrent Assets:
Unamortized long-term note expense ...... $ 127,371

ALUMINUM COMPANY OF AMERICA
Consolidated Balance Sheet
Current Assets:
Prepaid insurance and taxes $4,439,936
Noncurrent Assets:
Deferred mining expenses $2,755,647
Other deferred charges 4,159,085

FOOD MACHINERY AND CHEMICAL CORPORATION
Consolidated Balance Sheet
Current Assets:
Prepaid expenses $1,558,841
Noncurrent Assets:
Deferred charges .... $ 652,557

RHEEM MANUFACTURING COMPANY
Consolidated Balance Sheet
Current Assets:
Cost allocable to future operations—insurance, taxes, rentals, etc. $1,434,754
Noncurrent Assets:
Unamortized long-term debt expense .... $ 950,324

Noncurrent Asset Section

E. J. BRACH & SONS
Balance Sheet
Noncurrent Assets:
Deferred Charges and Other Assets:
Supplies, inventories and prepaid expenses $130,413

J. C. PENNEY COMPANY
Balance Sheet
Noncurrent Assets:
Prepaid Expenses and Deferred Charges:
Leasehold advances, unexpired insurance premiums, etc. $3,389,540

TABLE 20: PREPAID EXPENSES AND DEFERRED CHARGES

Terminology Used In	1956	1955	1954	1950
Current Asset Section:				
Prepaid	259	250	231	175
Prepaid and deferred	14	8	4	4
Deferred	5	5	7	3
Unexpired	8	8	9	6
Costs applicable to future periods	8	13	11	7
Various other terms	6	3	5	3
Total	300	287	267	198
Noncurrent Asset Section:				
Deferred	164	169	165	143
Deferred and prepaid	91	90	87	94
Deferred with certain items listed thereunder described *prepaid*	58	59	70	104
Prepaid	63	68	78	65
Costs applicable to future periods	15	13	15	17
Unamortized	23	31	29	13
Unexpired	6	6	5	4
Various other terms	4	2	5	10
Total	424	438	454	450

Number of Companies Presenting	1956	1955	1954	1950
Prepaid Expenses or Deferred Charges in:				
Current asset section	202	200	163	128
Current and noncurrent asset sections	107	138	96	76
Noncurrent asset section	279	249	326	386
No Prepaid Expense or Deferred Charge items	12	13	15	10
Total	600	600	600	600

	Balance Sheet Presentation			
	1956		1955	
Classification as to Type	Current Assets	Noncurrent Assets	Current Assets	Noncurrent Assets
Advertising (*Co. Nos. 36, 267, 461, 497)	7	11	6	12
Debt discount (*Co. Nos. 81, 140, 233, 406)	—	21	1	23
Debt expense (*Co. Nos. 42, 140, 233, 337, 372)	—	49	1	52
Employee welfare (*Co. Nos. 20, 164, 248, 414, 500)	2	20	2	18
Expense advances (*Co. Nos. 200, 263, 372)	2	1	—	2
Financing expense (*Co. Nos. 162, 225, 267)	—	6	—	6
Insurance (*Co. Nos. 6, 78, 110, 171, 431, 436)	116	95	122	122
Interest (*Co. Nos. 182, 511)	2	1	1	2
Mine stripping and expense (*Co. Nos. 21, 154, 328)	—	4	—	4
Oil exploration	—	—	—	1
Organization expense (*Co. No. 498)	—	1	—	2
Preoccupation and plant costs (*Co. No. 93)	—	1	1	3
Rent (*Co. Nos. 18, 272, 312, 333)	14	22	8	22
Research and development	—	8	1	8
Selling, delivery, freight, commissions (*Co. Nos. 91, 210, 294)	2	3	2	5
Supplies (*Co. Nos. 6, 18, 104, 572)	18	24	17	29
Taxes (*Co. Nos. 41, 96, 313, 456, 533)	67	49	59	63
Tooling and factory expense (*Co. Nos. 8, 294, 405)	2	2	1	3
Unused royalties (*Co. Nos. 242, 599)	—	2	—	2
Various other captions (*Co. Nos. 127, 168, 187, 561)	9	2	5	8
"Prepaid or Deferred" (*Co. Nos. 1, 52, 159, 204, 522)	201	272	184	276
"Prepaid or Deferred"** (*Co. Nos. 3, 87, 239, 453, 547)	50	50	41	41
Total	492	644	452	704

* Refer to Company Appendix Section.
**In both the current and the noncurrent asset section.

PEPSI-COLA COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Deferred Debit Items:

Prepaid insurance, taxes, etc.	$ 548,101
Advertising materials and expenses	2,983,427
Other	397,727

INTANGIBLE ASSETS

The balance sheets of 358 of the 600 survey companies disclosed intangible assets in their 1956 annual reports. Table 21 which summarizes and classifies the various types of intangible assets and their 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 an amortized value. A nominal-value (usually $1) presentation was almost equally favored as a method of valuation. 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.

Illustrations of the various balance sheet presentations found in the 1956 reports are as follows:

Shown Separately in Noncurrent Asset Section

THE COCA-COLA COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Formulae, trade-mark and goodwill—at cost	$40,124,563

CLUB ALUMINUM PRODUCTS COMPANY
Financial Statement
Noncurrent Assets:

Patents, less amortization	$9,718
Trademarks and licenses, less amortization	7,379

GENERAL FOODS CORPORATION
Comparative Statement of Financial Position
Noncurrent Assets:
Intangibles:

Patents and trademarks	$ 1
Goodwill	1,283,869

Note on Intangibles: The item of $1,283,869 identified as goodwill, represents the cost over the book value of net tangible assets acquired in three small acquisitions. This item is included in the balance sheet in conformity with the opinion stated in Chapter V of Accounting Research Bulletin No. 43, published in June 1953 by the American Institute of Certified Public Accountants.

In all acquisitions since its organization in 1922, until June 1953, the Corporation, in accordance with accounting principles accepted generally, applied the excess of cost over the value of net tangible assets acquired against retained earnings or capital surplus (or reserves created therefrom), or in some instances, where the purchase was for shares of the Corporation's common stock, did not include such excess of cost in the capital stock account. The management of the Corporation believes that the prior practice of not carrying goodwill as an asset in the financial statements was a properly conservative practice.

GENERAL MOTORS CORPORATION
Consolidated Balance Sheet
Noncurrent Assets:

Goodwill, patents, etc.	$63,442,466

Notes to Financial Statements: Goodwill, Patents, etc.—The Corporation's goodwill and patents account includes a nominal amount of $1 for patents. Goodwill is recognized only in connection with the acquisition of a going business, in which case it represents the difference between the purchase price and the value ascribed to the net tangible assets acquired. The Corporation does not amortize items carried in this account.

PARKER APPLIANCE COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Patents, at cost less $93,854 amortization	$94,450

WOODALL INDUSTRIES, INC.
Consolidated Statement of Financial Condition
Noncurrent Assets:

Patents—at purchase cost, less amortization	$ 57,001
Goodwill—at purchase cost, less amortization	332,941

Consolidated Statement of Operations
Costs and Expenses:

Amortization of goodwill	$ 36,135
Amortization of patents	13,200

Shown Under Fixed Assets in Noncurrent Asset Section

OXFORD PAPER COMPANY
Consolidated Balance Sheet
Below Plants and Properties:

Water power development and rights	$1,900,000

TABLE 21: INTANGIBLE ASSETS

Type of Intangible Asset*	A: Balance Sheet Presentation						
		Noncurrent Asset Section:					
	Current Asset Section Under Inventories	Separately Set Forth	Under Fixed Assets	Under Other Assets	Under Deferred Charges	Notes to Financial Statements	1956 Total
A: Patents, patent rights and applications	—	146	7	18	7	—	178
B: Trademarks, brand names	—	94	1	15	1	—	111
C: Copyrights	—	8	—	1	—	—	9
D: Goodwill	—	130	1	19	2	—	152
E: Goodwill re: subsidiary	—	15	1	4	—	—	20
F: Leasehold improvements	—	2	58	3	4	5	72
G: Leaseholds, leases, leased equipment	—	3	33	1	1	7	45
H: Developed leases—mining, oil	—	—	7	1	1	2	11
I: Formulae, processes, designs	—	19	—	3	1	—	23
J: Research and development	—	5	—	1	—	1	7
K: Licenses, franchises, memberships	—	19	4	4	—	—	27
L: Rights—water, water-power, land	—	—	14	—	—	—	14
M: Rights—mining, timber, cutting, fishing, and "other rights"	—	6	7	1	1	3	18
N: Contracts	—	5	—	2	—	—	7
O: Name lists, catalogs, trade routes	—	2	—	1	1	—	4
P: Scripts, scenarios, story and film rights	3	—	—	—	—	—	3
Q: Reference library	—	1	—	—	—	—	1
R: Finance and organization costs	—	2	—	2	3	1	8
S: Described as: "Intangible Assets"	—	13	3	1	1	—	18
T: Various other	—	9	1	3	—	2	15
Total	3	479	137	80	23	21	743

*Refer to Company Appendix Section—A: Nos. 9, 11, 21, 81, 83, 207, 212, 339, 493, 497; B: Nos. 64, 66, 122, 209, 252, 522; C: Nos. 248, 356; D: Nos. 48, 60, 122, 193, 243, 252, 373; E: Nos. 9, 71, 313, 351; F: Nos. 44, 66, 301, 494, 557, 579; G: Nos. 23, 333, 417, 568; H: Nos. 55, 69, 149, 169, 282; I: Nos. 15, 83, 436, 524, 577; J: Nos. 37, 112; K: Nos. 37, 84, 221, 252; L: Nos. 53, 55; M: Nos. 360, 416, 540, 568, 589; N: Nos. 90, 556; O: Nos. 191, 373; P: Nos. 351, 549; Q: Nos. 288; R: Nos. 399, 498, 541; S: Nos. 29, 128, 332, 492; T: Nos. 72, 372, 588.

Type of Intangible Asset	B: Balance Sheet Valuation and Amortization						
	Amortized Value After Charges To:						
	Income	Retained Earnings	Charge Not Shown	Total	Un-amortized Value	Nominal Value	1956 Total
Patents, patent rights and applications	16	—	57	73	7	98	178
Trademarks, brand names	19	1	11	31	8	72	111
Copyrights	—	—	1	1	2	6	9
Goodwill	15	2	12	29	17	106	152
Goodwill re: subsidiary	5	—	4	9	10	1	20
Leasehold improvements	62	—	6	68	1	3	72
Leaseholds, leases, equipment leases	38	1	4	43	1	1	45
Developed leases—mining, oil	10	—	1	11	—	—	11
Formulae, processes, designs	3	—	2	5	2	16	23
Research and development	3	—	—	3	—	4	7
Licenses, franchises, memberships	7	—	15	22	2	3	27
Rights—water, water-power, land	5	—	2	7	5	2	14
Rights—mining, timber, cutting, fishing, and "other rights"	8	—	6	14	2	2	18
Contracts	—	—	1	1	1	5	7
Name lists, catalogs, trade routes	2	—	—	2	2	—	4
Scripts, scenarios, story and film rights	3	—	—	3	—	—	3
Reference library	—	—	1	1	—	—	1
Finance and organization costs	6	—	2	8	—	—	8
Described as: "Intangible Assets"	3	1	8	12	1	5	18
Various other	2	—	4	6	3	6	15
Total	207	5	137	349	64	330	743

Number of Companies Presenting	1956
Intangible Assets	358
No Intangible Assets	242
	600

AMORTIZATION OF INTANGIBLE ASSETS

The information contained in the 1956 survey reports with regard to the amortization of intangible assets is summarized in Table 21. There were 349 instances of intangible assets shown in the balance sheets at an amortized value. In 207 of these cases the amortization was charged to the income account; in 5 instances the charge was to the retained earnings account; and in the remaining 137 cases there was no indication in the report as to the amount of the charge.

The method used in the amortization of intangible assets is seldom disclosed in the reports of the companies showing such assets.

For example of charges to retained earnings for the write-off of intangible assets, refer to Section 4, *Goodwill, Intangible Assets.*

ACCOUNTS PAYABLE—Current Liabilities

Table 22 classifies and summarizes the various kinds of accounts payable items included among current liabilities in the 1956 balance sheets of the survey companies.

All 600 of the survey companies presented accounts payable to trade creditors in their balance sheets. 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, 76 of the survey companies showed current liabilities to trade customers for such items as advances on contracts, deposits on containers, and for other trade purposes and credit balances in accounts receivable.

Twelve of the survey companies included among their noncurrent liabilities various items of a similar nature such as customers' deposits on returnable containers, royalties payable, and unidentified deferred liabilities (*Co. Nos. 37, 63, 92, 122, 151, 342, 403, 436, 459, 499, 526, 531).

The following examples, selected from the 1956 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.

TABLE 22: ACCOUNTS PAYABLE

Current Liability Description	Presentation: Separately	Presentation: With Other Items	1956 Total
Re: *Trade Creditors*—			
Accounts payable (*Co. Nos. 44, 63, 184, 196, 283, 307, 390)	400	200	600
Notes payable (*Co. Nos. 63, 94, 138, 491)	3	3	6
Royalties payable (*Co. Nos. 90, 124, 191, 265)	4	8	12
Trade acceptances or drafts payable (*Co. Nos. 40, 155, 516)	2	4	6
"Accrued expenses"—not identified (*Co. Nos. 35, 141, 142, 232, 240, 475, 481, 581, 585)	171	250	421
Total	580	465	1045
Re: *Trade Customers*—			
Advances on non-government contracts (*Co. Nos. 75, 109, 112, 113, 177, 187, 524)	23	4	27
Progress billings on non-government contracts (*Co. Nos. 64, 307, 349)	3	1	4
Additional costs on completed contracts (*Co. Nos. 74, 84, 202)	4	1	5
Deposits for various trade purposes (*Co. Nos. 84, 134, 227, 356)	11	4	15
Deposits for merchandise containers (*Co. Nos. 267, 284, 448)	6	—	6
Unredeemed gift certificates (*Co. No. 4)	1	—	1
Credit balances (*Co. Nos. 14, 212, 226, 388, 430)	13	7	20
Total	61	17	78

Number of Companies Showing	
Accounts payable re trade creditors	600
Accounts payable re trade customers	76

*Refer to Company Appendix Section.
Refer also to Table 26.

BAUSCH & LOMB OPTICAL COMPANY
Balance Sheet
Current Liabilities:

Notes and mortgage payable (Note 2)	$4,006,856
Accounts payable	1,464,796
Dividends payable	207,370
Accrued payrolls, taxes and other liabilities	2,699,434
Federal income taxes	1,277,253
	$9,655,709

Note 2: Notes and Mortgage Payable—The liabilities at December 30, 1956 were:

	Current	Long-term	Interest Rate
Notes payable:			
Insurance company	$ —	$7,493,000	3.625%
Banks—revolving credit	4,000,000	—	4.25%
Mortgage payable—branch	6,856	87,368	4.00%
	$4,006,856	$7,580,368	

The insurance company loan is payable in annual installments of $600,000 commencing December 31, 1957 with final payment of

$893,000 due December 31, 1968 and a bank revolving credit of $4,000,000 is available to December 31, 1958. The mortgage is payable in installments to 1961.

The loan agreements provide that the Company will not permit its net current assets to be less than $17,000,000 and contain certain restrictions on indebtedness and on the payment of dividends as explained in Note 3.

Note 3: Dividend Restrictions—The Company is restricted in the payment of dividends on the common stock and repurchase of common stock so long as the 4% cumulative preferred stock shall remain outstanding and so long as amounts are owed to the insurance company and to the banks under the revolving credit agreement. Under these restrictions, cash dividends on the common stock and its redemption or repurchase are limited to approximately $2,000,000 plus 75% of net income (as defined), subsequent to December 30, 1956, after deducting therefrom dividends on preferred stock.

THE COLORADO MILLING & ELEVATOR COMPANY
Consolidated Balance Sheet

Current Assets:	
Deposit for payment of dividend June 1—see contra	$ 193,369
Current Liabilities:	
Notes payable	$4,000,000
Drafts payable (for grain purchases, etc.)	203,836
Accounts payable	997,135
Accrued liabilities:	
Taxes on income	1,070,100
Property taxes	318,383
Other	319,551
Dividend payable June 1—see contra	193,369
Total current liabilities	$7,102,374

JOHN MORRELL & CO.
Consolidated Balance Sheet

Current Liabilities:	
Notes payable to banks	$ 1,650,000
Installments on debentures and notes	1,436,188
Accounts payable and accrued expenses	6,710,296
Federal income tax	585,188
Replacement of basic "last-in, first-out" inventories	2,090,000
	$12,471,672

UNION CARBIDE AND CARBON CORPORATION
Consolidated Balance Sheet

Current Liabilities:	
Accounts Payable	$ 56,933,886
Installments due within one year on long-term debt	10,130,250
Accrued Liabilities:	
Federal income and other taxes, and renegotiation	139,745,274
Interest	2,175,065
Other accrued liabilities	28,672,325
	$170,592,664
Total Current Liabilities	$237,656,800

LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

There were 404 survey companies that evidenced the many types of liabilities to employees and stockholders as current liabilities in their 1956 balance sheets. The caption most frequently used was "salaries and wages payable." Other frequently used captions were "dividends payable," "Federal income and social security taxes withheld," "commissions payable," and "contributions to employee benefit plans." Table 23 summarizes the various types of liabilities regarding employees which appeared in the current liability section of the balance sheets of the 1956 reports.

Several survey companies listed their liabilities to employees in the noncurrent liabilities section of the balance sheet. The items included were commissions payable, employees' deposits, contributions to employee benefit plans, employee payroll deductions and various other liabilities to employees (*Co. Nos. 39, 332, 354, 372, 431, 437, 463).

TABLE 23: LIABILITIES RE EMPLOYEES AND STOCKHOLDERS

	Presentation		
Current Liability Description	Separately	With Other Items	1956 Total
Salaries or wages payable (*Co. Nos. 46, 52, 337, 426, 498)	72	228	300
Dividends or declaration payable (*Co. Nos. 10, 101, 180, 357, 477)	156	1	157
Payroll taxes withheld (*Co. Nos. 65, 259, 348, 498, 559)	34	66	100
Commissions payable (*Co. Nos. 219, 241, 295, 484)	4	60	64
Unclaimed wages, retroactive salary (*Co. No. 175)	—	1	1
Deposits received for U.S. bond purchases (*Co. Nos. 202, 345, 415)	1	7	8
Deposits—various employee purposes (*Co. Nos. 40, 255, 305, 410)	5	2	7
Deposits—salesmen's guarantee (*Co. Nos. 163, 166, 219, 287, 582)	4	1	5
Accounts payable or employee balances (*Co. Nos. 97, 132, 224, 313)	4	2	6
Accident, compensation, or disability benefits (*Co. Nos. 154, 333)	2	2	4
Additional or other compensation (*Co. Nos. 90, 96, 205, 257)	1	9	10
Incentive compensation (*Co. Nos. 87, 339, 355, 463)	2	3	5
Bonus plan payments (*Co. Nos. 212, 283, 339, 340, 370)	1	8	9
Employee benefit plan contributions (*Co. Nos. 132, 184, 224, 396, 450)	20	11	31
Employee profit sharing plan (*Co. Nos. 132, 284, 339, 409, 545)	6	9	15
Vacation pay (*Co. Nos. 13, 188, 318, 451, 577)	9	21	30
Total	321	431	752

Number of Companies Showing	
Current liabilities re employees and stockholders	404
No current liabilities re employees and stockholders	196
	600

*Refer to Company Appendix Section.

Examples—
Liabilities re Employees and Stockholders

Examples from the 1956 annual reports which illustrate various liabilities with regard to employees and stockholders, together with their balance sheet presentation, are given below.

THE AMERICAN SHIP BUILDING COMPANY
Consolidated Balance Sheet
Current Liabilities:

Payroll taxes and taxes withheld from employees	$108,188
Payroll	99,111

CENTURY ELECTRIC CO.
Balance Sheet
Current Liabilities:
Accounts payable:

Trade	$993,759
Salaries, wages, and bonuses	401,858
Contributions to employees' profit sharing and retirement plans	415,562
Payroll taxes, employees' accounts, and accrued interest	265,287

Note C: The estimated annual cost of the trusteed retirement plan for hourly employees, other than foundry employees, assuming a thirty year amortization of past service cost, will be approximately $225,000. The unpaid portion of past service credits is estimated to be approximately $1,695,000.

The estimated annual cost of the trusteed retirement plan for hourly foundry employees, assuming a ten year amortization of the past service cost, will be approximately $45,000. The unpaid portion of past service credits is estimated to be $195,000.

The Company has had a pension plan for salaried employees in effect for a number of years, as to which all liability for past service credits has been funded.

CUTLER-HAMMER, INC.
Balance Sheet
Current Liabilities:
Accrued Liabilities:

Salaries and wages	$ 619,492
Vacation pay	1,446,303

CRADDOCK-TERRY SHOE CORPORATION
Balance Sheet
Current Liabilities:

Employees' deposits	$ 1,140
Accrued payrolls, commissions and unclaimed wages	389,394
Employees' income taxes withheld	155,024
Dividend on preferred stock	41,480

HEYWOOD-WAKEFIELD COMPANY
Statement of Consolidated Financial Position
Current Liabilities:

Accrued salaries, wages, commissions and vacation pay	$484,485

S. S. KRESGE COMPANY
Consolidated Balance Sheet
Current Liabilities:

Accrued taxes, payrolls, expenses and other accounts payable	$13,300,615
Estimated public liability and compensation claims	353,277

LIBBEY-OWENS-FORD GLASS COMPANY
Balance Sheet
Current Liabilities:
Accrued payable and accrued expenses:

Salaries, wages, and amounts withheld from employees for taxes and U. S. bond subscriptions	$3,546,702

A. E. STALEY MANUFACTURING COMPANY
Financial Statements
Current Liabilities:
Accounts payable and accrued expenses:

Salaries, wages, and employee credits	$1,499,861
Payroll and withheld taxes	251,718
Cost of employees' retirement annuities	365,000

WARD BAKING COMPANY
Balance Sheets
Current Liabilities:

Dividends payable on preferred stock	$ 77,940
Salesmen's guarantee deposits	161,847

INCOME TAX LIABILITY

Table 24 presents the various classifications of income tax liability shown in the current liability section of the balance sheets of the 600 survey companies.

There were nineteen survey companies which did not disclose a liability for federal income taxes in their 1956 balance sheets (*Co. Nos. 11, 76, 138, 208, 241, 267, 285, 287, 294, 385, 425, 439, 482, 490, 493, 533, 564, 568, 578).

The following examples, selected from the 1956 reports, are representative of the balance sheet presentations 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.'")

CITY STORES COMPANY
Statement of Financial Condition
Current Liabilities:

Federal income taxes—estimated—Note B	$ 8,536,545

Statement of Income

Income before federal income taxes	$11,877,490
Federal income taxes—Note B	5,973,093
Net income	$ 5,904,397

Note B: During the fiscal year ended January 31, 1946, Lit Brothers (now a division of City Stores Company) sold its main store property and concurrently with the sale, leased the property back from the buyer. In its returns for that year, the company claimed a deductible loss in respect of such sale. The company had received a ruling from the Bureau of Internal Revenue, supplemented by a closing agreement restricted to certain points in such ruling, stating in effect that any loss sustained on the sale of the property was deductible for tax purposes but not undertaking to establish the amount of loss.

On February 8, 1952, Lit Brothers received Revenue Agent's report for the fiscal years ended January 31, 1944 through 1948, in which adjustments were proposed which would result in net deficiencies in federal and state taxes of approximately $5,525,000, exclusive of interest. This is $4,985,000 in excess of reserves provided

*Refer to Company Appendix Section.

TABLE 24: INCOME TAX LIABILITY

Current Liability—Balance Sheet Presentation and Classification	1956	1955	1954
"Federal Income Tax"	268	273	271
Above combined with:			
"Other taxes"	8	9	9
"Other income taxes"	5	6	7
"Territorial taxes"	—	—	1
"Territorial and other taxes"	1	1	1
Renegotiation	8	9	14
Redetermination	—	1	1
Non-tax items	1	2	2
Total	291	301	306
"Federal Income and Excess Profits Taxes"	—	—	9
Above combined with other items	1	1	3
Total	1	1	12
"Federal and State Income Tax"	48	53	58
Above combined with:			
"Foreign taxes"	18	16	16
"Foreign and municipal taxes"	1	1	1
"Municipal taxes"	—	2	2
"Other taxes"	5	5	3
Renegotiation	3	3	2
Total	75	80	82
"Federal and Foreign Income Taxes"	92	85	78
Above combined with:			
"Other taxes"	1	1	1
"Other taxes" and renegotiation	—	3	—
Renegotiation	6	6	5
Total	99	95	84
Classifications Set Forth as:			
"Income Taxes"	55	54	41
"Income and Excess Profits Taxes"	—	—	4
Foreign income taxes	1	1	—
"Income and other taxes"	7	4	6
Income tax, domestic and foreign	—	1	1
"Income tax" and renegotiation	1	3	1
Total	64	63	53
"Taxes"	33	35	33
Federal, state and other taxes	3	3	4
"Federal and state taxes"	3	1	3
"Federal, state, municipal taxes"	6	5	5
"Federal and general taxes"	3	2	1
"Domestic and foreign taxes"	2	1	1
"Taxes" and non-tax items	1	2	2
"Taxes" and renegotiation	—	1	1
Total	51	50	50
Number of Companies Presenting			
Current liability for income tax or taxes	581	590	587
Not presenting such liability	19	10	13
	600	600	600

for this purpose. The report also proposes to disallow claims for refund of taxes on income which are being carried in the balance sheet at $782,000. Protest has been filed by the Company with respect to all the adjustments and disallowances of claims, except certain adjustments amounting to approximately $450,000 of tax liability. The principal item contested is the proposed disallowance of the loss on the sale of Lit Brothers' main store property, involving approximately $4,750,000 of the taxes in controversy. During the year 1955 the Company negotiated a satisfactory settlement of the above matter with the Appellate Division of the Regional Commissioner's Office of Internal Revenue, certain aspects of which are subject to review and acceptance by the Chief Counsel of the Internal Revenue Service and the Joint Committee on Internal Revenue Taxation.

The amounts of the liability for federal and state taxes on income reflected in the accompanying financial statements include no specific provision for additional assessments of prior years' taxes against City Stores Company and/or its subsidiaries, except as herein set forth and the aforementioned settlement, if accepted, would have no materially adverse effect on these financial statements.

COLLINS & AIKMAN CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Taxes on income (Note 2)	$1,060,682

Note 2: Federal taxes on income—The Internal Revenue Service has examined the Federal income tax returns of the Company for all years through February 27, 1954. The Company's liability through March 3, 1951 has been settled and paid. No excess profits tax for the year ended March 1, 1952 was paid or provided, as the Company believes it has valid grounds for relief under Section 442 of the 1939 Internal Revenue Code. The examining agent of the Internal Revenue Service has proposed certain adjustments to the returns for the three years subsequent to March 3, 1951 which would result in substantial additional tax. The Company does not agree with the adjustments proposed by the examining agent and is preparing a protest to the Appellate Division of the Internal Revenue Service. If the position taken by the examining agent were ultimately sustained, the Company's liability for Federal taxes on income for these years would be approximately $375,000, excluding interest, in excess of amounts provided in the balance sheet.

FOOD MACHINERY AND CHEMICAL CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Federal and foreign taxes on income and renegotiation (Note 5)	$16,434,859
Consolidated Income	
Net income before income taxes and renegotiation	$31,525,486
Provision for income taxes and renegotiation (Note 5):	
Federal income taxes and renegotiation	$14,979,852
Federal income taxes deferred, net	402,369
Foreign income taxes	267,779
	$15,650,000
Net income	$15,875,486

Note 5: Federal taxes on income and renegotiation—The Corporation and its subsidiaries have obtained Certificates of Necessity for certain facilities aggregating $37,925,409 constructed since 1950 and now in operation. In its accounts the Corporation charged only normal depreciation on $34,269,245 of such facilities but in its tax returns elected to amortize the certified portion of certain of these facilities over a sixty-month period. The excess of tax amortization claimed over normal depreciation on these facilities for 1956 amounts to approximately $978,196. 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 increased its annual tax provisions by amounts substantially equivalent to the estimated future tax effect and has credited these amounts to a reserve for deferred Federal income taxes. Upon expiration of the amortization period, appropriate portions of the reserve are restored to income over the remaining lives of the assets.

The Corporation is amortizing over a sixty-month period $3,656,164 of facilities which may not be adaptable to post-emergency use. The excess of the recorded amortization over normal depreciation on these facilities in 1956 amounts to $239,745.

Federal income tax returns of the Corporation for the years subsequent to December 31, 1947, are presently being examined by the U. S. Treasury Department. Preliminary information indicates a potential tax deficiency of undetermined amount, primarily due to proposed changes in depreciation rates and certain other proposed adjustments. Subsidiaries file separate Federal and foreign tax returns which are subject to review for various periods. It is believed that adequate provision for tax liabilities has been made in the financial statements.

Certain sales for 1954 and subsequent years are subject to renegotiation by the U. S. Government. Provision has been made for any possible refunds which may be required.

GENERAL REFRACTORIES COMPANY

Balance Sheet

Current Liabilities:

Federal income taxes, for current and prior years, estimated, less claim for refund (Note 5)	$ 3,287,934
Pennsylvania income taxes, estimated	67,000
	$3,354,934

Noncurrent Liabilities:

Reserve for deferred federal taxes on income (Note 2)	$ 2,158,955

Statement of Income

Income before estimated taxes on income	$10,849,419
Provision for federal and state taxes on income:	
Current and prior years	$ 2,975,000
Deferred federal taxes on income on account of accelerated depreciation	666,523
	$ 3,641,523
Net income	$ 7,207,896

Note 2: Certain of the company's plant facilities are covered by Certificates of Necessity which for income tax purposes permit the amortization of their cost over a 60-month period. Prior to 1954 such accelerated amortization was deducted in determining taxable income and was recorded in the books of account. Effective as of January 1, 1954, the company adopted the policy of writing off the unamortized balance of the cost of these facilities on the basis of the remaining years of economic usefulness estimated as of that date; however, the 60-month amortization basis will continue to be used for income tax purposes.

Amortization for tax purposes is greater than the depreciation recorded in the accounts of the company by approximately $1,417,000 for 1955 and $1,282,000 for 1956. For book purposes there have been added to the reserve for future additional taxes payable because of absence of a deduction for depreciation after the expiration of the 60-month period, sums of $736,742.21 for 1955 and $666,523.47 for 1956. The net effect on income resulting from this policy is an increase of approximately $680,000 for 1955 and $615,000 for 1956.

Note 5: Additional income taxes and interest of $568,295.60 have been assessed against and paid by the company with reference to foreign income for the year 1950. Deficiencies in substantially similar amounts are proposed for each of the years 1951 to 1953, inclusive.

The claim for refund of 1950 taxes which was subsequently filed by the company for the purpose of instituting suit on this issue, together with the proposed deficiencies for the years 1951 to 1953, inclusive, have been the subject of negotiations between the company and the Internal Revenue Service with a view to their compromise settlement short of formal litigation.

The balance sheet provision is deemed adequate to cover any resultant net deficiencies which may ensue therefrom.

GIMBEL BROTHERS, INC.

Consolidated Balance Sheet

Current Liabilities:

Federal taxes on income (see Note 1)	$11,348,162

Note 1: 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.

As explained in the report for the year ended January 31, 1948, the Lifo method was claimed for all years commencing with the fiscal year ended January 31, 1942. As a result of this claim, provision for federal taxes on income for the periods since January 31, 1941 has been reduced by $6,205,000. Of this amount $5,960,000 represents over-payments claimed for the six years ended January 31, 1947 (carried in the accompanying balance sheet as a non-current asset). The balance of the reduction, $245,000, has been reflected in the reduced provision for federal taxes on income in the nine years ended January 31, 1956. The court case involving the right to use the Lifo method for the year ended January 31, 1942 was decided against the Company in the U. S. Court of Claims. The Company maintains, however, that its position is justified and is taking such further legal action as is available to it to assert its right to use the Lifo method.

GRUMMAN AIRCRAFT ENGINEERING CORPORATION

Consolidated Balance Sheet

Current Liabilities:

Federal income and other taxes, and renegotiation (Note 2)	$11,858,109

Note 2: Federal income tax matters have been cleared through 1954. Renegotiation proceedings have been concluded to December 31, 1952, except for the year 1951. The Company has paid a refund for 1951 as determined by the Renegotiation Board, but has petitioned the Tax Court of the United States for a redetermination of the excessive profits, if any, for that year. The Renegotiation Board has determined a net refund for the year 1953 amounting to approximately $1,340,000 after tax adjustments. The Company has not decided whether to accept this finding or appeal it to the Tax Court. Substantially all of the sales for 1954, 1955 and 1956 are subject to the Renegotiation Act of 1951. Even though the Company believes its profits are not and have not been excessive, the amount of $3,000,000 has been provided out of earnings retained for use in the business for the 1953 refund and any refunds which may be required for the years 1954 and 1955.

Production under one large contract has been delayed because of the late delivery of approved Government-furnished equipment. The Company has filed a request with the Government for a contract price adjustment because of this lag; however, as it is impossible to determine the outcome of this request, it has not been reflected in these statements.

MARCHANT CALCULATORS, INC.

Balance Sheet

Current Liabilities:

Federal income taxes (Note 3)	$1,622,000
Customers' prepayments under uncompleted maintenance agreements (Note 3)	1,682,127

Note 3: Federal Income Taxes—Federal income tax liability has been settled with the Internal Revenue Service through 1950. The returns for the years 1951 through 1955 are now being examined. The Internal Revenue Service has questioned the Company's method of reporting advance payments received from customers under maintenance agreements as income over the contract period on an accrual basis. This method corresponds with the basis used for accounting purposes and is considered sound for income tax purposes by the Company's counsel. The Internal Revenue Service is contending the amounts received under such contracts are taxable in full in the year received. Should the position of the Internal Revenue Service be sustained, the additional income tax liability as of December 31, 1956 would be approximately $875,000 plus accrued interest of approximately $47,000.

Because the Company in its accounts nevertheless would defer such prepayment of Federal income tax, income as expressed in the accompanying income statement would not be affected. If the liability for the prepayment is required to be recognized it will result merely in a corresponding reduction in the liability shown in "Customers' prepayments under uncompleted maintenance agreements."

McDONNELL AIRCRAFT CORPORATION

Balance Sheet

Noncurrent Assets:

Facilities, at cost:	
Land	$ 765,187
Buildings and fixtures	20,399,924
Machinery and equipment	2,675,302
	$23,840,413
Less accumulated depreciation, Note B	11,121,728
	$12,718,685

Current Liabilities:

Income taxes, Note B	$ 7,572,897

Note B: Income Taxes—At 30 June 1956, $13,771,721 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, $917,000 of the amount provided for income taxes applies to future years, including $200,000 of the current year's provision.

THE OHIO MATCH COMPANY
Consolidated Balance Sheet
Current Liabilities:

Taxes payable and accrued:	
Federal income taxes (Note 2)	$ 6,038,460

Statement of Consolidated Income

Income before provision for federal income taxes (provision for depreciation and amortization for eleven months $2,616,969)	$10,586,331
Provision for federal income taxes	6,047,472
Net income before minority interest in subsidiary	$ 4,538,859

Note 2: Federal Income Tax—The Company's Federal income and excess profits tax returns have been examined through the years ended December 31, 1953 and the Internal Revenue Service has proposed deficiencies in tax for the taxable years ended December 31, 1952 and December 31, 1953 aggregating $2,471,151. Of the several adjustments to income which are proposed by the Internal Revenue Service the one giving rise to virtually all of the deficiency is the determination that gains realized from the sale of certain assets by the Company are taxable as ordinary income rather than as capital gain as reported on the Company's tax returns. It is the firm opinion of independent counsel retained by the Company that this alleged deficiency is not well founded. The Company denies any liability for such additional tax and is contesting the matter by a petition to the Tax Court of the United States. Inasmuch as both the Company and its independent tax counsel are of the opinion that the alleged deficiency is not well founded, it has not been recorded in the accounts.

U. S. GOVERNMENT SECURITIES USED TO OFFSET INCOME TAX LIABILITY

United States Government securities were disclosed in the balance sheets of 327 survey companies either as current assets or as deductions from the federal income tax liability in the current liability section.

Table 25 discloses the different types of U. S. Government securities held by the survey companies, as described in their reports, and indicates their balance sheet presentation.

TABLE 25: U. S. GOVERNMENT SECURITIES USED TO OFFSET FEDERAL INCOME TAX LIABILITY

Number of Companies with U. S. Government Securities Presenting	1956	1955
All Government securities as an offset to the Federal income tax liability with such securities identified as:		
U. S. Government securities or similar caption	27	28
Treasury notes	9	10
Treasury notes; and bills or certificates	1	4
Treasury tax notes or certificates	4	4
Treasury tax anticipation notes, certificates or bills	7	8
Treasury bills	5	4
Total	53	58
Certain Government securities as an offset to the Federal income tax liability with such securities identified as:		
U. S. Government securities or similar caption	73	78
Treasury notes	3	7
Treasury notes; and bills or certificates	1	3
Treasury tax notes or certificates	6	9
Treasury tax anticipation notes, certificates or bills	8	9
Treasury bills or certificates	—	5
Total	91	111
All Government securities as Current Assets with such securities identified as:		
U. S. Government securities or similar caption	167	169
Treasury notes	4	4
Treasury bills or certificates	11	13
U. S. Government or treasury bonds	1	4
Total	183	190
Number of Companies with No U. S. Government Securities Presenting:		
Federal income tax liability	270	232
No Federal income tax liability	3	9
Total	273	241
	600	600

Additional U. S. Government Securities Included in Current Assets

THE BORDEN COMPANY
Consolidated Balance Sheet
Current Assets:

United States Government securities	$8,191,234

Current Liabilities:

Taxes (after deducting Treasury Notes equal to U. S. Federal income taxes—1956, $18,400,000; 1955, $19,800,000)	$ ——

HEYDEN CHEMICAL CORPORATION
Consolidated Balance Sheet
Current Assets:

U. S. Government and other marketable securities, at cost and accrued interest	$5,801,936

Current Liabilities:

U. S. and foreign taxes on income	$1,086,996
Less, U. S. Treasury Notes and tax anticipation certificates, at cost and accrued interest	529,444
	$ 557,552

CHAS. PFIZER & CO., INC.
Statement of Consolidated Financial Position
Current Assets:

U. S. Government and municipal securities, at cost; quoted market value, $3,110,200 at December 31, 1956	$3,093,525

Current Liabilities:

Federal taxes on income (less U. S. Treasury Tax Anticipation Bills (1956—$4,113,107; 1955—$3,973,040)	$10,524,297

SHARON STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:

U. S. Government and other marketable securities at cost (approximate market)	$5,211,769

Current Liabilities:

Accrued taxes on income	$7,691,988
Less—U. S. Government securities	(1,149,151)

WARD BAKING COMPANY
Balance Sheet
Current Assets:

U. S. Government securities, substantially at cost	$707,294

Current Liabilities:

Provisions for Federal taxes on income—$1,169,432 at December 29, 1956 and $1,292,954 at December 31, 1955, less U. S. Treasury Notes of $1,048,000 and $1,272,000 respectively	$121,432

No Additional U. S. Government Securities Included in Current Assets

ARMSTRONG CORK COMPANY
Consolidated Balance Sheet
Current Liabilities:

Federal income tax, estimated	$11,554,338
Less, U. S. Treasury tax certificates	3,995,200
	$ 7,559,138

BEATRICE FOODS CO.
Consolidated Balance Sheet
Current Liabilities:

Federal taxes on income, estimated, current and prior years, less United States Treasury securities $5,736,940	$1,409,299

BLISS & LAUGHLIN, INCORPORATED
Balance Sheet
Current Liabilities:

Federal income taxes	$2,527,497
Less, U. S. certificates of indebtedness	808,317
	$1,719,180

FEDERATED DEPARTMENT STORES, INC.
Consolidated Balance Sheet
Current Liabilities:

Federal taxes on income (less United States Treasury Bills of $5,972,133 at January 28, 1956)	$16,127,867

THE NATIONAL ACME COMPANY
Balance Sheet
Current Liabilities:

Federal taxes on income—estimated	$4,181,378
Less United States Government securities held for payment thereof	3,645,691
	$ 535,687

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY
Balance Sheet
Current Liabilities:

Provisions for estimated Federal and state income and other taxes, less Treasury tax anticipation certificates and interest thereon of $1,768,715 at December 31, 1956 and $6,038,548 at December 31, 1955	$3,603,592

No Offset of U. S. Government Securities Against Federal Income Tax Liability

BURROUGHS CORPORATION
Statement of Financial Condition
Current Assets:

U. S. and foreign government bonds	$ 1,819,997

Current Liabilities:

Estimated income taxes owing to the U. S. and foreign governments	$13,349,256

CANADA DRY GINGER ALE, INCORPORATED
Consolidated Balance Sheet
Current Assets:
Investments—at cost plus accrued interest:

United States Treasury Notes	$ 301,718

Current Liabilities:

United States and Canadian taxes on income	$2,677,670

GENERAL BAKING COMPANY
Comparative Balance Sheet
Current Assets:

U. S. Treasury Bills, at cost	$ 600,575

Current Liabilities:

Federal taxes on income	$2,330,080

PITTSBURGH PLATE GLASS COMPANY
Consolidated Balance Sheet
Current Assets:

Securities of the United States Government and its agencies—at lower of cost or market (quoted market value: 1956, $48,837,484; 1955, $76,680,063)	$48,834,813

Current Liabilities:

Domestic and Canadian taxes on income	$55,263,216

SKELLY OIL COMPANY
Balance Sheet
Current Assets:

United States Government securities, at amortized cost (approximating market)	$10,980,672

Current Liabilities:

Accrued taxes on income	$10,774,202

SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

The various types of short-term borrowing and long-term indebtedness presented in the 1956 balance sheets of the 600 companies included in the survey are summarized in Table 26.

The 1956 reports of the 600 survey companies disclose that 104 of these companies had neither short-term borrowing nor long-term indebtedness at the close of the accounting period. Of the remaining 496 companies, 49 showed only short-term borrowing; 228 disclosed only long-term indebtedness; and 219 set forth both short-term borrowing and long-term indebtedness in their balance sheets.

A total of 87 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 simple 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 sheet of their annual reports. The remaining 18 companies had no outstanding indebtedness, under terms of credit agreements, disclosed in the balance sheet of their annual reports. However, 2 companies (*Co. Nos. 43, 367) stated they made use of such agreements subsequent to year end; one company (*Co. No. 111) reported that "Upon repayment of all outstanding bank loans as of December 31, 1956, the parent company's revolving credit agreement was cancelled"; *Co. No 554 disclosed that the net proceeds received from the sale of preference stock were used to repay short-term bank loans outstanding against the corporation's open line of bank credit. The remaining companies made no further mention of their respective credit agreements.

Examples from the 1956 reports illustrating 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 are as follows:

THE DAYTON RUBBER COMPANY
Consolidated Balance Sheet
Current Liabilities:

Current portion of long-term debt, notes payable	$ 653,400
Long-Term Debt:	
Notes payable, due August 1, 1958	$ 562,500
Notes payable (secured), due quarterly from December 1, 1956 to 1967, inclusive, less current portion	409,750
Notes payable, due annually December 1, 1956 to 1970, inclusive, less current portion	9,999,000
4% convertible subordinated debentures, due December 1, 1970—sinking fund requirements beginning in 1961	1,351,000
	$12,322,250

ALLEN B. DU MONT LABORATORIES, INC.
Consolidated Balance Sheet
Current Liabilities:

Notes payable to banks:	
Under V-loan agreement (Note 2)	$4,900,000
Under revolving credit agreement	6,000,000

Note 2: V-Loan Agreement—Under the terms of a V-loan agreement with certain banks, the Company may borrow up to $6,000,000 at any time or from time to time prior to March 29, 1957, all loans to mature at that date. As security for the loans, the Company has assigned and pledged all moneys due and thereafter to become due under certain defense production contracts. At December 31, 1956, loans aggregating $4,900,000 were secured by amounts assigned as follows: accounts receivable $3,156,805 and inventories $2,547,838.

The agreement provides, among other things, that the Company will maintain its net current assets (as defined) at not less than $11,000,000, and may declare and pay cash dividends on its common stock, acquire any of its common stock, or make distribution of its assets to its stockholders if, immediately thereafter, the aggregate of all amounts so declared and paid, distributed or applied to such purchase subsequent to January 1, 1956 would not exceed 50% of the Company's net earnings accumulated subsequent to January 1, 1956. Under the foregoing provisions, all of the earnings reinvested in the business at December 31, 1956 were restricted (except as to

*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 (*Co. Nos. B: 272, 331, 351, 406, 474)	—	9
Debentures (*Co. Nos. A: 374; B: 130, 132, 213, 243, 382, 486)	2	74
Sinking fund debentures (*Co. Nos. A: 57; B: 9, 135, 301, 422, 473)	1	109
Credit agreement (*Co. Nos. A: 222, 588; B: 40, 115, 360, 380, 470, 527)	8	32
Revolving credit agreement (*Co. Nos. A: 77, 80, 189, 198, 229, 357, 434; B: 10, 18)	17	5
V-loan agreement (*Co. Nos. A: 207, 261, 507, 543)	9	—
Equipment contracts (*Co. Nos. A: 288; B: 305, 321, 339)	1	6
Interest payable (*Co. Nos. A: 6, 132, 279, 343, 448, 552)	40	—
Purchase money obligations (*Co. Nos. A: 241; B: 96, 185, 203)	1	29
Real estate obligations (*Co. No. B: 473)	—	1
U. S. and Foreign Government loans (*Co. Nos. B: 253, 474)	—	2
Loans payable (*Co. Nos. A: 4, 36, 182, 276; B: 191, 227, 325, 462, 517, 578)	25	29
Mortgages payable (*Co. Nos. A: 452; B: 86, 94, 163, 343, 419)	2	85
Notes payable (*Co. Nos. A: 216, 249, 335; B: 45, 190, 204, 362, 465, 492)	137	333
Contracts payable (*Co. Nos. A: 60; B: 240, 433, 549)	3	14
Advance Payable (*Co. No. A: 83)	1	—
Other long-term liabilities (*Co. Nos. B: 163, 259, 278)	—	5
Owed by—Subsidiaries or affiliates (*Co. Nos. A: 150, 500; B: 158, 409, 525)	6	8
Owed to—Subsidiaries or affiliates (*Co. Nos. A: 129, 331, 565; B: 185)	13	1
Total	266**	742

Number of Companies With	1956
Short-term borrowing only	49
Short-term borrowing and long-term indebtedness	219
Long-term indebtedness only	228
Neither short-term borrowing nor long-term indebtedness	104
Total	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.

CONSOLIDATED FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

BALANCE SHEET

AS AT DECEMBER 31	1956	1955
ASSETS		
Cash and temporary investments	$ 3,725,012	3,844,625
Receivables, less allowance for collection losses	8,262,018	6,734,742
Inventories	10,709,420	9,383,876
Expenses applicable to future operations	570,399	509,091
Total current assets	23,266,849	20,472,334
Property, plant and equipment, at cost	18,210,006	14,951,841
Less accumulated wear and exhaustion	*5,479,004*	*4,698,003*
Other assets	893,543	616,579
Total assets	$36,891,394	31,342,751
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities	$ 6,873,646	4,587,487
Due to domestic affiliates – net	1,518,698	907,416
Loans payable after one year	632,933	230,133
Certificates of extra compensation	973,717	940,497
Minority interests in subsidiaries	—	174,903
Total liabilities	9,998,994	6,840,436
Equity of Johnson & Johnson		
Total par value of capital stocks	17,359,977	16,221,320
Balance of earnings retained in the business	9,532,423	8,280,995
	26,892,400	24,502,315
Total liabilities and equity	$36,891,394	31,342,751

STATEMENT OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31	1956	1955
INCOME		
Sales to customers	$49,479,754	44,641,789
Miscellaneous income	264,833	112,098
Total income	49,744,587	44,753,887
COSTS AND EXPENSES		
Cost of products sold	30,625,373	27,527,079
Selling, general and administrative expenses	13,062,272	11,387,723
Wear and exhaustion of property, plant and equipment	1,200,403	1,003,540
Taxes on income	1,895,321	1,848,465
Loss or *gain* due to exchange conversion	*21,797*	226,430
Miscellaneous expenses	347,540	111,576
Total costs and expenses	47,109,112	42,104,813
NET EARNINGS FOR THE YEAR	$ 2,635,475	2,649,074
Cash dividends remitted to Johnson & Johnson	$ 896,229	771,058

Italics denote deduction.

stock dividends, cash dividends payable on the preferred stock, and purchase and redemption of preferred stock in accordance with the requirements of the retirement fund provisions contained in the Certificate of Incorporation).

THE GARRETT CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Notes payable to banks—unsecured—Note A $20,200,000

Long-Term Debt:
Unsecured 4% notes (due $178,571 quarterly beginning October 1, 1956) less current maturities shown above—Note A ...... $ 4,464,287

Note A: Credit Agreements—Credit agreements with banks in connection with long-term debt and other notes payable (Regulation V loans) require the Company to maintain net current assets and net worth of stipulated amounts and provide for certain dividend restrictions. At June 30, 1956, earned surplus unrestricted by the agreements as to payment of dividends was $2,733,647.

The V-Loan Agreement requires the Company, upon demand, to secure the loans thereunder by assignment of all claims for moneys due or to become due under its defense production contracts; the Term-Loan Agreement requires the Company, upon demand, to secure the loans thereunder by mortgage of its real estate, machinery, and equipment. No such assignment or mortgage has been demanded.

HOUDAILLE INDUSTRIES, INC.
Consolidated Balance Sheet
Current Liabilities:
Current maturities of long-term debt (Note C) .... $ 1,164,500
Long-term debt (maturing after one year) (Note C) 12,954,500

Note C: Long-Term Debt consists of the following:

	Long Term	Current Portion
3% Sinking Fund Debentures, due September 1, 1960 (Sinking fund payments sufficient to redeem debentures in the principal amount of $150,000 due each March 1 and September 1):		
Portion due after one year	$ 2,400,000	
Portion due within one year (less $222,000 principal amount of debentures held in treasury)		$ 78,000
Notes Payable—Bank:		
$7,500,000 payable in quarterly installments of $312,500 each beginning June 30, 1957 to March 31, 1963 with interest at the rate of 4¼% per annum	$ 6,562,500	$ 937,500
$2,500,000 payable June 30, 1963 with interest at the rate of 4½% per annum	2,500,000	
Mortgages and other Notes payable:		
Payable in annual installments of approximately	1,492,000	149,000
Totals	$12,954,500	$1,164,500

REPUBLIC AVIATION CORPORATION
Consolidated Statement of Financial Condition
Current Liabilities:
Notes payable (Note 1) $5,432,000

Noncurrent Liabilities:
Less, note payable maturing beyond one year (Note 1) $1,080,000

Note 1: Under the terms of a bank credit agreement the company may borrow up to $15,000,000 to be evidenced by notes that mature in 90 days from date of borrowing but not later than March 31, 1957. At December 31, 1956 loans of $5,000,000 were outstanding under this agreement. In accordance with the terms of the agreement, the company has assigned, and during the life of the agreement will continue to assign, to the banks as collateral, moneys due and to become due under contracts with the United States Government, the dollar volume of which exceeds $100,000. In addition, the company must maintain net current assets of at least $10,000,000. The balance of notes payable represents a bank loan to the company of $1,512,000 of which $432,000 is due within one year.

THE SELBY SHOE COMPANY
Consolidated Statement of Financial Position
Current Liabilities:
Long-term note and mortgage payments due in one year .... $ 60,000

Noncurrent Liabilities:
Long-term note payable, less current portion, Note 2 .... $906,000

Note 2: Long-Term Debt—A long-term note payable to insurance company having an original principal amount of $1,500,000 is due in semi-annual installments of $50,000 on May 1 and November 1 of each year, commencing on November 1, 1951 and continuing until May 1, 1966. Payments on this note aggregated $544,000 to April 30, 1956.

Under the terms of the note agreement, earnings reinvested in the business at April 30, 1956 were not available for cash dividends without the prior written consent of the insurance company. The deficiency at that date of reinvested earnings available for cash dividends on common stock amounted to $474,416. Current assets are to be maintained at not less than 200% of current liabilities, the net current assets to be not less than $5,000,000.

During the years ended April 30, 1953, 1954, 1955 and 1956, dividends of $.05 per share totalling $11,359, $11,342, $11,343 and $11,343 respectively were paid with the consent of the insurance company upon the condition that an equivalent amount (to the nearest multiple of $1,000) be paid in reduction of the principal of the note. Such prepayments, aggregating $44,000, are to be applied against the final semi-annual installment due on the note.

The mortgage payable assumed during the year ended April 30, 1953 in connection with the acquisition of a subsidiary is payable in quarterly installments of $2,500.

ST. CROIX PAPER COMPANY
Comparative Consolidated Balance Sheet
Noncurrent Liabilities:
Long-term indebtedness (Note 2) $5,000,000

Note 2: Long-term Debt—During the year 1956, the Company issued term notes aggregating $5,000,000 under agreements with an insurance company and a bank to borrow a total sum of $10,000,000 on or before December 15, 1957. The notes are payable from 1958 through 1977, in semi-annual installments, at the rate of $500,000 per year.

Under provisions of the agreements, the Company is required to maintain minimum working capital and to restrict cash dividends after December 31, 1954. At December 31, 1956, earned surplus in the amount of $895,706.89 was not restricted against the payment of cash dividends.

DEFERRED INCOME

Deferred income or credit items were disclosed by 77 of the survey companies in their balance sheets for 1956. Table 27 indicates that a total of 89 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 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:

THE ATLANTIC REFINING COMPANY
Consolidated Balance Sheet
Below Long-Term Debt:
Deferred Liabilities and Credits:
From sale of Eastern Hemisphere subsidiaries:
Income, after provisions for estimated income tax, to be reported as proceeds are received $14,056,902
U. S. Federal income tax, estimated 5,297,800
$19,354,702

TABLE 27: DEFERRED INCOME

Balance Sheet Presentation	1956	1955
With Related Current Asset:		
Unearned finance charge (*Co. Nos. 368, 388, 458)	4	8
Unearned interest (*Co. Nos. 111, 192)	2	1
Unearned deposits or royalties (*Co. No. 37)	1	—
In Current Liability Section:		
Billings on uncompleted contracts (*Co. Nos. 64, 202)	2	1
Metal treatment charge (*Co. Nos. 40, 47)	2	2
Rent on lease equipment, films, rent, or meters (*Co. No. 549)	1	1
Customer service prepayment (*Co. Nos. 6, 116, 197)	4	7
Various other	—	1
"Deferred income" (*Co. No. 137)	1	1
Above Stockholders' Equity Section:		
Billings on uncompleted contracts (*Co. No. 288)	1	3
Discount on reacquired securities (*Co. No. 288)	1	1
Government contract income (*Co. No. 350)	1	1
Magazine subscription income (*Co. Nos. 356, 371, 373)	5	5
Premium on debentures issued (*Co. Nos. 254, 351)	2	1
Profit on foreign sales (*Co. No. 449)	1	—
Profit on sales or installment contracts (*Co. Nos. 71, 140, 196)	7	6
Profit on fixed assets sold (*Co. Nos. 433, 552, 563)	4	4
Rent on leased equipment, films, rent, or meters (*Co. Nos. 227, 351, 447, 498, 527)	8	7
Deferred or unearned deposits or royalties (*Co. Nos. 172, 199, 207)	4	3
Unearned finance charges (*Co. No. 592)	1	3
Unearned interest (*Co. Nos. 195, 563, 592)	3	3
Unfinished voyage revenue (*Co. No. 561)	1	1
Various other (*Co. Nos. 122, 316, 423)	6	3
"Deferred credits" (*Co. Nos. 21, 61, 154, 328, 385)	18	20
"Deferred income" (*Co. Nos. 254, 256, 278, 373, 424)	9	12
Total	89	95

Number of Companies Presenting Deferred Income Items in:	1956	1955
Current asset section	6	8
Current asset section and *above* stockholders' equity section	1	1
Current liability section	9	12
Above stockholders' equity section	61	63
Total	77	84
Not presenting deferred income item	523	516
	600	600

*Refer to Company Appendix Section.

CANADA DRY GINGER ALE, INCORPORATED
Consolidated Balance Sheet
Below Other Liabilities:
Deferred Income:
Earnings of Bermuda subsidiary subject to exchange restrictions $297,788

CORN PRODUCTS REFINING COMPANY
Consolidated Balance Sheet
Below Long-Term Debt:
Deferred Credits to Income:
This amount represents royalties and other items due from foreign subsidiary affiliated and other companies at approximate transfer rates at December 31, 1956, which has been excluded from income pending release by exchange authorities $636,888

EX-CELL-O CORPORATION
Consolidated Balance Sheet
Above Stockholders' Equity:
Deferred rental income—leased machines .. $2,611,266

FELT AND TARRANT MANUFACTURING COMPANY
Consolidated Balance Sheet
Current Liabilities:
Deferred income, in 1956, principally on maintenance contracts $183,741

LOEW'S INCORPORATED
Consolidated Balance Sheet
Above Funded Debt:
Securities from tenants, film rentals and other deferred credits $2,824,184

PACIFIC AMERICAN FISHERIES, INC.
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Deferred income $24,033

MINORITY INTERESTS

Table 28 discloses the balance sheet and income statement presentation of the minority stockholders' interest in subsidiaries not wholly owned, as shown in the 1956 survey reports. Only 96 of the 476 survey companies presenting consolidated financial statements disclosed the existence of minority interests in the consolidated subsidiary companies.

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 1956 annual reports of various companies. For additional examples relating to minority interests refer to those shown under "Consolidation of Subsidiaries" elsewhere in this section.

TABLE 28: MINORITY INTERESTS

Balance Sheet Presentation	1956	1955	1954
Above—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 167, 295, 400, 452)	74	59	60
Minority stockholders' interest in capital stock and surplus (*Co. Nos. 13, 83, 85, 365, 459)	9	11	15
Minority stockholders' interest in capital stock (*Co. Nos. 27, 256, 362, 486, 522)	5	5	5
Within—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Co. Nos. 69, 180, 502, 518)	4	3	3
Total	92	78	83

Income Statement Presentation:			
In separate last section:			
After current tax estimate (*Co. Nos. 149, 248, 394, 453, 467)	31	31	34
Before current tax estimate (*Co. Nos. 145, 176, 313, 502, 525)	6	2	2
With current tax estimate	—	1	1
Current tax estimate not required	—	—	1
Listed among operating items (*Co. Nos. 158, 279, 370, 480, 593)	26	20	24
Within Earned Surplus Section of Combined Income and Earned Surplus Statements (*Co. Nos. 94, 173)	2	2	1
Total	65	56	63

Consolidated Financial Statements with Minority Interest set forth in:			
Balance sheet only	29	26	23
Balance sheet and income statement	63	52	60
Income statement only	2	4	3
Accompanying footnotes only	2	1	1
Total	96	83	87
Not referred to in report	380	376	363
	476	459	450

Unconsolidated Financial Statements with:			
Subsidiary companies	34	42	47
No subsidiary companies	90	99	103
	600	600	600

*Refer to Company Appendix Section.

Above Stockholders' Equity Section

ALLEGHENY LUDLUM STEEL CORPORATION
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Minority interest in common stock and surplus of a subsidiary	$1,161,093

Statement of Consolidated Earnings and Earned Surplus
Under Costs:

Minority stockholders' share in earnings of a subsidiary	$244,269

THE ANACONDA COMPANY
Consolidated Balance Sheet
Above Capital Stock:

Minority interest in capital stock and surplus of consolidated subsidiaries	$1,858,581

Statement of Consolidated Income
Separate last section:

Minority share of income	$ 213,617

THE BILLINGS & SPENCER COMPANY
Condensed Consolidated Balance Sheet
After Other Liabilities:

Minoritiy interest, The Peck, Stow and Wilcox Company (Note 2)	$ 56,269

Condensed Statement of Consolidated Income and Earned Surplus

Net Income transferred to Earned Surplus		$ 476,750
Consolidated Earned Surplus:		
Balance, prior to elimination of minority interest, as of September 30, 1955		2,187,850
Total		$2,664,600
Less:		
Eliminations from Earned Surplus:		
Portion applicable to minority interest, The Peck, Stow and Wilcox Company (Note 2)	$ 25,518	
Excess of Parent's cost over stated capital stock and capital surplus valuation of subsidiary, The Peck, Stow and Wilcox Company	9,329	
		$ 34,847
Consolidated Earned Surplus, September 30, 1956		$2,629,753

Note 2: The Billings & Spencer Company owned 97,849 shares of the capital stock of the Peck, Stow and Wilcox Company, representing 97.849% of the total of 100,000 shares of common stock issued and outstanding, par value $10 per share, at September 30, 1956.

CLIMAX MOLYBDENUM COMPANY
Statement of Financial Position
After Deferred Federal Income Taxes:

Minority interest in Climax Uranium Company, including notes payable of $217,240	$509,819

Earnings Statement

Portion of earnings applicable to minority interest	$127,172

THE OHIO MATCH COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Minority stockholders' interest in subsidiary companies (Note 4)	$3,946,834

Statement of Consolidated Income and Earned Surplus

Minority interest in subsidiary companies	$294,245

Note 4: Minority Stockholders' Interest in Subsidiary Companies—The minority interest includes (a) $2,000,000 representing 40,000 shares at $50 par value of series A 4½% cumulative preferred stock

of United Can & Glass Company (a subsidiary of Hunt Foods, Inc.) which may be redeemed at $50.75 per share, plus accrued dividends; and (b) $399,960 representing 39,996 shares at $10 par value of cumulative preference stock 5% of Hunt Foods, Inc., which may be redeemed at 102½% of par value, plus accrued dividends.

TIME INCORPORATED
Consolidated Balance Sheet
Above Capital:
Minority interests in subsidiaries—Note K .. $ 225,596

Consolidated Statement of Income
Other deductions—Note C $1,319,595

Note C: Other Deductions include interest expense on long-term indebtedness of approximately $1,076,000 for 1956 and $304,000 for 1955. Also reflected in Other Deductions for 1956 are the minority interests in net income of subsidiaries amounting to approximately $59,000 and a net loss of about $3,000 from the sales of investments other than Houston Oil Company of Texas, the gain on which is shown under Special Item.

Note K: Included in Minority Interests in Subsidiaries is an amount ($157,143) equivalent to the book value (as defined) of outstanding preferred stock of East Texas Pulp and Paper Company. East Texas is authorized to issue 55,000 shares of non-voting non-cumulative participating preferred stock of which 37,660 shares were sold in 1955 to certain key employees for a total of $57,996. Each employee has given East Texas an option to purchase his shares at book value before making any voluntary transfer of such shares, or in the event of death, incapacity, etc. However, during the first five years after purchase, the option price to East Texas will not exceed the purchase price to the employee plus interest at five per cent per year, except under certain specified conditions. The preferred stock may be redeemed in whole or in part at the election of East Texas at any time at the greater of par value ($1.00 per share) or an amount equal to book value per share.

WILSON & CO., INC.
Consolidated Balance Sheets
Above Capital Stock and Retained Earnings:
Minority stockholders' equity in subsidiaries consolidated $978,564

Consolidated Statement of Income and Retained Earnings
Minority interest in net income of consolidated subsidiaries .... $ 51,763

Within Stockholders' Equity Section

THE ATLANTIC REFINING COMPANY
Consolidated Balance Sheet
Stockholders' Equity:
Minority stockholders of Venezuelan Atlantic Transmission Corporation .... $ 177,876

Consolidated Income Statement

Net income for the period (including minority interests)	$47,209,884
Income applicable to minority interests	52,824
Net income for the period applicable to the Atlantic Refining Company Stockholders .	$47,157,060

CROWN ZELLERBACH CORPORATION
Balance Sheet
Stockholders' Equity:
Minority stockholders of Canadian subsidiaries $5,029,000

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 tax purposes, in connection with employee benefits, and for property purposes.

In *Accounting Terminology Bulletin Number 1, Review and Resumé,* prepared by the committee on terminology of the American Institute of Certified Public 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 1956 annual reports.

Contingency Reserves

The 1956 annual reports of the survey companies contained 65 reserves for contingencies. As disclosed in Table 29, such reserves were usually shown either above the stockholders' equity section (40 reserves in 1956), or within the stockholders' equity section of the balance sheet (25 reserves in 1956). Only one reserve was shown among current liabilities. Extensive references are given at the foot of Table 29 illustrating the above presentations.

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 changes in the reserves during 1956, the annual reports, in most cases, did not disclose the accounts to which the related entries were made. *Cory Corporation* in creating a reserve for contingencies on consolidation with a new subsidiary showed a charge to the retained earnings account. *Paramount Pictures Corporation* in decreasing the reserve disclosed in the footnote that the offsetting credit was made to capital surplus. The majority of the companies which eliminated the reserve for contingencies during 1956 disclosed the elimination by a credit to the retained earnings account.

TABLE 29: CONTINGENCY RESERVES

Balance Sheet Presentation:*	1956	1955	1954	1953
A: Among: *Current Liabilities*	—	1	2	2
B: Among: Current Liabilities and Above: *Stockholders' Equity*	1	—	—	—
C: Above: *Stockholders' Equity*	39	42	44	54
D: Within: *Stockholders' Equity*	25	29	35	41
	65	72	81	97
Number of Companies With:				
Contingency reserves	65	72	81	97
No contingency reserves	535	528	519	503
	600	600	600	600
Terminology Used				
"Reserve"	49	54	60	73
"Provision"	—	1	1	1
Various other terms	16	17	20	23
	65	72	81	97

*Refer to Company Appendix Section—B: No. 174; C: Nos. 12, 23, 65, 90, 163, 271, 351, 373, 424, 425, 432, 444, 457, 484, 497, 540, 549, 569, 589; D: Nos. 78, 127, 190, 197, 216, 239, 287, 338, 404, 512, 525, 546, 565, 577.

Examples of contingency reserves as presented in the 1956 annual reports are provided below:

Reserve Created

CORY CORPORATION
Statement of Consolidated Financial Position
Current Liabilities:

Reserve for contingencies (See Note 2)	$ 679,972
Above Stockholders' Equity:	
Reserve for contingencies (See Note 2)	$ 500,000
Statement of Consolidated Earned Surplus	
Balance, December 31, 1955	$3,416,446
Net income for the eight months	1,012,734
Less—Provision by subsidiaries for contingencies (applicable to periods prior to acquisition by Cory Corporation—see Note 2)	(200,000)
Balance, August 31, 1956 (see Note 1)	$4,229,180

Note 2: Reserve for Contingencies—Mitchell Manufacturing Company and its subsidiary, Pearce Products Corporation, are contingently liable for warranties, taxes, etc., applicable to periods prior to acquisition by Cory Corporation. The reserve of $1,179,972 for contingencies is considered adequate to cover such liabilities, net of related income tax reductions. Of the total reserve, $679,972 has been classified as a current liability and the balance of $500,000 as noncurrent.

Reserves Maintained

THE AMERICAN DISTILLING COMPANY
Balance Sheet
Above Stockholders' Equity:

Reserves:	
For contingencies—note 5	$114,730
For fire loss expenditures	15,600
	$130,330

Note 5: Reserve for Contingencies—a. General Counsel for the Company advised us that in his opinion the balance in the Reserve at September 30, 1956, is adequate to cover all contingent liabilities, guarantees and claims, and that, while it is impossible to determine the ultimate liability of the Company with respect to contingencies, it is his opinion that the aggregate amount of any such liability will not be materially important in relation to the total resources of the Company.

b. Counsel further reports that for the protection of a Company investment, the Company has agreed, if required so to do on or after January 29, 1952 by a lending institution, to take over a certain loan in the amount of $120,000.00 and the collateral securing the same.

c. The Company has been named defendant in a suit alleging violations of various Federal trade laws which suit also names many other members of the domestic distillery industry and claims damages against the various members of the industry in indeterminable amounts. It is the opinion of counsel for the Company that its ultimate liability, if any, resulting from this suit will not materially affect its financial position.

AMERICAN HAIR & FELT COMPANY
Consolidated Statement of Financial Position
Net Assets:

Total working capital and other assets	$6,963,720
Deduct—Reserve for contingencies (Appropriated in prior years from accumulated earnings, and unallocated as to purpose)	1,000,000
Net assets	$5,963,720

BENDIX AVIATION CORPORATION
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Reserves:	
For contingencies (see Note 7)	$3,250,000

Note 7: Contingent Liabilities—At September 30, 1956 the Corporation was contingently liable in the amount of approximately $818,000 as guarantor of notes of its television dealers and other retail outlets.

There are various suits pending against the Corporation, some of which are for substantial amounts. During the year ended September 30, 1956 the District Court of the District of Columbia rendered a decision in one suit allowing claims for damages in the amount of approximately $1,400,000. The Corporation has appealed the Court's decision. It is the opinion of officials of the Corporation, on the basis of information furnished by counsel, that reserves carried are adequate to take care of all such known liabilities.

UNITED STATES SMELTING REFINING AND MINING COMPANY
Consolidated Balance Sheet
Below Current Liabilities:

Reserves for contingencies:	
For insurance—see Contra	$ 604,292
For metal price fluctuation (Note 4)	2,684,552
For development (Note 2)	4,210,373
For employers' liability insurance and for other purposes	1,495,457
Total reserves for contingencies (Note 5)	$8,994,674

Consolidated Statement of Profit and Loss and Earned Surplus
Earned Surplus:

Reversal of provisions for depreciation of Utah Railway Company's freight cars and certain other equipment for years prior to 1956, as ordered by Interstate Commerce Commission (see page 6)	$ 276,000

Provision for Special Reserve for Contingencies (see page 6)	(276,000)

Note 5: The increase in Reserves for Contingencies is accounted for as follows:

Balance as at December 31, 1955	$8,482,689
Add: Quotational gain for 1956 (see Note 4)	230,305
Provision for Special Reserve for Contingencies (see page 6)	276,000
Miscellaneous credits to reserves (net)	5,680
Balance as at December 31, 1956, as per Consolidated Balance Sheet (see pages 16 and 17)	$8,994,674

To the Stockholders: (Page 6)—After study of the useful life of the Utah Railway Company's freight cars and certain other equipment, the Interstate Commerce Commission ordered reduction of $276,000 in the depreciation reserves previously provided, which amount was transferred to its Earned Surplus (see page 15). Your Directors for purposes of consolidated accounts authorized that amount be set aside to the Special Reserve for Contingencies, rather than retaining it in consolidated Earned Surplus.

UNITED STATES STEEL CORPORATION
Consolidated Statement of Financial Position
Above "Ownership evidenced by":

Total assets less current liabilities	$3,114,058,546
Deduct:	
Long-term debt (details on page 38)	245,023,677
Reserves for insurance, contingencies and accident and hospital expenses (details on page 37)	105,062,063
Excess of assets over liabilities and reserves	$2,763,972,806

Notes to Financial Statements: Reserves for Insurance, Contingencies and Accident and Hospital Expenses— . . . The reserves for contingencies . . . provided mainly in previous years by charges to operations, are held for exceptional unanticipated losses other than those covered by the insurance reserve.

Page 37:

Reserves	Balance Dec. 31, 1955	Addition	Balance Dec. 31, 1956
Contingencies	$44,252,858	$1,354,979	$45,607,837

Reserve Eliminated

THE ELECTRIC STORAGE BATTERY COMPANY
Consolidated Balance Sheet

Above Stockholders' Equity:	1956	1955
Reserves:		
For contingencies	——	$2,834,083

Consolidated Statement of Income and Earned Surplus

Net income	$ 3,557,771
Earned surplus, January 1	33,379,819
Transfer from reserve for contingencies	2,834,083
	$39,771,673

Employee Benefit Reserves

There were 104 employee benefit reserves shown by 89 of the 600 survey companies in their 1956 annual reports. Table 30 discloses the various types of employee benefit reserves found in the survey reports for the years 1953 through 1956. In most instances, these reserves were presented above the stockholders' equity section of the balance sheet (94 reserves in 1956); 8 reserves were classified as current liabilities, and 2 reserves were presented within the stockholders' equity in 1956.

TABLE 30: EMPLOYEE BENEFIT RESERVES

Balance Sheet Presentation:	1956	1955	1954	1953
Among: *Current Liabilities* for—				
Incentive compensation plan	—	2	1	2
Profit sharing plan	1	1	1	1
Welfare or benefit plan	2	1	—	1
Pension plan not funded	2	1	1	1
Pension plan — past and current service costs	2	1	1	1
Pension plan — current service costs	1	—	—	—
Above: *Stockholders' Equity* for—				
Bonus plan	7	7	6	5
Deferred or contingent compensation plan	20	12	15	12
Incentive compensation plan	8	8	4	3
Profit sharing plan	2	2	3	3
Retired employee benefits	8	2	1	2
Welfare or benefit plans	7	8	8	8
Employment contract	1	1	1	1
Severance pay	1	—	—	—
Pension or Retirement Plan:				
Annuity costs	4	6	8	8
Pension plan costs	28	33	29	29
Past service costs	4	5	6	9
Past and current service cost	3	3	4	4
Current service cost	—	—	1	1
Future service cost	—	—	1	1
Former plan liability	1	—	1	1
Within: *Stockholders' Equity* for—				
Employment contract	1	1	1	1
Retired employee benefits	1	—	—	—
	104	94	93	94
Number of Companies With:				
Employee benefit reserves	89	82	83	83
No employee benefit reserves	511	518	517	517
	600	600	600	600
Terminology Used				
"Reserve"	60	56	61	68
"Provision"	16	14	14	13
Various other terms	28	24	18	13
	104	94	93	94

*Refer to Company Appendix Section: Nos. 3, 12, 13, 24, 27, 39, 40, 43, 47, 49, 65, 68, 70, 92, 93, 150, 152, 154, 164, 175, 181, 209, 234, 236, 256, 273, 280, 284, 290, 291, 307, 310, 321, 326, 332, 335, 346, 353, 354, 372, 373, 375, 377, 385, 387, 396, 403, 406, 420, 421, 431, 432, 434, 440, 449, 450, 456, 463, 469, 474, 489, 497, 506, 508, 520, 526, 532, 539, 565, 567, 581, 591, 595, 597.

Detailed information regarding increases or decreases in these reserves was generally given in the notes to financial statements or in the president's letter, but in eight reports the related charges were found in the income statement (*Co. Nos. 24, 27, 192, 209, 256, 326, 387, 497, 591). An extensive list of references to those survey companies which indicated reserves for employee benefits in their 1956 reports is provided at

*Refer to Company Appendix Section.

the foot of Table 30. Table 5, Section 3—"Pension and Retirement Plans" provides related information and examples of income statement presentation.

The examples which follow illustrate the various types of Employee Benefit Reserves and their disclosure in the financial statements:

Pensions and Annuities

THE AMERICAN SUGAR REFINING COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Pension fund reserve	$9,883,668
Noncurrent Assets:	
Pension Fund:	
Cash	$ 526,367
U. S. Government, state and municipal securities	8,724,651
Company's own preferred stock, 5,000 shares at cost	632,650
	$9,883,668

Notes to Financial Statements: Pensions—The net effect of pension plan costs upon earnings, after applicable income taxes, was $1,155,195 in 1956, $1,188,309 in 1955 and $746,050 in 1954, including in both 1956 and 1955 an additional provision of $410,000, after applicable income taxes, toward the past service cost of the pension plan as amended effective October 1, 1955.

Additional provisions from future years' earnings, totaling approximately $4,000,000 after applicable income taxes, will be required to meet the total past service cost of the pension plan. While it is intended that the pension fund will be used in accomplishing the trust deposit of the full past service cost 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.

To the Stockholders: Pensions—Provisions for pension costs charged to 1956 earnings amounted to $1,155,195 after reflecting the applicable reduction in taxes. Of this amount $745,195 represents the provision for current service cost, and $410,000 is an additional provision toward past service which has been added to the pension fund and reserve on the Company's books. The pension fund and reserve are maintained as a provision toward that portion of the past service cost of the plan which has not been deposited in the pension trust fund. The total provision for pension costs of $1,155,195 from 1956 earnings compares with provision of $1,188,309, after applicable taxes, in 1955.

Interest and dividends on securities held in the Company's pension fund amounted to $173,586 after federal income taxes, and were added directly to the fund and reserve. After giving effect to the past service deposit to the pension trust fund and to the additional appropriation from 1956 earnings, the pension reserve on the books of the Company aggregated $9,883,668 at December 31, 1956, as compared with $10,656,415 at December 31, 1955.

During 1956, deposits to cover a full year's current service cost and the second 10 per cent of the past service cost of the plan were made to the tax-exempt pension trust fund established with The First National City Bank of New York. The amount held irrevocably in the trust fund for retirement benefits of our employees, and which is not an asset of the Company, approximated $8,325,000 on December 31, 1956. Payments aggregating $709,293 were made from the trust fund to our pensioners during 1956.

BIGELOW-SANFORD CARPET COMPANY, INC.
Consolidated Balance Sheet
Below Current Liabilities:

Reserve for pension future benefits, exclusive of amounts payable within one year shown in current liabilities (Note 3)	$800,000

Note 3: The annual cost for current service under the Company's Group Annuity Retirement Plan is approximately $130,000. At December 31, 1956, the balance of past service obligations under this plan amounted to approximately $860,000 which will be charged to income as payments are made.

Under the five year pension agreements entered into by the Company, with plant unions for the period to December 31, 1960, annual costs of $100,000 (less estimated future tax benefit) are being charged to income currently.

SMITH-CORONA INC.
Consolidated Balance Sheet
Above Stockholders' Equity:

Reserve for employee retirement pensions (Note 4)	$240,984

Note 4: Operations for the year ended June 30, 1956 were charged $432,754 for contributions of the parent company and its domestic subsidiaries to the trusteed employee retirement plan adopted as of May 1, 1948. Those contributions were applicable to the cost of future and past service benefits. In addition to amounts provided for, a lump sum contribution of approximately $2,645,000 on June 30, 1956 would have fully funded the cost of past service benefits on that date. No provision for such lump sum contribution has been made in the attached financial statements because all company contributions are voluntary, although irrevocable after payment. However, it is the Company's intention to fully fund past service by installment payments over a period of years.

Certain employees could not qualify for the trusteed retirement plan because they were over 65 on May 1, 1948. Computations indicate the balance of $240,984 in the reserve for employee retirement pensions is sufficient to cover the remaining estimated net cost after Federal income taxes of pensions payable after June 30, 1956 to those retired employees from general company funds.

UNITED SHOE MACHINERY CORPORATION
Balance Sheet
Below Current Liabilities:

	Feb. 29, 1956	Comparison with preceding year Increase Decrease*
Provision for Pensions	$5,293,000	$1,160,000
For future payments to now retired employees. Increased during year by $1,160,000 transferred from Surplus Appropriated for Contingencies.		
Capital:		
Surplus Appropriated for Contingencies	$2,345,483	$1,160,000*

Incentive Compensation

ACME STEEL COMPANY
Statement of Consolidated Financial Condition
Above Shareholders' Equity:

Reserves:	
For incentive compensation—Note C	$222,195

Note C: Incentive Compensation Plan—Annual provisions under the Company's Incentive Compensation Plan for its officers and key personnel are based upon earnings and may be distributed currently, allocated conditionally for distribution in future years, or remain in the reserve and be allocated in future years. The amounts distributed or allocated may be in cash or Common Stock purchased for this purpose.

The 13,515 shares of Common Stock held in treasury at December 31, 1956, included 13,092 shares allocated under the Plan and 423 shares held for future allocation. The cost ($429,995) of the 13,092 shares was deducted from the amount of the reserve for incentive compensation in the statement of financial condition. The balance of the reserve ($222,195) is available for future allocation.

RADIO CORPORATION OF AMERICA
Consolidated Financial Position
Above Stockholders' Equity:

Incentive Plan (Note 2):	
Awards payable	$5,859,753
Incentive reserve—unawarded balance	1,285,948

Note 2: RCA Incentive Plan—The RCA Incentive Plan, which was approved by the stockholders in 1954, provides that the maximum credit which can be made to the Incentive Reserve in any year cannot exceed the lesser of (a) 15% of Incentive Plan Net Earnings after deducting 5% of Capital Employed, or (b) 25% of all dividends paid by the Corporation in such year. The following summary shows for the year 1956 the maximum credit determined by the Independent Public Accountants as required by the Plan and also shows changes in the Incentive Reserve:

Determination of Amount of Credit to Incentive Reserve for 1956:

Net Profit for Year		$40,031,245
Add: Provision for incentive awards (included in "Wages and Salaries")		3,000,000
Interest on long term debt		8,328,153
Incentive Plan Net Earnings		51,359,398
Less: 5% of Capital Employed		(25,375,124)
Capital employed at December 31, 1955		
Stockholders' Equity	$257,681,816	
Long Term Debt	249,999,700	
Less Common Stock held in Treasury, 89,540 shares	(179,080)	
	507,502,436	
Proportionate allowance for increase in Capital Employed upon conversion of Debentures during the year	45	
Total Capital Employed	$507,502,481	
Incentive Plan Base		25,984,274
Maximum Credit to Incentive Reserve (based on earnings): 15% of Incentive Plan Base		3,897,641
Maximum Credit to Incentive Reserve (based on dividends): 25% of all dividends paid in year ($24,014,276)		6,003,569

Changes in Incentive Reserve during 1956:

Credit to Incentive Reserve—The amount which the Incentive Committee directed to be credited to the reserve	3,000,000
Incentive Reserve Balance at December 31, 1955	2,284,448
	5,284,448
Less: Awards for the year 1956 determined by the Incentive Committee	(3,998,500)
Incentive Reserve Balance at December 31, 1956	$ 1,285,948

The Consolidated Balance Sheet at December 31, 1956 includes in Accounts Payable and Accruals the portions of incentive awards which are payable in cash within one year. The remainder of the incentive awards, payable in cash and RCA Common Stock, is included in Awards Payable. Payment of any deferred installment is contingent under the earning out provisions of the Plan.

Bonus, Deferred Compensation, and Profit Sharing

THE AMERICAN METAL COMPANY, LIMITED
Consolidated Balance Sheet
Above Stockholders' Equity:

Reserves (page 37) $4,224,449

Consolidated Statement of Income

Costs and Expenses:

Supplemental pension and profit sharing plan (page 39) .... $ 458,855

Notes to Financial Statements: Reserves—

Workmen's compensation self-insurance	$ 509,016
Pension plans for United States hourly paid employees (Page 38)	3,091,632
Supplemental pension and profit sharing plan for United States salaried employees (Page 39)	250,000
Other	373,801
	$4,224,449

Notes to Financial Statements: Pension Plans for United States Hourly Paid Employees—Under the union agreements of those of the Company's domestic operating subsidiaries which have contracts to make pension payments the only pension liabilities are those relating to payments to be made to hourly-rated employees who retire during the periods of such agreements. No deductions for income tax purposes may be taken until such payments are made. The Company has been providing for its liability under these plans as though they were to be continued beyond the expiration dates of the current agreements with the unions. It is estimated that an annual provision of $371,000 through 1961 and thereafter an annual provision of $53,000 through 1966, plus interest compounded at 2½ per cent per annum on the reserve, would amortize the Company's liability for past service. On such basis, after giving effect to income taxes at the rate of 44 per cent and application of a proportionate part of the reserve provided in prior years, the provision was $98,895 in 1956 and $98,692 in 1955. Provision for the current service obligation after giving effect to income taxes at 44 per cent was $304,696 in 1956 and $264,910 in 1955.

Notes to Financial Statements: Supplemental Pension and Profit Sharing Plan for United States Salaried Employees—During 1952, a supplemental pension and profit sharing plan for salaried employees was adopted. The plan as amended in 1955 requires that there be set aside 1½ per cent of the Company's consolidated net income before provision for United States federal taxes on income, provided that after deduction of such amount and after provision for United States federal taxes on income, the consolidated net income shall be not less than the aggregate of preferred dividend requirements and $.588 per share of common stock. The sum so determined shall be applied annually:

(a) To make supplemental pension payments with respect to service prior to 1947 to employees who are retired under the contributory plan adopted in 1937. The payments under this provision during 1956 were $46,351 and during 1955 were $54,118. It is estimated that such payments will increase annually for the next five years to a maximum of $57,000 and thereafter decrease slowly.

During 1951, a reserve of $250,000 was created to guarantee payments under this provision.

(b) The balance of the sum so determined is to be contributed to a trust fund to provide supplemental benefits on retirement for employees who are members of the Company's contributory plan. The contributions under this section may not exceed 15 per cent of the participants' total compensation during the life of the supplemental plan. The allotments to individual employees are fully vested after five years of continuous participation in the contributory plan or upon death, disability or normal retirement. The sum to be contributed to the trust fund with respect to 1956 is $412,504; the contribution with respect to 1955 was $345,295.

AMERICAN SMELTING AND REFINING COMPANY
Balance Sheet
Noncurrent Assets:

Miscellaneous Assets:

Common stock of the Company (8,350 shares) acquired for distribution under Additional Compensation Plan (Note 3) .... $ 401,582

Above Capital Stock and Surplus:

Reserves:

Operating	$2,229,230
Additional Compensation (Note 3)	3,140,252
Total reserves	$5,369,482

Note 3: Additional Compensation—Under the provisions of the Additional Compensation Plan, the Board of Directors on February 26, 1957 appropriated $1,797,559 from 1956 income for the Additional Compensation Reserve. In 1956 $1,223,062 was paid to eligible employees other than officers, and charged to the Reserve. Allotments to officers are made after the end of the year. For 1955, $113,448 was so allotted in cash and common stock.

GENERAL MOTORS CORPORATION
Consolidated Balance Sheet
Above Capital and Surplus:

Reserves:

Employees benefit plans	$27,258,998
Employees bonus (balance carried forward)	19,801,413

Statement of Consolidated Income

Less: (Costs and expenses)

Provision for:

Employees bonus $85,905,078

To the Shareholders: Bonus Plan—The GM bonus plan was established in 1918 with the approval of the shareholders. It has been modified from time to time to meet changing conditions. Its purpose is to provide incentive and reward for eligible employees who contribute to the success of the business through making them participants in that success.

Under the provisions of the plan the Corporation maintains a bonus reserve, to which shall be credited for each year an amount which the independent public accountants determine and report to be 12% of net earnings after deducting 5% on net capital, except that for any year the Bonus and Salary Committee may in its discretion direct that a lesser amount be credited to the bonus reserve. The independent public accountants of the Corporation determined that the maximum credit to the bonus reserve for 1956 was $85,905,078. In the exercise of its discretion, the Bonus and Salary Committee determined that this amount should be credited to the bonus reserve. The credit to the bonus reserve, together with an unawarded balance in the reserve of $19,791,700, brought the total amount in the bonus reserve to $105,696,778. The determination of the amount of credit to the bonus reserve and the amount available in the bonus reserve are shown on page 49.

For the year 1956 the Bonus and Salary Committee determined that the minimum salary rate for bonus eligibility for employes in the United States should be $640 a month. For 1956 the Bonus and Salary Committee has granted a total of 14,205 bonus awards including a few special awards made to employes receiving less than the eligible salary rate. The awards for 1956 aggregated $85,895,365 and comprised 1,026,917 shares of GM common stock and $39,119,295 in cash. The balance in the bonus reserve, amounting to $19,801,413, was carried forward and will be available in a future year or years.

The By-laws of the Corporation provide that the bonus plan be presented to the shareholders by the directors for action at least once every five years. In accordance with this requirement the plan, with such amendments thereto as may be proposed, will be submitted to the shareholders at the annual meeting to be held on May 24, 1957.

W. T. GRANT COMPANY
Statement of Financial Position
Noncurrent Assets:
Common Stock of W. T. Grant Company—at cost held for deferred contingent Compensation Plan—Note C $158,226

Above Capital and Retained Earnings:
Reserves:
For deferred contingent compensation—Note C $195,815

Note C: The amount shown for the reserve for deferred contingent compensation at January 31, 1956 represents (a) to the extent that allotments are contingently distributable in Common Stock of the Company, the cost to the Company of 5,900 shares of its Common Stock held for this purpose, plus (b) provision for 819 additional shares at the January 31, 1956 market price, plus (c) the total of all participants' contingent cash allotments, which for each currently employed participant, is less than the year end market price of one full share. For the fiscal year 1955, the amount charged to earnings for this purpose was $55,154.

Severance and Retirement Benefits

SOCONY-MOBIL OIL COMPANY, INC.
Consolidated Balance Sheet
Above Shareholders' Equity:
Reserve for retirement and separation benefits $41,579,513

To Our Shareholders: Employee Benefit Plans— . . . There are in effect abroad various Company-administered non-funded non-contributory plans, as well as a few insured plans, providing benefits for employees not eligible to participate in the Company's domestic plans. Provision has been made (included in the reserve for retirement and separation benefits) for all estimated costs under these plans to December 31, 1956.

Foreign Activity Reserves

Table 31 sets forth the various types of foreign activity reserves presented in the 1956 annual survey reports. Twenty-seven companies disclosed 30 reserves in their balance sheets. In most instances they were placed above the stockholders' equity section of the balance sheet (21 reserves in 1956).

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. 263, 271, 309, 353, 567) or in the statement of retained earnings (*Co. Nos. 263, 563).

*Refer to Company Appendix Section.

Examples—Foreign Activity Reserves

Examples illustrating the various types of foreign activity reserves presented in the 1956 reports are as follows:

CALIFORNIA PACKING CORPORATION
Consolidated Statement of Financial Position
Capital and Retained Earnings:
Earnings retained for use in the business:
Appropriated for contingencies in respect of assets and obligations in foreign country (Note A) $5,000,000

Note A: Subsidiaries Consolidated—The consolidated financial statements include the accounts of (a) wholly owned domestic subsidiary, (b) wholly owned foreign subsidiary operating in the Philippine Islands and (c) Alaska Packers Association (92.6% owned). At February 29, 1956, net current and working assets of the foreign subsidiary amounted to $2,623,561 stated on the basis of year-end exchange rate and its net assets amounted to $5,410,339. In recognition of unsettled political and economic conditions in the world, appropriations were made in prior years for contingencies in respect of assets and obligations in foreign countries; the total of such appropriations at February 29, 1956 was $5,000,000.

THE GILLETTE COMPANY
Consolidated Balance Sheet
Stockholders' Equity:
Earnings Retained in the Business:
United States earned surplus:
Appropriated to provide against possible losses in foreign investments .... $ 2,500,000

TABLE 31: FOREIGN ACTIVITY RESERVES

Balance Sheet Presentation	*1956	1955	1954	1953
With: *Related Assets* for:				
Foreign losses	2	1	1	1
Above *Stockholders' Equity for*—				
Foreign exchange	8	8	8	9
Foreign investments	4	4	4	4
Foreign losses	2	2	2	3
Foreign operations	3	3	3	3
Unremitted foreign profits	3	4	2	3
Workmen's compensation — statutory requirement	1	3	3	4
Within: *Stockholders' Equity for*—				
Foreign investment	1	1	1	1
Foreign losses	1	1	1	1
Unremitted foreign profits	1	—	2	2
Foreign statutory requirement	4	5	6	7
Total	30	32	33	38
Number of Companies With:				
Foreign activity reserves	27	28	23	33
No foreign activity reserves	573	572	577	567
	600	600	600	600
Terminology Used:				
"Reserve"	26	25	26	28
Various other terms	4	7	7	10
	30	32	33	38

*Refer to Company Appendix Section:—Nos. 36, 119, 150, 235, 256, 263, 270, 271, 309, 331, 360, 383, 427, 449.

Unappropriated	57,217,878
Total United States earned surplus	$59,717,878
Earnings retained in foreign businesses of subsidiary companies	3,273,766
	$62,991,644

Earnings Retained in Foreign Businesses of Subsidiary Companies

Amount at December 31, 1955	$ 4,110,998
Deduct excess of foreign earnings realized in U. S. dollars over current year's foreign income	837,232
Amount at December 31, 1956	$ 3,273,766

Consolidated Statement of Income and U. S. Earned Surplus

Special credit (within Income Statement):

Excess of foreign earnings realized in U. S. dollars over current year's foreign income $ 837,232

THE GOODYEAR TIRE & RUBBER COMPANY

Consolidated Balance Sheet

Above Capital Stock & Surplus:

Reserves:

For foreign investments $14,457,169

Consolidated Income Statement

Special Items:

Loss arising from devaluation of assets in foreign countries	$ 1,556,000
Deduct: Application of reserve for foreign investments previously appropriated	1,556,000

To the Shareholders: Profits of foreign subsidiaries included in consolidated net income for 1956 amounted to $17,503,087. To adjust foreign current assets to prevailing rates of exchange, a charge for devaluation of $1,556,000 was made to the Reserve for Foreign Investments provided from income in prior years.

The Company's book equity in fixed and current assets in subsidiaries operated outside the United States, consolidated in the attached balance sheet, amounted to $153,917,978, in respect of which a reserve of $14,457,169 is carried.

GULF OIL CORPORATION

Consolidated Statement of Financial Position

Noncurrent Assets:

Investments and Long-Term Receivables:

Subsidiary companies with foreign operations at cost, less allowance for possible losses	$31,513,574
Associated and other companies (50% or less owned), principally foreign, at cost, less allowance for possible losses	39,517,899

Notes to Financial Statements: Investments— . . . The principal assets underlying the investments in subsidiary companies not consolidated are located in the Eastern Hemisphere and South America. The equity of the Corporation and its consolidated subsidiaries in the underlying net assets of these companies exceeded the cost (less allowance for losses) of the investments by approximately $20,400,000. Earnings of these companies for the year 1956, after excluding those exploration losses for which allowances for losses have been provided, were $3,500,000. Dividends of $100,000 were received from these companies in 1956.

LONE STAR CEMENT CORPORATION

Consolidated Balance Sheet

Noncurrent Assets:

Miscellaneous Investments and Funds for special purposes:

Plant expansion funds in South America (see Note 2) $2,069,809

Above Capital and Surplus:

Reserves and Special Funds:

Plant expansion funds in South America (see Note 2)	$2,069,809
Severance compensation in South America	452,950

Capital and Surplus:

Statutory surplus of South American subsidiaries $1,512,073

Consolidated Statement of Income and Earned Surplus

Costs and Expenses:

Net foreign exchange adjustments:

For realized losses (gains)	$ (46,243)
Other adjustments applicable to amounts taken up for foreign earnings for year (see Note 2)	—

Special Items—Credit or (Debit):

Net foreign exchange adjustments other than those charged above (see Note 2)	$ 197,535
Amounts transferred to statutory surplus by South American subsidiaries	(85,095)

Note 2: The Consolidated Balance Sheet includes net current and working assets located in Cuba and South America aggregating $8,492,873 at December 31, 1956 and $7,007,203 at December 31, 1955 and other net assets of the Cuban and South American wholly-owned subsidiaries aggregating $16,713,902 at December 31, 1956 and $17,117,502 at December 31, 1955. These net assets are expressed in U. S. dollars,—(a) as to fixed assets, generally at official or open exchange rates in effect at the dates of acquisition thereof, (b) as to the investment in Cimento Aratú, S. A., at an exchange rate deemed appropriate by management at the time of commencement of operations in 1953 and (c) as to all other foreign currency assets and liabilities, at exchange rates current at the close of the respective years.

Income and expenses of South American subsidiaries are expressed in U. S. dollars at average current exchange rates, month by month, during the respective years (except that provision for depreciation and depletion has been computed on the basis of the amounts at which the related fixed assets are carried in the Consolidated Balance Sheet) but subject, in 1955, to a special foreign exchange debit adjustment of $480,000. Adjustments to bring the net current and working assets at the end of the respective years to the current rates then in effect have been made as "special items."

All amounts for Cuban currency have been stated at par of one Cuban peso equals one U. S. dollar.

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.

UNITED STATES RUBBER COMPANY

Consolidated Balance Sheet

Above Capital Stock and Surplus:

Reserves:

Foreign activities $11,279,011

Statement of Consolidated Income

Other Adjustments:

Less:

Unremitted earnings, net, of certain foreign operations credited to reserve for foreign activities $ 1,399,617

Notes to Financial Statements: Principles of Consolidation—It is the practice of the Company to include in the consolidated statements all subsidiary companies which are more than 50 per cent owned. Intercompany and interdivisional transactions are eliminated.

All foreign currency assets and liabilities are stated in United States dollars on the basis of rates of exchange prevailing at the close of the year. Cumulative net gains resulting from the application of these rates are carried in reserves and current losses are charged to such reserves or, if no reserves are available, to consolidated income. Sales and earnings are stated at monthly average rates of exchange.

Earnings of foreign operations not remitted or not considered to be transferable to the United States are excluded from net income and credited to reserve for foreign activities.

The Company's interests in domestic and foreign manufacturing affiliates are included in investments. Income from such investments is included in the consolidated statements only as received.

The Chairman's Report: Foreign Assets—The net assets of our Company and its subsidiaries located in foreign countries, before deducting reserves, were as follows:

Canada	$38,960,082
Malaya and Sumatra plantations	15,013,649
Other foreign	35,612,215
Total net assets	$89,585,946

Reserves for foreign activities amounted to $11,279,011 at the end of 1956 compared with $8,632,243 at December 31, 1955. The increase of $2,646,768 represents unremitted earnings of certain foreign subsidiaries, and gains resulting from an increase in the value of the Canadian dollar.

VICKS CHEMICAL COMPANY
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Reserve for foreign assets (see Note 2) $3,706,017

Note 2: Foreign assets and liabilities are stated in U. S. dollars at approximate current rates of exchange. Canadian assets and liabilities are included in their regular classifications in the balance sheet and income from Canadian operations is reported as earned. All other foreign net assets are included in a separate caption in the balance sheet and primarily represent unremitted foreign income, most of which has been reinvested in the business.

Guarantee or Warranty Reserves

Table 32 discloses the various types of guarantee or warranty reserves presented by the survey companies. Thirty-two reserves were disclosed in the balance sheets of 28 of the 600 survey companies. Approximately 60 per cent of the reserves were shown in the balance sheets above the stockholders' equity section (19 reserves in 1956) and the remainder (13 reserves) were shown among the current liabilities.

TABLE 32: GUARANTEE OR WARRANTY RESERVES

Balance Sheet Presentation	1956	1955	1954	1953
Among: *Current Liabilities* for—				
Product warranty	3	3	3	3
Product guarantee	3	2	4	4
Service guarantee	4	2	3	3
"Guarantee"	1	1	1	1
Contract completion	2	2	2	2
Above: *Stockholders' Equity* for				
Product warranty	1	1	1	1
Product guarantee	11	11	9	9
Service warranty	1	1	—	—
"Guarantee"	2	2	2	2
"Warranty"	3	2	3	1
Coupon redemption	1	3	3	3
Commercial paper guarantee	—	1	2	1
Total	32	31	33	30
Number of Companies With:				
Guarantee or warranty reserves	28	30	33	28
No guarantee or warranty reserves	572	570	567	572
	600	600	600	600
Terminology Used				
"Reserve"	20	21	18	20
"Provision"	3	5	6	5
Various other terms	9	5	9	5
	32	31	33	30

*Refer to Company Appendix Section:—Nos. 7, 72, 74, 75, 76, 103, 116, 126, 145, 226, 238, 254, 318, 393, 437, 442, 481, 504, 527, 538.

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:

AMERICAN MOTORS CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Five-year warranty on refrigerators $3,491,692

Consolidated Statement of Net Loss
Costs and Expenses:
Five-year warranty on refrigerators ($761,636), less amount not required for expired warranties ($579,028) .... $ 182,608

BURROUGHS CORPORATION
Statement of Financial Condition
Current Liabilities:
Estimated cost of guaranteed maintenance on machines sold $743,377

MISSION APPLIANCE CORPORATION
Statement of Consolidated Financial Position
Above Stockholders' Equity:
Reserve for product warranty $270,703

Statement of Consolidated Income
Other Deductions:
Provision for product warranty $150,244

Report to Shareholders: . . . by April all glass-lined water heaters sold by the Company will be produced in our own plant. Satisfactory financial arrangements to pay for the furnace have been made. The Company's experience with glass-lined water heaters to date, which is also borne out by the experience of other water heater companies, is that glass-lined water heaters will stand up much longer, give less trouble and reduce substantially product warranty expense for replacement and repairs. As a result, the reserve for product warranty, which is now carried on the books at $270,703, will be greatly reduced. About five months of the current year's production will have the benefit of our own glass-lining facilities.

SERVEL, INC.
Consolidated Balance Sheet
Noncurrent Liabilities:
Reserves for warranty service (Note 4) $3,936,620

Consolidated Statement of Income and Deficit
Deficit:
Write-off of income tax effect relating to receipts received in prior years from extended warranty service contracts (Note 4) $1,439,800

Note 4: It has been the policy of the Company to exclude from income all amounts received from the issuance of extended warranty contracts and to treat such amounts as reserves for the subsequent cost of carrying out such commitments.

For Federal income tax purposes, however, the amounts received for warranty contracts are includable in taxable income of the year in which received, whereas the costs incurred in providing warranty services become deductible only when the expenditures are made.

To avoid distortion of its income statements the Company in 1950 adopted the generally accepted accounting practice of deferring as a charge to income of future years the tax effect of the current net increases in the reserves, and in its financial statements applied such deferred tax effect against its warranty reserves.

Because of the losses from operations experienced by the Company in recent years and the effect of the five-year loss carry-forward provisions of the Internal Revenue Code, the Company has reexamined its accounting policy of deferring such income tax effects and has concluded that such policy is no longer appropriate under the presently existing conditions. Accordingly, such policy has been discontinued, and the amounts deferred in prior years, aggregating $1,439,800, have been charged to deficit account with a resulting increase of an equivalent amount in the warranty reserves.

McCORMICK & COMPANY, INCORPORATED

Employees' Retirement Income Trust

The Equitable Trust Company, Baltimore Maryland, Trustee

The Fund Increased—	Year 1956	Years 1943—1956
FROM A CONTRIBUTION BY THE COMPANY	**$ 173,300**	**$1,674,304**
EARNINGS FROM COMPANY INVESTMENTS	**48,104**	**509,918**
EARNINGS ON OTHER INVESTMENTS	**9,194**	**73,088**
TOTAL	**230,598**	**2,257,310**
Balance at beginning of year	1,554,465	
TOTAL	**1,785,063**	
Less payments to employees	122,655	594,902
BALANCE—EMPLOYEES' SHARE	**$1,662,408**	**$1,662,408**

The Fund Owned at November 30, 1956—	
FUNDS RECEIVABLE	**$ 118,161**
COMPANY INVESTMENTS	
Net investment in Baltimore plant after deducting mortgage of $2,499,987 and prepaid rent of $115,000	498,618
Common stock at market	297,504
TOTAL COMPANY INVESTMENTS	**796,122**
OTHER INVESTMENTS	
Government securities, mortgages, life insurance, etc.	**748,125**
TOTAL BELONGING TO EMPLOYEES	**$1,662,408**

The Employees' Retirement Income Trust was established in 1943, as part of the company's employee profit sharing program. After provision for dividends, retained earnings, and other employee benefits, a portion of the company's profit is contributed annually to the Trust, and the total is shared by all employees with three or more years of service. Amounts credited individually each year are shown in the Treasure Chest Book of each employee in which other benefits are posted. The Trust supplements the pension plan, cash employee dividends and other benefits, and each participant is paid his share at retirement or upon leaving the company. Investments are made in company property and stock, life insurance or annuities for employees and other securities.

Insurance Reserves

There were 104 insurance reserves shown by 91 of the 600 survey companies in their 1956 annual reports. Table 33 discloses the various types of insurance reserves together with their balance sheet presentation.

Of the 104 reserves disclosed, 96 were presented above the stockholders' equity section and the remaining 8 reserves were shown among the current liabilities or within the stockholders' equity section of the balance sheet. As in prior years relatively few of the reports, showing increases or decreases in these reserves in 1956, disclosed the accounts to which the related charges or credits were made.

Examples—Insurance Reserves

Examples illustrating the presentation in the statements of insurance reserves are as follows:

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Cash and U. S. Government securities (at market which is below cost), segregated against reserves for insurance and retirement payments	$ 2,434,562

Above Capital and Surplus:

Reserves:	
For Insurance	$ 984,562
For Retirement Payments	1,450,000
	$ 2,434,562

Consolidated Statement of Profit and Loss

Cost of Sales (Exclusive of provisions for depreciation, depletion, and self-insurance)	$53,398,056
Addition to Insurance Reserve	60,000

THE AMERICAN SHIP BUILDING COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Investments and Other Assets:	
United States Government securities on deposit in connection with workmen's compensation guarantees—at principal amount (quoted market price $174,340)	$184,000

Above Shareholders' Equity:

Reserves:	
For workmen's compensation and public liability insurance	$300,000
For insurance on floating equipment	36,550
	$336,550

To the Stockholders: The reserve of $300,000 for Workmen's Compensation and Public Liability Insurance is being continued and appears ample to cover the estimated cost of unsettled claims.

THE CUBAN-AMERICAN SUGAR COMPANY
Statement of Consolidated Assets and Liabilities
Noncurrent Assets:

Funds:
For compensation and special insurance, including cash and securities deposited for the former with the Cuban Government as guaranty (see contra reserve):

Cash	$148,330
Securities	620,772
	$769,102

Above Capital Stock and Surplus:

Reserve for compensation and special insurance (see contra)	$682,190

GENERAL ANILINE & FILM CORPORATION
Consolidated Balance Sheet
Current Liabilities:

Reserve for workmen's compensation self-insurance, etc.	$690,618

TABLE 33: INSURANCE RESERVES

Balance Sheet Presentation*	1956	1955	1954	1953
Among: *Current Liabilities* for—				
Self-insurance**	—	—	—	1
Self-insurance	1	1	2	—
Workmen's compensation self-insurance	3	2	2	2
General insurance	—	—	—	1
Public liability	1	1	—	—
Above: *Stockholders' Equity* for—				
Self-insurance**	2	5	6	6
Self-insurance	18	18	20	22
Workmen's compensation self-insurance	18	19	22	27
Workmen's compensation**	3	7	8	8
Workmen's compensation	13	14	14	13
General insurance**	3	2	2	1
General insurance	21	22	25	30
Fire loss	7	4	5	6
Accident insurance	2	2	3	4
Public liability	2	2	3	3
Employer's liability	2	2	2	2
Marine insurance	2	1	2	2
Tornado insurance	1	1	2	2
Casualty risks	1	1	—	1
Burglary and flood	1	—	—	—
Within: *Stockholders' Equity* for				
Self-insurance**	1	2	1	1
Workmen's compensation self-insurance	—	—	1	1
General insurance	—	4	3	3
Employer's liability	1	1	—	—
Fire loss	1	2	2	2
Total	104	113	125	138
Number of Companies With:				
Insurance reserves	91	103	108	116
No insurance reserves	509	497	492	484
	600	600	600	600
Terminology Used				
"Reserve"	90	99	107	123
"Provision"	5	5	6	7
Various other terms	9	9	12	8
	104	113	125	138

*Refer to Company Appendix Section:—Nos. 10, 17, 24, 43, 55, 69, 92, 102, 123, 141, 147, 163, 196, 210, 247, 261, 283, 298, 308, 333, 353, 375, 392, 404, 412, 449, 457, 481, 503, 565, 595.
**With cash or securities segregated therefor.

MADISON SQUARE GARDEN CORPORATION
Balance Sheet
Above Stockholders' Equity:

Public liability self-insurance reserve (see note)	$172,000

Note: The Corporation carries outside public liability insurance against losses in excess of $20,000 per accident.

NATIONAL LEAD COMPANY
Consolidated Balance Sheet
Capital:
Earned surplus:
Appropriated:

Fire insurance reserve	$ 4,797,284
Employer's liability reserve	426,664
Contingencies reserve	4,080,358
Unappropriated	129,871,500
	$263,247,085

SPENCER KELLOGG AND SONS, INC.
Balance Sheet
Above Stockholders' Equity:

Reserve for self-insurance (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.)	$1,000,000

UNITED FRUIT COMPANY
Consolidated Balance Sheet
Within Stockholders' Equity:
Earnings retained in business less amounts transferred to capital stock account:
Appropriated:

Self-insurance	$ 5,000,000
Steamship replacements—European fleet	1,676,245
	$ 6,676,245
Not specifically appropriated	148,356,348
	$155,032,593

Statement of Consolidated Earnings Retained in Business Not Specifically Appropriated

Amount at beginning of year	$143,419,185
Net earnings for year	30,283,130
	173,702,315
Amount transferred from appropriated earnings representing self-insurance no longer required	979,024
	174,681,339
Dividends declared $3.00 per share	26,324,991
Amount at end of year	$148,356,348

UNITED STATES STEEL CORPORATION
Consolidated Statement of Financial Position
Above Ownership Evidenced By:

Reserves for insurance, contingencies and accident and hospital expenses (details on page 37)	$105,062,063

Details of Selected Items: (Page 37)—
Insurance Reserves:

Balance December 31, 1955	$ 50,000,000
Additions charged income	1,983,617
Deductions	1,983,617
Balance December 31, 1956	$ 50,000,000

Notes to Financial Statements: Reserves for Insurance— . . . 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. . . .

F. W. WOOLWORTH CO.
Consolidated Balance Sheet
Above Capital Stock and Surplus:
Reserves:

For employees' sick benefits	$ 300,000
For self-insurance to cover fire and flood damage risks on contents of stores in the U. S. A.	3,693,534
Total Reserves	$3,993,534

Property Reserves

Table 34 discloses in a comparative summary for the years 1953 through 1956 the various types of property reserves shown in the annual reports of the 600 survey companies, and their balance sheet presentation. Fifty survey companies presented 54 reserves in their 1956 reports. The reserves were presented most frequently above the stockholders' equity section of the balance sheet (29 reserves in 1956) but a substantial number were also presented with the related asset (18 reserves in 1956). In instances where there were increases or decreases in these reserves during 1956, the offsetting debits or credits were disclosed in few of the reports. In most cases the disclosed entries were shown in the income account (*Co. Nos. 52, 208, 209, 301, 527).

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
Revaluation of Property and Loss on Disposal of Property

THE DUPLAN CORPORATION
Consolidated Financial Position
Property, Plant and Equipment, at cost:

Land and buildings, less accumulated depreciation of $1,301,782	$ 3,930,979
Machinery and equipment, less accumulated depreciation of $3,742,663	8,225,014
	$12,155,993
Less estimated loss on disposal of surplus properties and equipment (Note 2)	1,250,000
	$10,905,993

Consolidated Statement of Operations (Shown as Income Deductions):

Provision for loss on disposal of surplus properties and equipment, including related costs (Note 2)	$ 1,550,000

Note 2: At September 30, 1955, a provision of $1,650,000 was made for losses anticipated in connection with the closing and disposal of three weaving mills, including related costs of $150,000. One of these mills was sold during the year. Since September 30, 1956, a second was sold and the third leased on a long-term basis with an option to purchase. During the year the Lincolnton throwing mill and the Charlotte operations office were also closed and offered for sale. It was also decided to dispose of certain surplus equipment at the operating mills. To provide for the losses and related expenses involved, an additional provision of $1,550,000 has been made. Of the total of $3,200,000 so provided, there remained at September 30, 1956 $1,250,000 to cover losses anticipated in disposing of the remaining properties and equipment plus $97,000 applicable to related costs.

*Refer to Company Appendix Section.

To Our Stockholders: During the period, provision for loss on disposal of surplus plants and machinery was increased by $1,550,000 to a total of $3,200,000 and applied as follows:

Book cost of assets disposed of	$3,008,000
Net proceeds received from sale	1,554,000
Loss realized on disposed-of property	$1,454,000
Standby and rearrangement expenses	275,000
Related costs	124,000
Total loss realized	$1,853,000
Provision for losses to be realized	1,347,000
Total provisions	$3,200,000

TABLE 34: PROPERTY RESERVES

Balance Sheet Presentation	1956	1955	1954	1953
With: *Related Fixed Assets* for				
Revaluation of property	3	2	2	4
Loss on property	9	5	4	2
Extraordinary depreciation	2	5	7	10
Plant facilities	—	1	—	—
Purpose not stated	3	1	1	1
Intangible drilling costs	1	1	1	1
Among: *Current Liabilities* for—				
Furnace rebuilding, relining	1	1	1	1
Intangible assets	—	—	—	1
Repairs, painting, maintenance	—	—	1	—
Above: *Stockholders' Equity* for—				
Construction contract	—	1	1	1
Furnace rebuilding, relining	9	9	9	9
Glass tank renewal	2	1	—	—
Plant rehabilitation	2	3	3	3
Repairs, painting, maintenance	6	10	10	11
Loss on property	1	1	2	3
Mine development costs	1	1	1	1
Moving expenses	—	—	—	1
Intangible assets	1	1	1	—
Normal depreciation	1	2	2	3
Obsolescence of property	1	2	2	2
Accelerated amortization	1	1	1	1
Restoration of leased property	1	—	—	—
Extraordinary depreciation	—	—	—	1
Higher plant replacement costs	3	3	3	4
Within: *Stockholders' Equity* for—				
Revaluation of property	—	2	3	3
Loss on property	1	1	1	—
Plant contingencies	1	1	1	1
Higher plant replacement costs	3	6	6	10
Steamship replacements—European fleet	1	1	1	—
Extraordinary depreciation	—	—	1	—
Total	54	62	65	74
Number of Companies With:				
Property reserves	50	53	56	62
No property reserves	550	547	544	538
	600	600	600	600
Terminology Used				
"Reserve"	38	44	43	48
"Provision"	5	4	4	4
Various other terms	11	14	18	22
	54	62	65	74

*Refer to Company Appendix Section:—Nos. 10, 52, 56, 62, 78, 106, 108, 129, 143, 145, 154, 170, 181, 183, 208, 209, 259, 270, 273, 301, 308, 345, 355, 396, 416, 422, 440, 449, 482, 484, 523, 527, 541, 542, 548, 555, 561, 574, 589, 599.

HOUDAILLE INDUSTRIES, INC.
Consolidated Balance Sheet
Property, Plant and Equipment, at cost:

Gross Book Value	$48,906,450
Less accumulated depreciation, depletion, amortization and provision for loss on disposal of machinery and equipment $435,000 (Note A)	24,345,676
Property, Plant and Equipment, net	$24,560,774

Statement of Consolidated Income
Income Deductions:
Provision for loss on disposal of machinery and equipment (Note A) .... $ 435,000

Note A: A provision for anticipated losses on disposal of machinery and equipment located at the Decatur, North Chicago and Buffalo Hydraulics Divisions has been made and charged to income in 1956 in the amount of $435,000 after taxes.

Higher Plant Replacement Cost

BRISTOL MYERS COMPANY
Consolidated Statement of Financial Position
Shareholders' Equity:
Earnings Retained in the Business:

Appropriated (Set aside for estimated increase in replacement cost of property, plant and equipment)	$ 4,997,706
Unappropriated	22,274,656
	$27,272,362

Statement of Consolidated Earnings Retained in the Business
Balance at end of year:
Includes amounts set aside for estimated increase in replacement cost of property, plant and equipment, 1956—$4,997,706; 1955—$5,401,361 .... $27,272,362

Notes to Financial Statements: Earnings Retained in the Business — . . . Of the total retained earnings, $4,997,706 has been appropriated and set aside as the estimated amount by which the accumulated depreciation on a replacement cost basis exceeds the amount provided.

Plant Rehabilitation

LUKENS STEEL COMPANY
Balance Sheet
Above Stockholders' Equity:
Reserves:
Reserve for rehabilitation of facilities to be purchased in 1960 from the U. S. Government (previously classified with allowance for depreciation) $850,000

Intangible Drilling Costs

AMERADA PETROLEUM CORPORATION
Consolidated Balance Sheet
Properties, Plant and Equipment:
Lands, Wells and Equipment:

Developed and Undeveloped Lands, at cost plus Intangible Drilling and Development Costs	$257,827,929
Lease Equipment	101,861,292
	$359,689,222
Other Plant and Equipment	9,556,576
	$369,245,799

Less: All Intangible Drilling and Development Costs, and Reserves for Depreciation, Depletion, etc.	287,198,269
	$ 82,047,529

Consolidated Statement of Income

Profit before providing for Intangible Drilling and Development Costs, Depreciation, Depletion and Leases Abandoned and Expired	$ 66,029,657
Deduct:	
Intangible Drilling and Development Costs	26,678,197
Depreciation, Depletion and Leases Abandoned and Expired	12,852,064
	$ 39,530,262

Synopsis of Accounting Practices: All intangible drilling and development costs incurred are charged against income each year through a 100% reserve.

Tax Reserves

The 1956 annual reports of the 600 survey companies disclosed 100 tax reserves shown in the balance sheets of 92 companies. They were presented most frequently above the stockholders' equity section of the balance sheet (81 reserves in 1956). Table 35 discloses the various types of tax reserves and their presentation. Generally, additional comments and detailed information regarding these reserves were provided in the notes to financial statements or in the president's letter. In many instances where there were increases in these reserves during 1956, 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.

The examples which follow illustrate the different types of reserves and their disclosure in the financial statements. (See also examples in Section 4 under "Appropriations of Retained Earnings—Tax Purposes" and in Section 3, Table 12, "Adjustments for Prior Year Income Taxes.")

Examples—Tax Reserves

Amortization of Emergency Facilities

FOSTER WHEELER CORPORATION
Consolidated Statement of Financial Condition
Above Stockholders' Equity:

Reserve for deferred income tax in connection with accelerated amortization of emergency facilities (Note 2)	$1,250,000

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. To provide for additional taxes in those future years which will not have the benefit of a tax deduction for emergency facilities still in use, a provision of $368,000 has been made for the year ended December 31, 1956.

TABLE 35: TAX RESERVES

Balance Sheet Presentation	1956	1955	1954	1953
With: *Related Assets* for—				
Deferred taxes:				
On installment sales (*Co. No. 268)	1	1	1	1
On mine leaseholds	—	1	1	1
Deferral of tax benefit re amortization of emergency facilities (*Co. No. 55 Notes)	1	1	2	3
Among: *Current Liabilities* for—				
Prior years taxes (*Co. Nos. 90, 473, 517, 536, 544)	12	7	7	7
Tax contingencies (*Co. No. 475)	1	—	2	3
Deferred tax on installment sales (*Co. No. 273)	1	1	1	1
Deferral of tax benefits re amortization of emergency facilities	—	2	3	2
New depreciation methods (*Co. No. 401)	1	—	—	—
Above: *Stockholders' Equity* for—				
Prior years taxes (*Co. Nos. 234, 312, 406)	5	9	11	11
Tax contingencies (*Co. Nos. 251, 367, 545, 591)	7	7	8	10
Future taxes (*Co. Nos. 97, 158, 375, 452, 476)	9	10	2	2
Taxes (*Co. Nos. 51, 76)	2	2	3	2
Deferred tax on installment sales (*Co. Nos. 357, 433, 511)	4	1	2	2
Deferred tax on mine development costs (*Co. No. 10)	1	2	2	2
Deferral of tax benefit re amortization of emergency facilities (*Co. Nos. 89, 188, 239, 259, 381, 402, 474, 599)	27	24	22	18
Amortization of emergency facilities and new depreciation methods (*Co. Nos. 154, 160, 246, 303)	9	4	1	—
New depreciation methods (*Co. Nos. 48, 64, 129, 299, 383, 387, 495)	16	7	2	—
Foreign taxes (*Co. No. 301)	1	—	—	—
Within: *Stockholders' Equity* for—				
Tax contingencies (*Co. No. 57)	1	1	1	1
Taxes (*Co. No. 511)	1	1	1	1
Total	100	81	72	67
Number of Companies With:				
Tax reserves	92	74	69	63
No tax reserves	508	526	531	537
	600	600	600	600
Terminology Used:				
"Reserve"	48	49	38	34
"Provision"	5	3	4	5
Various other terms	47	29	30	28
	100	81	72	67

*Refer to Company Appendix Section.

GRANITE CITY STEEL COMPANY
Consolidated Statement of Financial Position
Above Stockholders' Equity:

Income tax savings to be used as a reduction of income tax expense in future years (Note 1)	$18,558,000

Consolidated Statement of Operations

Net income before federal income taxes	$30,909,411
Estimated provision for federal income taxes (Note 1):	
Current year	11,795,000
Income tax savings applicable to current amortization and accelerated depreciation of facilities, to be used as a reduction of income tax expense in future years	4,047,000
Income tax savings in prior years applicable to facilities now fully amortized, used to reduce current income tax expense	(42,000)
	$15,800,000
Net income for the year	$15,109,411

Note 1: Amortization and Accelerated Depreciation of Facilities—It is the opinion of the management that the facilities covered by necessity certificates will continue to be used in the Company's operations after the five-year amortization periods for tax purposes and that the facilities subject to accelerated depreciation under the Internal Revenue Code of 1954 will depreciate at the same rate as other facilities used by the Company; therefore, there has been recorded in the Company's accounts depreciation on these facilities, computed in accordance with its customary practices. The excess of amortization and accelerated depreciation taken into consideration in determining provisions for federal income taxes over depreciation recorded in the Company's accounts was $7,700,000 and $7,550,000, respectively, in 1956 and 1955. Provision has been made in the Company's accounts for possible future federal income taxes of amounts equal to the current tax saving because of amortization and accelerated depreciation. Such provisions for possible future federal income taxes in 1956 and 1955 amounted to $4,047,000 and $3,926,000, respectively. Following the periods in which amortization and accelerated depreciation exceed depreciation recorded in the Company's accounts, the annual charges for income taxes in the statement of operations are being, or will be, reduced by charging to "Income Tax Savings to Be Used as a Reduction of Income Tax Expense in Future Years" that part of the federal income taxes for each year in excess of what would have been payable for each year if the amortization and accelerated depreciation had not previously been claimed for federal income tax purposes. The afore-mentioned accounting results in a net charge to operations for federal income taxes equivalent to what would have been charged if normal depreciation had been claimed for tax purposes in each such year.

The Review: Taxes—Federal income taxes of $15,800,000 for the year 1956 are the largest in our Company's history. This entire amount would have to be paid currently if it were not for our procedure in handling accelerated amortization of a considerable part of the cost of our recent expansion program over the five-year period permitted under necessity certificates for federal income tax purposes, although the properties are being depreciated on our books over their longer useful lives.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
Consolidated Balance Sheet
Above Stockholders' Equity:

Deferred Federal income taxes	$2,775,000

Consolidated Earnings

Earnings before income taxes	$6,394,723
Income taxes:	
Federal income taxes	33,000
Deferred federal income taxes	930,000
Other income taxes	30,000

Financial Review: . . . A reserve has been provided for deferred federal income taxes in an amount equivalent to the current income tax reduction resulting from accelerated amortization of facilities covered by Certificates of Necessity. Credit to this reserve account, representing the current fiscal year tax reduction, was $930,000 and for the three years to June 30, 1956 credits aggregated $2,775,000. 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.

SPENCER CHEMICAL COMPANY
Consolidated Financial Position
Noncurrent Liability:

Estimated deferred liability for income taxes (Note 1)	$1,862,000

Note 1: The costs of certain properties are being amortized for income tax purposes by permissible accelerated methods, whereas, for financial reporting purposes, such costs are being amortized by straight-line methods over estimated normal economic lives. Currently, tax deductible amortization is in excess of depreciation recorded upon the books; the relationship will be reversed as the properties become older. The provision for income taxes for the year ended June 30, 1956, includes $897,000 representing the estimated amount of income tax deferred to future years by the deduction of accelerated amortization and depreciation for the year.

New Depreciation Methods

COLONIAL STORES INCORPORATED
Statement of Financial Position
Above Stockholders' Equity:

Provision for possible future federal income taxes (Note 2)	$ 670,000

Statement of Profit and Loss

Profit before provision for income taxes	$11,493,217
Provision for income taxes:	
Federal (including possible future taxes, $370,000—Note 2)	5,418,000

Note 2: Provision for Possible Future Federal Income Taxes—As permitted by the Internal Revenue Code of 1954, the company adopted alternative methods of depreciation for income tax purposes with respect to new additions to property and equipment during 1954 and subsequent years, but has continued to use the straight-line method for general accounting purposes. The company has charged income and credited "provision for possible future Federal income taxes" 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 ($370,000 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.

FIBREBOARD PAPER PRODUCTS CORPORATION
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Federal income taxes deferred to future years	$ 440,000

Consolidated Statement of Income

Net income before taxes	$12,126,998
Estimated federal income taxes (including $440,000 in 1956 for taxes deferred to future years because of increased depreciation claimed for tax purposes under alternative methods permitted under Internal Revenue Code of 1954)	6,250,000
Net profit for the year	$ 5,876,998

Tax Contingencies

ANDERSON, CLAYTON & CO.
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Reserve for Contingencies (Note 4)	$ 845,308

Surplus:
Earned:

Appropriated for contingent tax liability (Note 4)	$7,993,095

Statement of Consolidated Earned Surplus:

Transferred to surplus appropriated for contingent tax liability (Note 4)	$1,957,842

Note 4: The Company and its subsidiaries have made full provision as of July 31, 1956, 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, 1956, this appropriation for theoretical tax liability amounted to $7,993,095.90 as compared with $6,035,253.32 as of July 31, 1955, an increase of $1,957,842.58 for the current year.

The reserve for Contingencies includes as of July 31, 1956, reserves for tax claims.

TIME INCORPORATED
Consolidated Balance Sheet
Above Capital:
Reserves:
For tax contingencies—Note D $1,600,000

Note D: 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 those years, and the amounts so withheld are 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. 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. The Company's case for relief in excess of that determination is pending in the Tax Court of the United States. Payment of the claims under Section 722 for the five years 1941-1945, in accordance with the 1952 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 of its Federal taxes on income 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 approved locally by the Internal Revenue Service but final approval in Washington has not yet been obtained. Some of these years involve payments to the Government while others involve refunds. To stop the 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, have been reflected as reductions of accrued income taxes under Current Liabilities. In September, 1956, the Company offered to settle its claim for a larger excess profits tax refund under Section 722. That offer has also been approved locally by the Internal Revenue Service but final approval in Washington has not yet been obtained.

If the foregoing offers of settlement are finally approved and settlement is concluded on the basis thereof, a substantial amount now included in the accrual for income taxes under Current Liabilities, as well as the reserve for tax contingencies of $1,600,000 included under Reserves, will not be required and, together with anticipated refunds, will be credited to earned surplus. However, pending final disposition of such offers, no such adjustments are reflected in the financial statements. In any event, on the basis of the 1952 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 1941-1956 and any related interest charges.

Installment Sales

THE FAIR
Statement of Financial Position
Current Liabilities:
Federal income tax $582,751

Above Capital Stock and Accumulated Earnings:
Reserve for federal taxes on gross profit from installment sales reported on a collection basis for income tax purposes $305,000

MACK TRUCKS, INC.
Consolidated Balance Sheet
Above Shareholders' Equity:
Deferred Federal and Canadian income taxes (Note 5) .... $ 4,055,000

Statement of Consolidated Income
Provision for Federal and Canadian income taxes (estimated):
Current $10,215,000
Deferred (Note 5) 3,440,000

Note 5: In 1956 the Companies adopted, for Federal and Canadian income tax purposes, the installment method of reporting profits on installment sales; however, as heretofore, such profits are included in income in the accompanying financial statements at the time of sale. As a consequence, income taxes on a portion of the income shown in the statement of consolidated income for 1956 will be deferred until subsequent years when the related customers' installment obligations are collected. Provision, in an amount equivalent to the reduction in current taxes has been made for such deferred income taxes.

Miscellaneous Other Reserves

The assorted types of "miscellaneous other reserves" found in the reports of the survey companies for the years 1953 through 1956 and their balance sheet presentation are shown in Table 36. There were 70 such reserves shown by 63 companies in their 1956 annual reports. The most common balance sheet presentation of these items was above the stockholders' equity section (54 reserves in 1956). In a few instances where there were increases in these reserves during 1956, 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 1956, 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." Within Table 36 extensive references are given to survey companies revealing Miscellaneous Reserves in their 1956 annual reports.

Examples are presented below to indicate the various types of reserves disclosed by the companies.

CHESAPEAKE INDUSTRIES, INC.
Consolidated Balance Sheet
Below Current Liabilities:
Provision for claims (Note 8) $95,001

Note 8: Contingent Liabilities—The companies are contingently liable as follows:

(a) Litigation in respect of substantial amounts as to which counsel advised there will probably be some liability in an amount which cannot be presently anticipated, for which a reserve of $95,000 has been provided. The companies are in turn suing for substantial amounts in other litigation but the amounts, if any, which may be recovered cannot be predicted at this time.

(b) Under an agreement to purchase such portion of a loan of $940,000 to a non-affiliated company as may not be properly secured as provided in the underlying loan agreement.

(c) The companies are obligated under five long-term leases expiring between 1960 and 1971 with annual rentals totaling $214,500.

TABLE 36: MISCELLANEOUS OTHER RESERVES

Balance Sheet Presentation	1956	1955	1954	1953
Among: *Current Liabilities* for—				
Appraisal claims (*Co. No. 305)	1	1	—	—
Discontinued operations (*Co. No. 72)	1	—	—	—
Sales returns or allowances (*Co. Nos. 191, 560)	2	2	3	3
Sugar-beet crop payment (*Co. No. 574)	1	1	1	1
Additional costs (*Co. No. 437)	1	1	1	1
"General" and "Sundry" purposes (*Co. No. 72)	1	1	1	2
Above: *Stockholders' Equity* for—				
Discontinued operations (*Co. Nos. 68, 72, 391)	3	2	2	2
Deposits refundable (*Co. Nos. 9, 241)	2	2	2	2
Estimated claims payable (*Co. No. 452)	1	1	1	1
Expenses under merchandising program (*Co. No. 184)	1	1	1	—
Litigation pending (*Co. Nos. 57, 138, 227)	5	3	3	3
Loss on receivables (*Co. No. 65)	1	1	1	1
Preferred stock retirement (*Co. No. 309)	1	1	1	1
Purchase contracts (*Co. No. 270)	1	—	—	—
Repairs	—	2	2	3
Research or development (*Co. No. 504)	1	1	1	1
Sales returns or allowances (*Co. Nos. 124, 270)	2	2	2	2
"General" and "Sundry" purposes (*Co. Nos. 15, 32, 69, 161, 255, 458, 520)	25	28	30	27
"Operating" purposes (*Co. Nos. 21, 90, 167, 236, 471)	10	11	11	11
Unrealized profit on land contracts receivable (*Co. No. 147)	1	1	1	1
Within: *Stockholders' Equity* for—				
Preferred stock retirement (*Co. Nos. 63, 83, 222, 409)	4	5	6	6
Charter requirement (*Co. No. 252)	1	1	1	1
Sinking fund (*Co. No. 63)	1	1	1	1
Working capital	1	1	1	1
"General" and "Sundry" purposes (*Co. Nos. 120, 536)	2	2	2	2
Total	70	72	75	73
Number of Companies With:				
Miscellaneous reserves	63	67	70	69
No miscellaneous reserves	537	533	530	531
	600	600	600	600
Terminology Used:				
"Reserve"	56	58	62	59
"Provision"	5	6	5	6
Various other terms	9	8	8	8
	70	72	75	73

*Refer to Company Appendix Section.

FORT PITT INDUSTRIES, INCORPORATED
Balance Sheet
Above Capital Stock and Surplus:
Reserve for returnable containers $265,751

GENERAL MOTORS CORPORATION
Consolidated Balance Sheet
Above Capital:

Reserves:	
Employees benefit plans	$ 27,258,998
Employees bonus (balance carried forward)	19,801,413
Deferred income	6,567,598
Reconversion and plant rehabilitation costs incident to the defense emergency	———
General reserve applicable to foreign operations	141,667,396
Miscellaneous	8,511,671
Total Reserves	$203,807,076

Notes to Financial Statements: Contingent Liabilities—There are various claims against the Corporation and its consolidated subsidiaries in respect to sundry taxes, suits, patent infringements and other matters incident to the ordinary course of business, together with other contingencies. There is no way of determining the eventual liability for these claims and contingencies but, in the opinion of the management and of the general counsel, amounts included in other liabilities and reserves in the financial statements of the Corporation and its consolidated subsidiaries are adequate to cover all settlements that may be made.

INDIAN HEAD MILLS, INC.
Balance Sheet
Current Liabilities:
Provision for appraisal claims (Note A) $430,977

Note A: Merger—On February 16, 1955, Indian Head Mills, Inc., (a Rhode Island corporation) was merged with and into Naumkeag Steam Cotton Company (a Massachusetts corporation) which assumed all the assets and liabilities of the former company and changed its name to Indian Head Mills, Inc.

At December 1, 1956, there were outstanding demands of five former holders of 33,962 shares of Naumkeag Steam Cotton Company capital stock, who voted against the merger, for payment of such shares. These demands aggregate $849,050 at the demand price of $25.00 per share. The Company has offered $12.69 per share to these claimants and on this basis the Board of Directors has authorized the establishment of a reserve to be used for such purpose in the amount of $430,977.78. 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 five claimants is not clear under Massachusetts law, but for purpose of simplification the Company treats them as authorized but unissued.

NATIONAL-U. S. RADIATOR CORPORATION
Balance Sheet
Above Capital:
Reserve for estimated costs and expenses—consolidation of operations of merged companies (Note 5) $110,862

Note 5: On April 1, 1955, $500,000 was appropriated from reinvested earnings as a reserve for estimated losses on disposition of property, plant and equipment and costs and expenses (other than idle plant expenses) resulting from the consolidation of operations of the merged companies, less applicable income taxes. During the year ended March 31, 1956, net losses on disposition of property, plant and equipment of $100,527 ($211,107 less applicable taxes of $110,580) and costs and expenses resulting from the consolidation of operations of $288,611 ($606,083 less applicable taxes of $317,472) were deducted from the reserve leaving a balance of $110,862 at March 31, 1956, which is deemed to be adequate.

PULLMAN, INCORPORATED
Consolidated Balance Sheet
Above Capital Stock and Surplus:
General Reserve (Note C) $1,595,824

Note C: General Reserve—During the current year the Corporation increased its general reserve account by $375,242, the net amount of certain payments received in 1956 from The Pullman Company, a former subsidiary which was sold to a railroad purchasing group in 1947. These payments were in settlement of transactions in connection with the operations of The Pullman Company prior to its sale.

UNITED STATES PIPE AND FOUNDRY COMPANY
Consolidated Balance Sheet
Above Stockholders' Equity:

Reserves:	
Tax contingencies	$1,090,053
Miscellaneous operating	703,169
	$1,793,222

CAPITAL STOCK

CLASSIFICATION OF CAPITAL STOCK

The varied combinations of classes of capital stock as disclosed in the balance sheets of the 600 survey companies are summarized in Table 37. Single classes of stock (common or "capital"), and common stock and one type of preferred stock constituted approximately 90% of the combinations of stock classes presented in the 1956 annual survey reports (see Table 37 for details).

VALUES SHOWN FOR SHARES OF STOCK

The various methods used by the 600 survey companies to indicate the value shown for shares of stock in the balance sheet are summarized in Table 38.

STATUS OF CAPITAL STOCK

The extent of disclosure by the survey companies of the number of shares of capital stock authorized, issued and outstanding is summarized in Table 39.

Examples of Balance Sheet Presentation

The following examples illustrate the various methods of presentation of capital stock information in the balance sheet:

AMERICAN VISCOSE CORPORATION
Consolidated Financial Position
Capital and Retained Earnings:

Capital shares:	
Authorized—10,000,000 shares of $25 par value, note 4	
Issued—1956—5,144,240 shares; 1955—5,142,486 shares	$128,606,000
Capital in excess of par value	21,210,000
Retained earnings, less amounts capitalized	89,083,000
Less—cost of shares in treasury; 1956—48,730 shares; 1955—22,330 shares	1,824,000
	$237,075,000

Note 4: Stock Options—Pursuant to a plan approved by the shareholders in 1950, stock options for 100,000 common shares were granted prior to 1956 to officers, executives and key managerial employees. In accordance with the terms of the stock option agreement the number of shares covered by unexercised options was adjusted to 117,136 when the 25 per cent stock dividend was distributed in November 1955.

The options were granted at prices ranging from $28.60 to $48.40, representing the market price of the stock on the date of grant of the options.

At December 31, 1956 options to purchase 114,032 shares were outstanding, of which 70,460 shares were exercisable at that date. In 1956, options for 1,754 shares were exercised at $28.60 per share and options for 1,250 shares expired.

TABLE 37: CLASSIFICATION OF CAPITAL STOCK

Combination of Stock Classes	1956	1955	1954	1950
Common Stock and one type of Preferred Stock (*Co. Nos. 35, 39, 40, 41, 43, 46, 47, 49, 50, 56, 171, 173, 176, 178, 179, 180)	245	253	275	269
Common Stock (*Co. Nos. 16, 17, 24, 33, 34, 45, 53, 54, 59, 65, 66, 70)	190	185	163	158
"Capital Stock" (*Co. Nos. 6, 23, 36, 38, 44, 51, 215, 219, 220, 223)	112	115	117	122
Common Stock and two types of Preferred Stock (*Co. Nos. 82, 89, 127, 129, 138, 524, 531)	40	33	30	36
Common Stock (two types) (*Co. Nos. 123, 247)	3	4	4	3
Common Stock (two types) and one type of Preferred Stock (*Co. Nos. 193, 372, 475)	3	4	6	6
"Capital Stock" (two types) (*Co. No. 156)	1	1	1	2
Common Stock and three types of Preferred Stock (*Co. Nos. 115, 261)	4	3	3	3
Common Stock (two types) and three types of Preferred Stock (*Co. No. 118)	1	1	1	1
Common Stock (two types) and two types of Preferred Stock (*Co. No. 303)	1	1	—	—
Total	600	600	600	600
Number of Companies Presenting				
Only Common Stock	194	192	171	162
Both Common and Preferred Stock	291	292	312	315
Only "Capital Stock"	115	116	117	123
	600	600	600	600

*Refer to Company Appendix Section.

One-seventh of the shares under each option is exercisable on and after each anniversary date of the option and all options not exercised expire seven years after the date of the grant.

BIGELOW-SANFORD CARPET COMPANY, INC.
Consolidated Balance Sheet
Stockholders' Investment:

Cumulative Preferred Stock—$100 Par Value—	
Authorized 200,000 Shares: Outstanding (4½% Series of 1951) 34,848 Shares in 1956, and 36,037 Shares in 1955 (Note 5)	$ 3,484,800
Common Stock—$5 Par Value—	
Authorized 1,500,000 Shares: Outstanding 992,631 Shares after Deducting 69,822 Shares in Treasury; Stated Value $25 Per Share (Note 6)	24,815,775
Earnings Retained and Employed in Business (Note 4)	14,895,821
Total Stockholders' Investment	$43,196,396

Note 4: . . . The terms of the loan agreements provide, among other things that without first obtaining consent of the holders of the notes, cash dividends on common stock and purchases and redemptions of the Company's capital stock may not exceed $1,000,000 plus forty-five percent of consolidated net earnings subsequent to December 31, 1956, less any cash dividends on preferred stock and purchases and redemptions for sinking fund requirements of the Company's preferred stock. There are no restrictions on the payment of dividends on the Company's preferred stock or on the redemption of such stock under its annual sinking fund requirement.

Note 5: The Cumulative Preferred Stock, 4½% Series of 1951, has a sinking fund requirement, 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 1956, 1,189 shares were purchased and retired, as a result of which all sinking fund requirements as of December 31, 1956, have been met.

Note 6: Pursuant to the Restricted Stock Option Plan approved by the stockholders on May 3, 1955, a total of 75,000 shares of treasury and authorized but unissued common stock are reserved for optioning to officers and executives of the Company. Of this total, options for 41,500 shares were granted in 1955 at a price of $14.50 per share and 15,250 shares in 1956 at prices of $13.75 and $14.25 per share, to certain officers and executives of the Company. Such option prices were not less than 95% of the fair market value of such shares at those dates. Such options become exercisable starting one year from date of grant in annual amounts not to exceed one-quarter of the total shares granted and expire ten years from date of grant.

BORG-WARNER CORPORATION
Statement of Consolidated Assets & Liabilities
Stockholders' Investment:

Preferred stock, 3½% cumulative, par value $100 per share (note 3).	
Authorized 209,132 shares; issued 159,132 shares	$ 15,913,200
Common stock, par value $5 per share.	
Authorized 12,000,000 shares; issued 8,911,123 shares	44,555,615
Capital in excess of par value	27,157,243
Retained earnings (note 7)	205,744,791
	$293,370,849
Less capital stock reacquired and held in treasury, at cost:	
Preferred 40,425 shares	$ 3,954,585
Common 83,888 shares	2,887,873
	$ 6,842,458
	$286,528,391

Note 3: The preferred stock may be redeemed in whole or in part at $103 per share. As long as any shares are outstanding, the corporation is required to pay annually (either in cash or reacquired shares) into a sinking fund for the retirement of preferred stock the lower of $400,000 or 5% of the amount of the consolidated net earnings for the preceding year in excess of the preferred dividend requirements for such year.

Note 7: As long as any of the preferred shares or debentures are outstanding the corporation must meet certain minimum financial requirements before paying cash dividends on the common stock or purchasing any capital stock. These financial requirements are presently exceeded by substantial margins.

TABLE 38: VALUE SHOWN FOR SHARES OF STOCK

Class of Stock	1956	1955	1954	1950
Common Stock with Shares described as:				
Par value stock	408	396	369	319
Par value stock at—				
"Stated value" per share	6	2	2	3
"Assigned value" per share	—	—	—	1
No par value stock at—				
"Stated value" per total	4	3	3	—
"Stated value" per share	19	23	28	28
"Assigned value" per share	—	—	1	1
"Declared value" per share	1	1	1	1
Not further described	56	68	90	134
Share value not mentioned	—	—	—	1
Total	494	493	494	488
"Capital Stock" with Shares described as:				
Par value stock	79	83	87	80
Par value stock at—				
"Stated value" per share	2	—	1	1
No par value stock at—				
"Stated value" per total	6	3	—	—
"Stated value" per share	6	6	4	8
"Liquidating value" per share	—	—	—	1
Not further described	16	24	26	35
Total	109	116	118	125
Preferred Stock with Shares described as:				
Par value stock	235	228	275	272
Par value stock at—				
"Redemption value" per share	1	—	1	—
No par value stock at—				
"Stated value" per total	2	2	2	—
"Stated value" per share	20	21	23	25
"Liquidating value" per share	10	8	8	8
"Assigned value" per share	3	1	1	1
Not further described	27	40	48	54
Share value not mentioned	1	—	1	3
Total	299	300	359	363

BRISTOL-MYERS COMPANY
Consolidated Statement of Financial Position
Shareholders' Equity:

Capital Stock:	
Preferred stock, par value $100 per share	$ 5,850,000
Authorized, 1956—83,500 shares; 1955—85,000 shares	
Original issue—75,000 shares 3¾% cumulative	
Retired to: December 31, 1956—16,500 shares. December 31, 1955—15,000 shares	
Common stock, par value $2.50 per share	4,001,080

Authorized 2,500,000 shares—Issued 1,600,432 shares	
Capital Received in Excess of Par Value of Stock	6,612,549
Earnings Retained in the Business:	
Appropriated—Set aside for estimated increase in replacement cost of property, plant and equipment	4,997,706
Unappropriated	22,274,656
	$43,735,991
Deduct: Cost of Treasury Stock	$ 3,685,961
Preferred stock, 1956—7,440 shares, $699,642; 1955—1,520 shares, $150,282	
Common stock, 1956—86,432 shares, $2,986,319; 1955—40,000 shares, $1,247,017	
	$40,050,030

Notes to Financial Statements: Preferred Stock—The Company is required, under the sinking fund provisions of the 3¾% Cumulative Preferred Stock, to purchase and retire or redeem annually 2% of the aggregate number of preferred shares theretofore issued. All sinking fund provisions have been complied with to December 31, 1956. The sinking fund redemption price is $104.50.

Stock Option Plan: At December 31, 1956, options to purchase 81,550 shares of the Company's common stock were held by officers and executives, under the Stock Option Plan approved by the stockholders in 1952, at prices ranging from $27.50 to $36.3125 per share (representing market price at time of grant). Of these, options covering 19,050 shares will not become exercisable until September 20, 1958. At January 1, 1956, options to purchase 71,400 shares were outstanding; during 1956: options covering 7,700 shares expired, options covering 19,050 shares were granted, and options covering 1,200 shares were exercised, the latter at an aggregate price of $34,300. At December 31, 1956, 17,250 shares remained available for the granting of options under the Plan, compared to 28,600 shares on January 1, 1956.

CROWN ZELLERBACH CORPORATION
Balance Sheet
Stockholders' Equity:

Minority Stockholders of Canadian subsidiaries	$ 5,029,000
Crown Zellerbach Corporation Stockholders:	
Cumulative preferred stock (note 6):	
No par value, $100 liquidation and stated value.	
Authorized 546,749 shares, issuable in series:	
Initial series $4.20 stock, at December 31, 1956, authorized and outstanding 299,852 shares	29,985,000
Common stock (note 7):	
$5 par value. At December 31, 1956, authorized 30,000,000 shares, outstanding 13,798,575 shares	68,993,000
Other capital (details on page 26)	23,054,000
Income retained in the business (details on page 26)	243,804,000
Total Equity—Crown Zellerbach Corporation	$365,836,000
Total stockholders' equity including minority	$370,865,000

Note 6: Cumulative Preferred Stock—The Articles of Incorporation require an annual retirement fund deposit of $530,000, or in lieu thereof, the application of purchased shares against such requirements at the rate of $102.50 a share.

Note 7: 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 were reserved at December 31, 1956 for issuance on exercise of these options as follows:

Dates options granted	Number of shares	Option prices
October 23, 1951	13,670	$16.59
February 10, 1953	16,720	20.00
August 3, 1954	45,485	32.17
August 30, 1955	18,000	50.12
Total	93,875	

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.

There are 176,205 additional shares of authorized and unissued common shares reserved for options which may be granted in the future.

HUDSON PULP & PAPER CORP.
Balance Sheet
Capital Stock and Surplus—Notes D, E and H:
Capital Stock:

	Par Value Per Share	
5% Cumulative Preferred Stock, Series A	$25.00	$ 1,997,500
5.12% Cumulative Preferred Stock, Series B	25.00	2,570,000
5.7% Cumulative Preferred Stock, Series C	25.00	4,000,000
Cumulative Second Preferred Stock, $1.41 Series	24.50	4,868,958
Common Stock, Class A	1.00	637,267
Common Stock, Class B	1.00	500,000
		$14,573,725
Capital Surplus		6,759,448
Earned Surplus		21,903,487
		$43,236,660
Less: Common Stock, Class A, in treasury—at cost		$ 34,466
		$43,202,194

Note D: The 3¾% Promissory Notes are payable in annual installments of not more than $691,000 on August 1, 1957 to 1965, inclusive, the balance being payable on August 1, 1966. During the year, the Company issued an additional 4% Promissory Note in the amount of $3,000,000. The 4% Notes are payable in annual installments of $280,000 on October 1, 1956 to 1968, inclusive, the balance being payable on October 1, 1969. Under the terms of these Notes the Company is restricted from paying dividends (other than stock dividends) and from purchasing, redeeming or retiring its capital stock unless, after giving effect thereto, certain conditions are met, particularly as to earnings, net working capital and ratio of current assets to current liabilities. Surplus as at August 31, 1956 not subject to the restrictions was approximately $1,560,000 under the terms of these Notes. However, the Company, without regard to these restrictions, may pay dividends on or operate sinking funds applicable to the Cumulative Preferred Stock outstanding on August 31, 1956.

The Mortgage Note, representing purchase money obligation on certain woodlands, is due September 15, 1957. The installment due September 15, 1956 was paid in August 1956.

Note E: On August 31, 1956 the authorized Cumulative Preferred Stock was 491,200 shares (a decrease of 4,400 shares since August 31, 1955) of which there were outstanding 79,900 shares of Series A, 102,800 shares of Series B and 160,000 shares of Series C (exclusive of 11,100 shares of Series A and 7,600 shares of Series B held for retirement). The By-Laws provide for an annual sinking fund to redeem the Cumulative Preferred Stock, Series A, B and C. In the opinion of counsel for the Company, the sinking fund requirements for the current fiscal year have been met. These shares are redeemable (other than for the sinking fund) at $27.00 to $25.00 a share, plus accrued dividends. Upon liquidation of the Company, the holders of such stock are entitled to $25.00 a share if the liquidation be involuntary and to the then current redemption price if the liquidation be voluntary, plus accrued dividends.

On August 31, 1956 the authorized Cumulative Second Preferred Stock was 249,500 shares (a decrease of 500 shares since August 31, 1955) of which 198,733 shares were outstanding. During the year, 767 shares were converted into 767 shares of Common Stock, Class A. The By-Laws provide for an annual sinking fund commencing in 1965 to redeem these shares. The shares are redeemable (other than for sinking fund) at $25.50 to $24.50 per share, plus accrued dividends. Upon liquidation of the Company, the holders of such stock are entitled, subject to the rights of the Cumulative Preferred Stock, to $24.50 per share if the liquidation be involuntary and to the then current redemption price if the liquidation be voluntary, plus accrued dividends.

On August 31, 1956 the authorized Common Stock was 1,500,000 shares (no change from August 31, 1955) of which there were outstanding 637,267 shares of Class A (an increase of 118,267 shares since August 31, 1955) and 500,000 shares of Class B. During the year, 117,500 shares of Class A were issued to Hammond Bag & Paper Company (see Note H for further details) and 767 shares were issued in exchange for Cumulative Second Preferred Stock. At August 31, 1956, 198,733 shares of Class A were reserved for conversion of a like number of shares of Cumulative Second Preferred Stock, $1.41 Series. Under the Company's Stock Option Plan options for 6,500 shares of Class A, issuable until June 30, 1956, were granted during the year. The options are good for a period not exceeding three years from date of grant. The option price for 2,000 shares is $24.47 per share and for 4,500 shares the option price is $30.64 per share, each price being 95% of the fair market price of the stock on the respective dates the options were granted. No options were exercised during the year. All shares of Common Stock, regardless of class, are equal in all respects with the sole exception that the Board of Directors has the power to declare, in any calendar year prior to January 1, 1958, cash dividends on the Class A in amounts greater than those, if any, declared on the Class B, but such excess, if any, shall not be more than $1.50 per share annually. The Board of Directors may, at any time, terminate such power.

While the By-Laws limit the purchase of certain classes of stock and payment of cash dividends thereon, the limitations therein are not more restrictive than those under the provisions of the Promissory Notes referred to in Note D.

Note H: On September 29, 1955, substantially all of the assets of Hammond Bag & Paper Company, a West Virginia corporation, were acquired in exchange for 117,500 shares of the Company's Common Stock, Class A. The assets were determined by the Board of Directors to have a fair value of not less than $3,055,000 which amount was approximately equal to the market price of the said 117,500 shares.

KIMBERLY-CLARK CORPORATION
Consolidated Balance Sheet
Stockholders' Investment:

Capital stock (Note 6):	
Preferred $100 par: Authorized, 300,000 shares; Issued and outstanding, None.	
Common $5 par: Authorized, 12,000,000 shares; Issued and outstanding, 7,673,576 shares	$ 38,367,880
Additional paid-in capital (Note 6)	62,554,375
Earnings retained in the business, less transfers to capital stock and additional paid-in capital	83,451,567
Total stockholders' investment	$184,373,822

Note 6: Capital Stock and Additional Paid-in Capital—The changes during the year ended April 30, 1956 in the number of shares of Kimberly-Clark Corporation common stock and the amount thereof and in additional paid-in capital are summarized as follows:

	Common Stock		Additional
	Shares Outstanding	Amount	Paid-in Capital
Balance, April 30, 1955	4,499,578	$22,497,890	$40,697,405
Shares issued September 30, 1955 replacing shares of International Cellucotton Products Company outstanding as of April 30, 1955	2,395,889	2,395,889	
Additional paid-in capital of International Cellucotton Products Company and subsidiaries as of April 30, 1955			341,548
Total, April 30, 1955 on a combined basis	6,895,467	$24,893,779	$41,038,953
Shares issued September 30, 1955, replacing shares of International Cellucotton Products Company issued from May 1 to September 30, 1955 (excess of issue price over par value credited to paid-in capital)	12,895	12,895	280,562
Excess of par value of 2,408,784 shares issued on September 30, 1955 over the par value of common stock of International Cellucotton Products Company		9,635,136	(9,635,136)
Shares issued as an 8% stock dividend to stockholders of record September 9, 1955 (excess of market value over par value credited to paid-in capital)	359,960	1,799,800	15,073,325
Expenses in connection with foregoing stock issues			(72,654)
Shares issued in connection with public offering during November 1955 (excess of net proceeds less expenses over par value credited to paid-in capital)	400,000	2,000,000	15,720,462
Shares issued under stock option plan (excess of option price over par value credited to paid-in capital)	5,254	26,270	148,863
Balance, April 30, 1956	7,673,576	$38,367,880	$62,554,375

At April 30, 1956, there were reserved for use under the Corporation's incentive stock option plan, adopted during the year ended April 30, 1955, 194,746 shares of common stock, of which 45,560 shares were covered by outstanding options held by certain officers and employees. The option price is $33.33 1/3 per share which is slightly more than 95% of the quoted market price on the grant date after giving effect to an 8% common stock dividend paid on October 1, 1955. Rights to purchase 20% of the shares covered by each option accrue to the optionee on each of the first five anniversaries of the date of grant (January 18, 1955) and, subject to earlier expiration in the event of termination of employment, the rights may be exercised at any time between the date of their accrual and January 17, 1965. Options for 5,254 shares were exercised during the current fiscal year. The average market price of the shares at the time these options were exercised was $46.47. The difference ($148,863) between the par value of the common stock and the option price was credited to additional paid-in capital.

LERNER STORES CORPORATION
Consolidated Balance Sheet
Capital Stock and Surplus—Notes C, D, and E:

Capital Stock:	
Preferred Stock: Authorized, 50,000 shares; Unclassified and unissued, 18,000 shares; Classified and outstanding—4½% Cumulative Preferred Stock, par value $100 per share (entitled to $105 per share plus accrued dividends in event of voluntary or involuntary dissolution and redeemable at $105 per share plus accrued dividends), 32,000 shares	$ 3,200,000
Less: In treasury, 2,603 shares	260,300
	$ 2,939,700
Common Stock—without par value (stated value $.58 1/3 per share): Authorized, 1,800,000 shares; Issued and outstanding, 1,200,000 shares	$ 700,000
	$ 3,639,700
Surplus:	
Capital Surplus (no change since January 31, 1955)	$ 443,017
Earned Surplus	27,363,235
	$27,806,252
	$31,445,952

Note C: The Indenture under which the 3% Sinking Fund Debentures due July 1, 1967 were issued provides, among other things, for certain restrictions on the creation of funded debt (including mortgages), for a minimum annual sinking fund requirement of $400,000.00 commencing April 15, 1955, $500,000.00 commencing April 15, 1959, and $600,000.00 commencing April 15, 1961, and for certain restrictions on the payment of dividends, or other distributions by purchase, redemption or otherwise, on any class of stock of the Corporation, except that dividends may be paid on the presently authorized 4½% Cumulative Preferred Stock. So long as any of the Debentures are outstanding and unpaid, the Corporation may not declare dividends (other than stock dividends and dividends on the said 4½% Cumulative Preferred Stock) or pay or make any distribution by purchase, redemption or otherwise, on any class of the stock of the Corporation, unless all amounts payable under the Indenture shall have been paid in full and unless immediately after such payment of dividends or distributions, the consolidated net current assets of the Corporation and subsidiary companies shall amount to at least $8,500,000.00 and the aggregate amount of all dividends declared (including dividends on preferred stock) and all distributions made subsequent to July 31, 1947 shall not exceed the aggregate of (1) $3,000,000.00 plus (2) the consolidated net earnings of the Corporation and its subsidiary companies subsequent to July 31, 1947, and plus (3) the aggregate cash consideration received by the Corporation from the issue or sale of stock subsequent to such date.

Reference is made to Note D of the Notes to Financial Statements for the amount of total surplus not available for dividends on Common Stock.

Note D: Under the terms of two agreements, the Corporation issued its 4% 15-year notes in the principal amount of $5,000,000.00 due July 1, 1967. The note agreements provide for fixed partial payments of $334,000.00 on each July 1 to and including July 1, 1957, and of $333,000.00 on each succeeding July 1 to and including July 1, 1966. The note agreements also provide, among other things, for certain restrictions on the creation of funded debt (including mortgages), and certain restrictions on the payment of dividends, or other distributions by purchase, redemption or otherwise, on any class of the stock of the Corporation, except that dividends may be paid on the presently outstanding 4½% Cumulative Preferred Stock. The Corporation may not declare dividends (other than stock dividends and dividends on the said 4½% Cumulative Preferred Stock) or pay or make any distribution by purchase, redemption or otherwise on any class of the stock of the Corporation, unless after giving effect to such dividends or distributions, the aggregate amount of all such dividends and distributions (including the one in question) from February 1, 1952 to and including the date of declaration or distribution, plus the total of all permitted 4½% Cumulative Preferred Stock dividends declared or paid subsequent to January 31, 1952, would not exceed the sum of $1,800,000.00, plus (or minus, in the case of a deficit) the consolidated net earnings of the Corporation and its subsidiaries accrued subsequent to January 31, 1952, plus the aggregate net cash consideration received by the Corporation from the issue and sale of its stock subsequent to January 31, 1952, and unless (1) the consolidated working capital of the Corporation and its subsidiaries would be at least equal to the consolidated funded debt of the Corporation and its subsidiaries, and (2) the total of the capital stock, capital surplus and earned surplus of the Corporation and its subsidiaries, consolidated, would be at least $26,082,229.29.

As at January 31, 1956 the total surplus of the Corporation amounted to $27,806,253.28. Of this amount $22,445,457.67 was not available for dividends on Common Stock.

Note E: On April 24, 1951, an Employees Stock Option Plan was approved by the stockholders. Under the Plan, the Board of Directors may grant options, from time to time, prior to April 25, 1956, to such full-time employees, including officers and directors, as they may designate, for the purchase of no more than 120,000 shares of unissued or reacquired Common Stock of the Corporation. During the first year of the Plan, options shall not be granted in excess of 40,000 shares of said Common Stock and during any succeeding year, not in excess of one-fourth of the balance of said 120,000 shares. In addition, options may be granted in any one year which were permissible but not granted in any prior year or years. No option shall run for more than five years from the date of the granting thereof, nor be exercised earlier than 18 months from the date of the granting thereof.

The price at which stock may be purchased upon exercise of an option shall, in the case of each option, be determined by the Board of Directors, but shall not be less than 95% of the "fair market value," which is determined by the use of the closing market price, if any, on the date the option is granted, or the last preceding day on which a trade was made on the New York Stock Exchange. Stock must be paid for in full in cash at the time of exercise of the option.

As at January 31, 1956 options were outstanding as follows:

Number of Employees	Number of Shares	Option Price per share	Earliest Date Options May be Exercised
20	34,400	$21.50	October 25, 1952
22	23,500	21.125	November 1, 1953
23	22,000	19.625	December 12, 1954
24	19,700	18.00	December 10, 1955
26	20,400	20.80	October 25, 1956
	120,000		

None of the options have been exercised on or prior to January 31, 1956.

Reference is made to the Employees Stock Option Plan for further details and provisions.

R. H. MACY & CO., INC.
Consolidated Statement of Financial Condition
Investment of Stockholders, represented by:

Cumulative preferred stock, par value $100 per share—	
Authorized, 500,000 shares—	
4¼% Series A, issued, 165,600 shares, less held in treasury, 5,910 and 5,470 shares; leaving outstanding, 159,690 and 160,130 shares, callable at $107.50 per share, plus accrued dividends	$15,969,000
4% Series B, issued and outstanding, 100,000 shares (See Note 4)	10,000,000
Common stock, without par value, stated value of $15 per share—	
Authorized, 2,500,000 shares; issued, 1,723,293 shares, less held in treasury, 3,939 shares; leaving outstanding, 1,719,354 shares (See Note 5)	25,790,310
Additional paid-in capital, per accompanying statement	10,453,604
Earnings reinvested in the business, per accompanying statement; $23,653,265 at July 28, 1956, is not distributable to holders of common stock so long as the long-term debt is outstanding	35,016,597
Total investment of stockholders	$97,229,511

Note 4: The cumulative preferred stock, 4% Series B, is redeemable at par, except that certain premiums are applicable if refinanced through borrowings or sale of stock ranking equal or prior to preferred stock. Sinking-fund payments are required from 1971 to 1975, inclusive, sufficient to redeem in each year 20% of the shares outstanding in 1971.

Note 5: Of the authorized common stock, 150,000 shares are subject to issuance to certain key executives under 10-year options exercisable in nine installments commencing 18 months from grant date. At July 28, 1956, there were outstanding options for 101,250 shares (of which 7,075 shares were exercisable) at 100% of market price on the grant dates ($27.3125 to $32.50 per share).

SCOVILL MANUFACTURING COMPANY
Consolidated Balance Sheet
Capital Stock:

3.65% Cumulative Preferred Stock, par value $100 per share Authorized and outstanding (Note C)	$ 7,758,500
Common Stock, par value $25 per share (Note D): Authorized, 1,800,000 shares; Issued, 1,444,173 shares; Less in treasury, 32,569 shares; Publicly owned, 1,411,604 shares	$35,290,100
	$43,048,600
Additional capital, consisting of further amounts paid in by stockholders and earnings retained and used in the business (Notes B and D)	$29,058,501
Total capital invested	$72,107,101

Note B: The 3% Promissory Notes are payable $300,000 annually, but may be prepaid in whole or in part at the option of the Company at any time. The notes contain provisions limiting (except with respect to Preferred Stock) declarations of cash dividends, and other distributions by reduction of capital. As of December 31, 1956, the Additional Capital free of these restrictions amounted to $16,836,030 after provision for the dividend on Common Stock payable January 1, 1957.

Note C: The 3.65% Cumulative Preferred Stock is redeemable at prices diminishing from $104.25 per share at present to $102.25 per share after September 1, 1961. The annual sinking fund requirement, which is dependent on earnings and is limited to $200,000, has been anticipated for 1957 by purchases of this stock in the open market.

Note D: During January, 1957 the Company sold 176,450 shares of Common Stock at $28.50 per share and $10,000,000 principal amount of Twenty-five year 4¾% Debentures at 98½%. The proceeds of these sales approximate $14,500,000. The Indenture covering the Debentures contains provisions with respect to Additional Capital more restrictive than those mentioned in Note B.

TABLE 39: STATUS OF CAPITAL STOCK

Number of Shares Shown	1956	1955	1954	1950
For—Common Stock				
Authorized, issued, outstanding	170	179	180	192
Authorized, issued	178	178	178	159
Authorized, outstanding	119	115	118	111
Authorized, issued outstanding, unissued	3	3	3	6
Authorized, outstanding, unissued	2	2	3	5
Authorized	2	3	1	3
Authorized, issued, unissued	1	—	—	—
Issued	2	3	2	2
Outstanding	3	4	4	2
Issued, outstanding	1	1	—	1
Status not set forth	6	5	5	7
Total	487	493	494	488
For—"Capital Stock"				
Authorized, issued	48	49	51	57
Authorized, issued, outstanding	44	45	47	49
Authorized, outstanding	18	15	13	10
Authorized, issued, outstanding, unissued	1	1	2	1
Issued	—	2	3	1
Issued, outstanding	2	2	1	3
Outstanding	2	—	—	1
Authorized	—	1	—	—
Status not set forth	1	1	1	3
Total	116	116	118	125
For—Preferred Stock				
Authorized, issued	91	95	118	115
Authorized, outstanding	84	84	105	96
Authorized, issued, outstanding	73	77	86	100
Authorized, outstanding, unissued	—	1	1	2
Authorized, issued, outstanding, unissued	1	—	—	1
Authorized	3	4	4	3
Outstanding	4	4	10	4
Issued	1	1	1	1
Authorized—None issued to date	31	27	28	32
Status not set forth	7	6	5	8
Authorized, issued; undesignated and unissued	1	1	1	1
Total	296	300	359	363

SHELL OIL COMPANY
Statement of Financial Condition
Shareholders' Investment:

Capital (Notes 5 and 6):	
Common stock, par value $7.50 per share:	
Authorized 40,000,000 shares; issued 1956—30,286,384	$227,147,880
Amount in excess of par value	243,702,404
Total capital	$470,850,284
Earnings Employed in the Business:	
Balance at beginning of year	$576,662,915
Net income for year	135,847,693
Credit relating to pension plan contribution (Note 7)	8,790,000
	$721,300,608
Dividends paid:	
Cash—$2 a share	$ 56,442,806
Stock—10% (Note 5)	232,654,526
	$289,097,332
Balance at end of year	$432,203,276

Note 5: Stock Dividend—A 10% stock dividend was paid October 16, 1956 by issuance of 2,753,308 shares of Common Stock (the approximate market value on the date of declaration was $84.50 a share), which resulted in a charge of $232,654,526 to Earnings Employed in the Business. Of this amount, $20,649,810 representing the aggregate par value of the shares issued was credited to Capital Stock, and the balance of $212,004,716 was credited to Amount in Excess of Par Value.

Note 6: Incentive Stock Option Plan—Under the provisions of the Company's Incentive Stock Option Plan, approved by the shareholders on August 23, 1956, options may be granted to not more than 125 executives and key employees of the Company and its wholly-owned subsidiaries to purchase an aggregate of 302,500 shares (adjusted to reflect the 10% stock dividend paid on October 16, 1956) of the Company's Common Stock at not less than 95% of the fair market value of the stock at the date the option is granted. Generally, options may not be exercised within 18 months of issuance and expire not later than ten years from the date of grant.

During 1956, options to purchase a total of 239,250 shares were granted to 57 executives and key employees at the exercise price of $81.14 per share, the fair market value at the date of grant being $85.23 a share. At December 31, 1956, none of the options were exercisable and 63,250 shares were available for future options.

SUNDSTRAND MACHINE TOOL CO.
Consolidated Statement of Financial Condition
Shareholders' Equity:

Common shares—$5 par value (note F)	
Authorized: 1956—3,000,000; 1955—1,500,000. Issued: 1956—1,337,174; 1955—1,308,097	$ 6,685,870
Additional capital (in excess of par value of common shares)	2,791,703
Retained earnings (note E)	11,119,707
Common shares (1,497) reacquired and held in treasury—at cost	(7,799)
	$20,589,481

Note E: Long-Term Debt—The 3¾% serial promissory notes are payable in annual installments of $600,000 on September 30 in each year through 1960, with final payment of $400,000 on September 30, 1961. The loan agreement contains certain restrictive covenants, among which is a restriction relating to the payment of dividends other than in common stock of the Company. At December 31, 1956, consolidated retained earnings of approximately $6,450,000 were free of this restriction.

Note F: Common Shares—Changes in the common shares and additional capital accounts during 1956 resulted from: (a) 2% stock dividend (26,132 shares at fair market value of $22 a share) issued in January 1956, resulting in a transfer from retained earnings of $574,904 with $130,660 ($5 a share) being credited to the common shares account and $444,244 ($17 a share) being credited to the additional capital account; and (b) exercise of options covering 2,945 shares at $21.69 a share, resulting in the addition of $5 a share to the common shares account and $16.69 a share to the additional capital account.

Another 2% stock dividend was declared by the Board of Directors on November 30, 1956 and issued on January 21, 1957. The resolution provided for the transfer of the fair market value ($26 a share), from retained earnings to the common shares and additional capital accounts.

At December 31, 1956 a total of 99,055 of the Company's authorized common shares was reserved for issuance under a restricted stock option plan for key managerial employees, including officers and certain directors. Options granted but not exercised to December 31, 1956 total 38,225 shares at prices ranging from $21.69 to $25.36 a share, the equivalent of 95% of the quoted market price of such shares on the dates the options were granted.

UNITED AIRCRAFT CORPORATION
Consolidated Balance Sheet
Stockholders' Equity:

Capital Stock (see page 14):	
Preference Stock of $100 par value:	
Authorized—500,000 shares	
4% Series of 1955 (convertible), outstanding—92,729 and 242,672 shares, respectively	$ 9,272,900

4% Series of 1956 (convertible), outstanding —316,719 shares	31,671,900
Common Stock of $5 par value:	
Authorized—7,500,000 shares	
Outstanding—5,140,731 and 4,870,723 shares, respectively	25,703,655
Capital in excess of par value (Capital Surplus) (see page 14)	29,785,773
Earnings employed in the business (Earned Surplus)	122,249,656
	$218,683,884

Capital Stock: (Page 14)—In September, 1956, the Board of Directors authorized the issuance of a new series of preference stock, designated as the 4% series of 1956. This issue is similar in all important respects, except for the conversion ratio, to the preference issue of the previous year, designated as the 4% series of 1955. Rights to subscribe at par on or before October 2, 1956 to an aggregate of 318,098 shares of the new preference stock were issued to holders of common stock of record on September 17, 1956 in the ratio of one share of preference stock for each sixteen shares of common stock held on that date. The expenses of issue of the new preference stock, $918,136, have been charged to earned surplus.

Each series of preference stock is convertible into common stock at the option of the holders, the 4% series of 1955 at the rate of 1.75 shares of common stock for each share of preference stock and the 4% series of 1956 at the rate of 1.25 shares. In accordance with this privilege, 149,943 shares of the 4% series of 1955 and 1,379 shares of the 4% series of 1956 were converted into 262,908 shares of common stock during 1956. The excess of the par value of the preference stock converted over that of the common stock issued, $13,817,660, less $91,836 paid in cash in lieu of the issuance of fractional shares of common stock, has been credited to capital surplus. After these conversions there were 92,729 shares of the preference stock, 4% series of 1955, and 316,719 shares of the 4% series of 1956 outstanding at the end of the year.

During 1956, 270,008 shares of common stock were issued and 5,140,731 shares were outstanding at the end of the year. Of the shares issued during the year, 262,908 shares resulted from the conversions of preference stock as outlined in the preceding paragraph. The balance, 7,100 shares, was issued upon exercise of stock options under agreements with key employees dated June 29, 1955. These shares were issued at $44.50 per share and, of the aggregate sum received, $35,500 was credited to common stock capital account at $5.00 a share and the remainder, $280,450, to capital surplus.

UNITED STATES STEEL CORPORATION
Consolidated Statement of Financial Position
Ownership Evidenced By:

Preferred stock, 7% cumulative, par value $100 (authorized 4,000,000 shares; outstanding 3,602,811 shares)	$ 360,281,100
Common stock (authorized 90,000,000 shares; outstanding 53,699,617 shares at December 31, 1956, and 53,495,274 shares at December 31, 1955):	
Par value, $16 2/3 per share	894,993,617
Income reinvested in business (see page 33 for addition of $177,995,038 in 1956)	1,508,698,089
Total	$2,763,972,806

Common Stock: After giving effect to the two for one split of the common stock on May 12, 1955, the Stock Option Incentive Plan, approved by stockholders May 7, 1951, 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, 1956, 710,700 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 1956, options for 89,300 shares were granted to 78 employes at the then market price of $55.00 per share. By exercise of options granted in prior years, 128 optionees purchased 62,794 shares at $20.50 per share, 112,574 shares at $18.50 per share and 28,975 shares at $48.00 per share during 1956.

At December 31, 1956, 290 optionees held options to purchase 24,750 shares at $20.50 per share (granted in 1951), 40,620 shares at $18.50 per share (granted in 1953), 255,025 shares at $48.00 per share (granted in 1955) and 88,800 shares at $55.00 per share (granted in 1956).

Following are illustrations from the 1956 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, 137, 151, 277 show in the balance sheet that the stock is extended at "stated value" while *Company Numbers 119, 124, 139, 159, 160, 190, 219, 238, 335, 377, 402, 418, 472, 474, 481, 509 make no reference to this fact. An illustration of each follows:

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
Consolidated Balance Sheet
Capital Stock and Earnings Retained for Use in the Business:

Capital stock—authorized 3,000,000 shares of $1.00 par value; outstanding 2,200,000 shares (at stated value)	$17,600,000
Earnings retained for use in the business	29,925,459
	$47,525,459

THE RUBEROID CO.
Statement of Financial Position
Stockholders' Equity:
Represented by:

Capital stock—authorized 3,000,000 shares of $1 par value—issued and outstanding 1,479,986 shares	$32,587,571
Income retained in the business	19,781,411
	$52,368,982

Treasury Stock

Of the 600 survey companies 276 referred to treasury stock in their 1956 reports as follows:

One hundred eighty-eight companies referred only to *common* treasury stock; 44 companies showed only *preferred* stock in treasury; 44 companies showed both *common* and *preferred* treasury stock.

BALANCE SHEET PRESENTATION

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 was set forth in the noncurrent asset section of the balance sheet or information with regard to such stock was presented in notes to the financial statements (See Table 40).

*Refer to Company Appendix Section.

TABLE 40: TREASURY STOCK

Balance Sheet Presentation	"Common" Treasury Stock 1956	1955	1954	"Preferred" Treasury Stock 1956	1955	1954
Within Stockholders' Equity Section:						
Deducted from *total* of capital stock and surplus (*Co. Nos. 121, 173, 176, 453, 462, 570, 571)	132	123	128	36	40	45
Deducted from *total* of capital stock and capital surplus (*Co. No. 426)	1	1	1	—	—	—
Deducted from *total* of capital surplus and earned surplus (*Co. No. 56)	2	2	1	—	—	—
Deducted from retained earnings (*Co. Nos. 177, 248, 585)	4	5	8	1	1	2
Deducted from issued stock of the same class (*Co. Nos. 68, 82, 102, 112, 125, 145)	74	75	75	44	48	57
Set forth with issued stock of the same class (*Co. Nos. 3, 385, 533)	4	5	2	1	2	2
In Noncurrent Asset Section:						
Separately set forth therein (*Co. Nos. 12, 32, 37, 381)	13	9	11	1	1	1
Set forth therein as a part of various special funds (*Co. Nos. 49, 273, 284)	4	8	5	1	1	1
Set Forth in Notes to Financial Statements (*Co. Nos. 39, 264, 359, 368, 375)	6	9	6	5	8	4
Total Presentations	240	237	237	89	101	112
Basis of Valuation						
Per-Share-Value Shown At:						
Cost	138	130	132	39	42	45
Par value	59	52	56	37	38	41
Stated value	7	7	8	4	4	6
Cost or less than cost	2	2	3	—	—	—
Less than cost	3	1	1	—	—	—
Reduced value	—	1	1	—	—	—
Carrying value	—	—	—	—	1	1
Lower of cost or market	2	2	—	—	—	—
Liquidation value	—	—	—	—	1	1
Average issued value	1	1	1	—	—	—
Per-share-value not shown	28	41	35	9	15	18
Total Valuations	240	237	237	89	101	112
Number of Companies Presenting						
Only "common" treasury stock	188	181	171	—	—	—
Both "common and preferred" treasury stock	44	49	56	44	49	56
Only "preferred" treasury stock	—	—	—	44	47	50
Total treasury stock	232	230	227	88	96	106
No treasury stock	368	370	373	203	196	206
No "preferred" stock class	—	—	—	309	308	288
	600	600	600	600	600	600

*Refer to Company Appendix Section.

BASIS OF VALUATION

The two most frequently mentioned bases of valuation for common and preferred treasury stock are "cost" and "par value."

The bases of valuation of treasury stock used by the survey companies for the years 1954 through 1956 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:

ANCHOR HOCKING GLASS CORPORATION
Consolidated Balance Sheet
Capital Stock and Surplus:

Capital Stock:	
Preferred stock—$4 cumulative—without par value (stated at $107 a share): Authorized 86,000 shares; Outstanding, 56,000 shares	$ 5,992,000
Treasury, 2,750 shares	(294,250)
	$ 5,697,750
Common stock—par value $6.25 a share (70,000 shares reserved for restricted (95%) stock options—options for 56,550 shares granted January 8, 1957): Authorized, 3,000,000 shares; Outstanding, 1,431,100 shares	8,944,375
Treasury (see below)	
	$14,642,125
Capital surplus	$ 1,182,602
Earned surplus	32,345,604
	$33,528,206
Common stock held in treasury—5,825 shares at cost	(97,591)
	$33,430,615
	$48,072,740

CHICAGO RAILWAY EQUIPMENT COMPANY
Consolidated Balance Sheet
Capital Stock and Retained Earnings:

Capital Stock:	
7% cumulative preferred stock (called for redemption on February 28, 1957 at $30 per share in debentures)—	
Authorized and issued—42,000 shares (99,000 in 1955) of $25 par value each	$1,050,000
Common stock:	
Authorized—60,000 shares of $25 par value each	
Issued—59,936 shares	1,498,400
	$2,548,400
Capital surplus (see note)	18,876
Earnings employed in the business (per accompanying statement)	2,017,478
	$4,584,754
Deduct—Cost of preferred stock held in treasury (1956—16,643 shares; 1955—16,777 shares)	310,662
	$4,274,092
	$7,482,032

PARKE, DAVIS & COMPANY
Consolidated Balance Sheet
Stockholders' Investment:

Capital Stock, no par value:	
Authorized 5,000,000 shares (Note C); Issued 4,912,278 shares at December 31, 1956, and 4,903,021 shares at December 31, 1955—at stated capital amount, including $150,966 added in 1956 and $100,516 in 1955 from exercise of stock options	$ 14,279,377
Additional paid-in capital, including $163,514 added in 1956 and $122,449 in 1955 with respect to stock options	554,621
	$ 14,833,998
Less cost of Capital Stock in treasury (1,190 shares at December 31, 1956, and 1,440 shares at December 31, 1955)	38,068
	$ 14,795,930
Earnings retained for use in the business:	
Balance at beginning of year	$ 79,304,970
Net earnings for the year	17,645,728
	$ 96,950,698
Less cash dividends declared ($1.80 a share in 1956 and $1.55 a share in 1955)	8,837,931
Balance at end of year	$ 88,112,767
Total Stockholders' Investment	$102,908,697

Note C: Stock Options—All of the authorized but unissued shares of Capital Stock and such shares of the treasury stock which might not be purchased under options previously granted 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 9,257 shares were exercised and options for 465 shares were terminated during 1956. At December 31, 1956, options were outstanding for 39,724 shares at $29.12 and 1,728 shares at $35.49 a share. Options for 11,862 shares were exercisable at that date.

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 1956, leaving 500 shares under option at December 31, 1956.

CHAS. PFIZER & CO., INC.
Statement of Consolidated Financial Position
Shareholders' Equity:

Capital stock—Notes 5 and 6:	
Cumulative preferred stock, $100 par value:	
Authorized 143,758 shares, issuable in series; Issued—initial series 3½%, 41,258 shares, December 31, 1956 and 42,508 shares, December 31, 1955	$ 4,125,800
Cumulative second preferred stock, $100 par value:	
Authorized 146,182 shares, issuable in series; Issued—initial series 4% convertible, 46,182 shares, December 31, 1956 and 147,270 shares, December 31, 1955	4,618,200
Common stock, $1 par value:	
Authorized, 7,500,000 shares; Issued, 5,318,558 shares, December 31, 1956 and 4,993,917 shares, December 31, 1955	5,318,558
Paid-in surplus—Note 7	30,001,671
Earnings retained and employed in the business—per accompanying statement—Note 8	73,011,105
	$117,075,334
Deduct reacquired stock held in treasury:	
Cumulative preferred stock, at par value, 15,475 shares, December 31, 1956 and 272 shares, December 31, 1955	$ 1,547,500
Cumulative second preferred stock, at par value, 1,824 shares	182,400
Common stock, at cost, 34,015 shares	294,797
	$ 2,024,697
Total shareholders' equity	$115,050,637

Note 5: Preferred Stock—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 $103.50 to $101.50 per share. Each year the Company shall pay to the transfer agent (1) $125,000 or the equivalent in reacquired 3½% Cumulative Preferred Stock for a sinking fund for the 3½% Cumulative Preferred Stock and (2) 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.

P. R. MALLORY & CO. INC. and SUBSIDIARIES

CONSOLIDATED STATEMENT OF ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1956

Additional paid-in capital:		
Balance at December 31, 1955		$7,337,218
Excess of assigned value over par value in respect of 45,233 shares of common stock issued in connection with the acquisition of the net assets of General Dry Batteries, Inc., less 20 shares reacquired and held in treasury (*Note* 2)	$1,462,640	
Excess of proceeds over par value of 20,487 shares of common stock issued under restricted stock option plan (*Note* 9)	331,457	
Excess of par value of 4,600 shares of preferred stock over par value of 6,886 shares of common stock issued in conversion thereof (less $420 cash payments in lieu of fractional shares)	222,694	
Excess of book value of the underlying net assets over cost in respect of the acquisition of remaining 50% of the common stock of P. R. Mallory (Huntsville) Inc. (*Note* 3)	27,429	2,044,220
		9,381,438
Deduct:		
Excess of cost over par value of 7,124 shares of preferred stock acquired for sinking fund requirements, less excess of proceeds over par value of 2,000 shares reissued from treasury, $17,500	2,815	
Excess of cost over par value of 465 shares of preference stock acquired in anticipation of sinking fund requirements	1,175	3,990
Balance at December 31, 1956		$9,377,448
Retained earnings:		
Balance at December 31, 1955		$6,405,794
Net income and special item for the year		3,065,108
		$9,470,902
Deduct:		
Dividends declared:		
On preferred stock—$2.25 per share	288,043	
On preference stock, 5%, Series A—$1.91 per share	170,057	
On common stock—$1.40 per share	1,368,973	1,827,073
Balance at December 31, 1956		$7,643,829

See accompanying notes to financial statements.

Note 6: Stock Options—Pursuant to the Employee Stock Option Plan, approved by the shareholders on June 21, 1951, 250,000 shares of Common Stock were reserved for options to be granted at prices not less than 85% of the market price of the stock on the date options were granted. At December 31, 1956, the final date options could be granted, options for 149,383 shares had been exercised, options covering 91,421 shares exercisable to March 31, 1957, were outstanding and options for the remaining 9,196 shares had not been granted. All options were granted at a price of $34.50 per share.

(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:

THE ANACONDA COMPANY
Consolidated Balance Sheet

Capital Stock of The Anaconda Company:	
Authorized—12,000,000 shares of the par value of $50 each; Issued, 8,919,086 shares; Held in treasury, 244,759 shares; Outstanding, 8,674,327 shares	$433,716,350
Consolidated Surplus—Note K:	
Income from operations and other earnings without deduction for depletion of metal mines, less distributions to stockholders	$323,537,173
Surplus arising through capital transactions	11,896,328
	$335,433,501

CITY STORES COMPANY
Statement of Financial Condition

Capital Stock and Surplus:	
Preferred stock—$100.00 par value; 4¼% Convertible—authorized 54,211 shares; outstanding 24,019 shares (after deducting 1,156 shares in treasury)—Note D	$ 2,401,900
Common stock—$5.00 par value—authorized 3,000,000 shares; outstanding 2,471,918 shares (after deducting 12,423 shares in treasury)—Notes D and E	12,359,593
Capital surplus	17,495,943
Earned surplus—Notes B and C	33,200,521
	$65,457,957

Note D: The conversion rights under the Company's 4¼% Convertible Preferred Stock may be exercised on or before February 1, 1966 for shares of Common Stock of the Company on the basis of specified common share valuations.

The Company's 4¼% Convertible Preferred Stock is entitled to the benefit of a sinking fund and contains, among other things, provisions restricting and limiting funded debt, issuance of additional shares of Preferred Stock, authorization of mergers or consolidations, etc.

The authorized shares of Common Stock include 102,403 shares reserved for issuance upon conversion of the 4¼% Convertible Preferred Stock.

Note E: Under a stock option plan for the benefit of the President, the Company on September 7, 1955, reserved 25,000 shares of unissued Common Stock. The option terminates five years from the date of grant and is exercisable to the extent of 20% annually on a cumulative basis at a price equal to the average market price on the date of grant.

SONOTONE CORPORATION
Consolidated Balance Sheet

Stockholders' Investment:	
Capital stock (Note 2):	
Preferred stock:	
Authorized, 79,137 shares, par value $20.00 per share; Outstanding: $1.25 Cumulative Convertible Preferred Stock, Series A—31,084 shares (net of 7,550 shares held in treasury)	$ 621,680
$1.55 Convertible Preferred Stock—23,530 shares (net of 2,680 shares held in treasury)	470,600
	$1,092,280
Common stock:	
Authorized 1,500,000 shares, par value $1.00 per share; Outstanding 930,919 shares (net of 3,314 shares held in treasury)	930,919
	$2,023,199
Additional paid-in capital	578,281
Earnings retained in the business (Note 1)	3,111,005
	$5,712,485

UNITED STATES PLYWOOD CORPORATION
Consolidated Balance Sheet

Capital Stock and Surplus:	
Cumulative preferred stock, par value $100 per share—	
Issuable in series-authorized less redeemed or converted, 97,125 shares at April 30, 1956—	
Series A, 3¾% (Sinking Fund)—Issued at April 30, 1956, 47,144 shares, less 320 shares in treasury	$ 4,682,400
Series B, 3¾% (Convertible—Note 1)—Issued at April 30, 1956, 49,981 shares	4,998,100
4½% voting second preferred stock, (Sinking Fund)—Authorized (less redeemed) and issued at April 30, 1956, 60,288.52 shares, less 3,586.64 shares in treasury	5,670,188
Common stock, par value $1 per share—Authorized 4,000,000 shares (Notes 1 and 2)—Issued at April 30, 1956, 2,307,739 shares, less 3,401 shares in treasury at cost of $99,805	33,580,680
Earned surplus (Note 3)	48,016,841
Total capital stock and surplus	$96,948,209

"Dated" Surplus

In February, 1956, the committee on accounting procedure of The American Institute of Certified Public 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 the great decrease in the number of survey companies showing "dated" surplus in their reports during the past three years:

Date from Which Earnings Accumulated	Balance Sheets for: 1956*	1955	1954
1925-1927	1	1	1
1928-1930	—	1	1
1931-1933	2	5	5
1934-1936	2	7	11
1937-1939	1	6	13
1940-1942	1	4	4
1943-1945	3	4	4
1946-1948	1	1	1
1949-1951	1	1	1
1952-1954	1	1	1
	13	31	42

*Refer to Company Appendix Nos. 18, 22, 86, 120, 183, 273, 356, 389, 448, 479, 511, 564, 582.

STOCK OPTION AND STOCK PURCHASE PLANS

STOCK OPTION PLANS

Table 41 reveals the continuing increase in the number of companies having employee stock option plans. The 1956 annual survey reports disclosed 298 companies referring to such plans as compared with 250 and 209 companies for the years 1955 and 1954, respectively.

Stock option plans were adopted by 58 companies (*Co. Nos. 109, 146, 179, 196, 213, 244, 267, 281, 295, 338, 373, 377, 386, 392, 413, 474, 508, 544, 583, 591), and plans were amended or modified by 24 companies (*Co. Nos. 56, 63, 226, 292, 498).

In the annual reports which included discussions of employee stock option plans the following types of information, generally in the notes to financial statements, were 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.

TABLE 41: EMPLOYEE STOCK OPTION PLANS

Relationship of Option Price to Market Value at Date of Grant of Option:	1956
Option Price shown as a percentage, which was:	
Not less than 95% of market value	118
Exactly 95% of market value	53
Between 94% and 86% of market value	1
Not less than 85% of market value	10
Exactly 85% of market value	6
	188
Option Price shown in dollar amount only, which was:	
Above market value	1
Equal or approximately equal to market value	37
Below market value	2
Market value not shown or referred to	65
	105
Option Price not shown in either per cent or dollars, but stated to be:	
Equal to market value	11
Below market value	1
	12
Neither Option Price nor Market Value stated or indicated	3
Total number of plans	308

Number of Companies	1956	1955	1954
Referring to employee stock option plan	298	250	209
Not referring to employee stock option plan	302	350	391
	600	600	600

(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.

Examples illustrating the disclosure of various types of information concerning employee stock option plans are given below (Plans which resulted in entries to surplus accounts during 1956 are presented extensively in Section 4 under "Employee Stock Plans"):

AMERICAN MOTORS CORPORATION
Consolidated Balance Sheet
Stockholders' Investment:
Capital Stock, par value $5.00 a share:
Authorized 10,000,000 shares (150,000 shares reserved for stock options for key employees, of which options for 146,250 are outstanding in five lots at prices from $5.82 to $11.28 a share, the average being $8.86; these prices representing 95%

*Refer to Company Appendix Section.

of the market prices on the dates the options were granted. At September 30, 1956, options for 20,500 shares were exercisable.):

Issued or issuable, 5,704,921 shares (Note C)	$ 28,524,605
In treasury, 34,491 shares	172,455
Outstanding, 5,670,430 shares (Note C)	$ 28,352,150
Additional paid-in capital	27,136,424
Earnings retained for use in the business (Note B)	68,763,321
	$124,251,895

AMERICAN SEATING COMPANY

Notes to Financial Statements

Incentive Stock Option Plan: At January 1, 1956 and December 31, 1956, the company had reserved 56,350 shares and 53,800 shares, respectively, of common stock for options to employees. The Incentive Stock Option Plan provides for granting options to certain officers and executives of the company at 100% of the last closing price of the stock on the New York Stock Exchange prior to the date each option is granted. Options granted are exercisable after the end of fifteen months. At January 1, 1956, there were options outstanding expiring in 1960, 1961, and 1963 for 15,450 shares, at prices ranging from $18.75 to $30.75 per share. During 1956 there were 1,900 shares issued at $18.75 per share and 650 shares at $22 per share; also, new options were granted for 2,400 shares at $32.50 per share, expiring in 1964. Unoptioned shares at January 1, 1956 and December 31, 1956, aggregated 40,900 and 38,500 shares, respectively. There were no changes during the year in the exercise price of outstanding options through cancellations, reissuance, or otherwise.

ARMCO STEEL CORPORATION

Notes to Financial Statements

Note 2: . . . At December 31, 1956 and 1955, there were 261,230 shares and 297,826 shares, respectively, of common stock reserved under the Stock Option Plan (for key employees), and 387,501 shares and 596,603 shares, respectively, of common stock reserved under the Employee Stock Option Plan (other than key employees). Option prices and other information with respect to these plans are set forth below:

	Stock Option Plan		Employee Stock Option Plan
Option Price	$ 20.75	$ 17.625	$ 17.625
Options granted but not exercised at December 31 (shares):			
1955	45,540	26,686	223,096
1956	20,300	15,330	13,787*
Options exercised during 1956 (shares)	25,240	11,356	209,102

*After reduction of 207 shares for options terminated during the year.

Option prices are the market quotation values of the shares on dates of grants (Stock Option Plan) or 95% thereof on date of grants (Employee Stock Option Plan). The $4,409,303 received from optionees for options exercised during the year was $1,952,323 more than the par value of shares issued to them; this latter amount was credited to capital contributed in excess of par value of common stock.

COMMERCIAL SOLVENTS CORPORATION

Notes to Financial Statements

Stock Options: At December 31, 1955 certain key executive employees held options on 50,000 shares of common stock, exercisable at any time on or before December 31, 1957, at an option price of $21 per share which was in excess of 95% of the market value of the stock when the options were granted. In 1956 the Board of Directors adopted a revised stock option plan under which such options are not generally exercisable prior to December 1, 1958, the expiration date was extended to December 31, 1963, the option price remained at $21 per share, and the terms thereof otherwise were modified in conformity with said new plan, subject to the approval of the stockholders. At the time of the extension and modification of such options the market price of the shares covered thereby was less than $21 per share. If the revised stock option plan is not approved by the stockholders the original options will continue until December 31, 1957. Under the revised plan, an additional 50,000 shares are reserved for options not yet granted at December 31, 1956.

DAYSTROM, INCORPORATED

Notes to Financial Statements

Note 9: Stock Option—Under the stock option incentive plan approved by stockholders on June 28, 1955, the Company may grant restricted options, exercisable not later than ten years from the date of grant, to purchase 61,450 shares of the Company's common stock at prices equivalent to 95% of the fair market value of the stock on the dates such options are granted, but in no event shall the price be less than the par value of the stock. At March 31, 1956, options covering 24,850 shares (none of which were exercisable at March 31, 1956) were outstanding under this plan at prices ranging from $23.81 to $24.997 per share.

Under the Company's prior stock option plan, options had been granted for the purchase of 38,500 shares at prices ranging from $10.806 to $22.80 per share, of which options covering 36,050 shares have been exercised and options for 2,450 shares remain unexercised, the latest of which expires on July 24, 1956. No additional options may be granted under this plan.

THE FLINTKOTE COMPANY

Notes to Financial Statements

Note 5: Under a stock option plan adopted in 1951 certain officers and employees were granted options to purchase common stock of the company. The changes in the number of shares issuable under outstanding options during the year were:

	Number of Shares of Common Stock
Issuable under outstanding options December 31, 1955	20,686
Issuable under options granted during 1956	31,531
Adjustments resulting from stock dividend payable December 15, 1956	1,985
	54,202
Less, Options exercised (at prices ranging from $26.01 to $27.60 per share)	12,359
Issuable under outstanding options December 31, 1956	41,843

The unoptioned shares available at the beginning and end of the year were 31,536 and 13, respectively.

The option prices are not less than 95% of the fair value of the stock at the time the option is granted. Such exercise prices of options granted under the plan have not changed, except as affected by normal operations of anti-dilution provisions.

GENERAL FOODS CORPORATION

Notes to Financial Statements

Notes to Financial Statements: Executive Compensation and Stock Option Plans—The Executive Compensation Plan, approved by the stockholders in 1951, provided for compensation awards to executive, professional, and specialist employees selected by a committee of directors not eligible for awards. The plan provided for such awards to be made out of a compensation reserve maintained by annual provisions from earnings in amounts determined by the committee but not for any year to exceed either (a) 10% of consolidated net earnings in excess of 7% of net capital (as defined in the plan) or (b) dividends paid on common stock for that year. For the fiscal year 1956, the compensation reserve was credited with a provision of $2,047,000 which is less than the maximum authorized by the plan. During the fiscal year 1956 awards totaling $1,250,000 were made for the fiscal year 1955 and payments of $912,721 were made for awards granted for fiscal 1955 and prior years. The unawarded balance in the compensation reserve was $2,052,938 on March 31, 1956.

The Board of Directors on April 4, 1956 acted to discontinue the Executive Compensation Plan effective July 25, 1956 and directed that no awards be made under it for the fiscal year 1956. The provisions of the plan with respect to awards made for the fiscal year 1955 and prior years were continued in force. The Board of Directors adopted at the same time, subject to approval by the stockholders on July 25, 1956, a Management Incentive Plan for the six fiscal years beginning April 1, 1955 and ending March 31, 1961, the primary reasons for adopting the new plan being to increase the number of employees eligible for awards and to provide a plan with a fixed and relatively short duration. This plan provides for an incentive reserve to be maintained by annual provisions determined on the same basis as under the Executive Compensation Plan and for incentive awards to be made to employees selected by a committee of directors not eligible for awards. If approved by the stockholders, this plan will become effective as of April 1, 1955, and the unawarded balance in the compensation reserve, principally the provision for the fiscal year 1956, will become the incentive reserve available for awards under this plan.

The Executive Stock Option Plan, approved by the stockholders in 1952, authorized the option and sale of not to exceed 250,000 shares of common stock to officers and key employees selected by a committee of directors not eligible to receive options under the plan. The Board of Directors has prescribed that all shares to be offered under the plan shall be made available from unissued common stock. The plan provides for appropriate adjustment in the number of shares and option prices in the case of changes in capital stock.

Options for 34,200 shares were granted during the fiscal year 1956. Data with respect to the exercise of options during that year and their status at March 31, 1956 are as follows:

Date of Grant	No. of Shares Under Option at Mar. 31, 1956	Option Price	Shares Under Option Exercised During Year	Shares Under Option Exercisable at Mar. 31, 1956
Sept. 3, 1952	57,703	$46.67	12,472	10,093
Dec. 3, 1952	1,400	49.64	100	200
Jan. 6, 1954	42,672	56.89	4,578	9,517
Oct. 6, 1954	42,334	69.35	1,016	7,549
Oct. 5, 1955	34,200	75.00	None	None
	178,309		18,166	27,359

At March 31, 1956 there were 34,375 shares reserved for options which may be granted in future years.

The shares under each option are allotted in approximately equal installments to the ten years of the option term; no option is exercisable during the first year. The option price represents 95% of the average of the high and low sale price of the Corporation's common stock on the New York Stock Exchange on the date of the grant, that being considered the fair value of the shares on that date. The aggregate difference between the option price and a similarly computed price on date of sale approximated $574,000 for shares sold during the year. The common stock account is credited at the option price when the options are exercised.

THE GILLETTE COMPANY

Notes to Financial Statements

Note 1: The status of the Company's Stock Option Plan for certain key officers and executives at the beginnig and end of 1956 was as follows:

Shares issuable under unexercised options:

Date of Option	Dec. 31, 1955	Dec. 31, 1956	Option price per share
June 3, 1952	3,000	3,000	$30.00
April 23, 1953	5,000	—	34.00
March 24, 1954	10,800	3,500	47.25
May 19, 1955	6,000	6,000	61.50
July 21, 1955	4,000	3,500	74.75
August 18, 1955	4,400	4,400	75.50
	33,200	20,400	
2 for 1 stock split of September 16, 1955*	33,200	20,400	—
January 19, 1956	—	18,000	41.00
March 28, 1956	—	43,000	47.25
October 18, 1956	—	12,500	45.50
December 20, 1956	—	12,000	41.00
Total issuable	66,400	126,300	
Shares reserved for options not granted	103,200	18,700	
Total shares reserved under the Plan**	169,600	145,000	

*Each unexercised option granted prior to September 16, 1955, entitles the optionee to receive two shares of stock for each original share granted as a result of the stock split on that date.

**Represents shares covered by options previously granted but not exercised and shares which may be subject to options in the future under the Plan.

HOFFMAN ELECTRONICS CORPORATION

Notes to Financial Statements

Note D: Restricted Stock Options—Under the terms of stockholder-approved restricted stock option plans, an aggregate of 85,000 shares of the company's common stock may be offered to certain key employees at not less than 85% of the fair market value of the stock at the date of granting the option.

Of the total shares reserved, options on 66,578 shares have been granted of which 30,195 have been exercised.

Report on Company's Restricted Stock Option Plans—Two stock option plans have been adopted by the Board of Directors and approved by the shareholders of the company. The first, for 50,000 shares, was approved by the shareholders in May 1952 and the second, for 35,000 shares, was approved in May 1956. Under these plans the Board of Directors was authorized to grant to key employees options exercisable within a five-year period. Each stock option which has been granted has established the purchase price for the stock granted under the option at one hundred per cent (100%) of the market value of the stock as of the date of the grant of the option. The prices established in the present outstanding options range from $15.00 per share to $26.75 per share.

On January 1, 1956 there were 15,918 shares issuable under outstanding options. During the course of the year 5,535 shares were issued pursuant to the exercise of stock options. No options expired during the year, but an option relating to 750 shares was cancelled as a result of termination of employment. At December 31, 1956 36,383 shares were issuable under options then outstanding.

At January 1, 1956 9,422 shares authorized under the 1952 plan were unoptioned. At December 31, 1956 18,422 shares authorized under the two plans remained unoptioned.

STOCK PURCHASE PLANS

There were 26 survey companies that indicated in their 1956 annual reports the existence of various employee stock purchase plans. The information contained in the annual reports of the survey companies for 1956 and 1955 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. While there is a decrease in the number of companies mentioning stock "purchase" plans, it will be noted from Table 41 that there is an increase in the number of companies referring to stock "option" plans which would indicate a continuing change from stock "purchase" plans to stock "option" plans.

Examples from 1956 annual reports illustrating the information given with regard to employee stock purchase plans are as follows (Plans which resulted in

TABLE 42: EMPLOYEE STOCK PURCHASE PLANS

Determination of Subscription Price and Relationship to Market Value	1956	1955
Subscription price shown as a percentage, which was not less than 75% of market value at subscription date (*Co. Nos. 31, 70, 299, 387)	4	2
Subscription price shown in dollar amount only, and price set—		
At time stock offered for subscription (*Co. Nos. 9, 95, 273, 410, 474)	5	5
Not determinable from annual report (*Co. Nos. 87, 203, 276, 311, 447, 522)	6	3
Subscription price not shown, but stated to be equal to market—		
At time of purchase (*Co. No. 318)	1	1
On last business day preceding the offering (*Co. No. 551)	1	1
Neither subscription price nor market value stated or indicated (*Co. Nos. 32, 98, 104, 257, 289, 349, 403, 517, 589)	9	28
Number of Companies With		
Employee stock purchase plan	26	40
No employee stock purchase plan	574	560
	600	600

*Refer to Company Appendix Section.

entries to the surplus accounts during 1956 are presented extensively in Section 4 under "Employee Stock Plans"):

THE DOW CHEMICAL COMPANY

Notes to Financial Statements

Note D: Sale of Common Stock to Employees in August 1955—The Company made an offering of Common Stock to its employees and employees of its subsidiary and associated companies at a price of $47 a share, payable on an installment basis generally through payroll deductions. At May 31, 1956 there were unfilled subscriptions under the offer for 92,555 shares. These subscriptions, which may be cancelled at any time at the option of the employee but must be settled by August 1956, have not been recorded in the Company's books and are not reflected in these financial statements. However, partial payments on the subscriptions, aggregating $3,181,144 are included in current liabilities in the consolidated balance sheet at May 31, 1956.

In most instances, the quoted market value on dates of delivery of stock sold under the current and preceding offerings to employees exceeded the selling price. It is the Company's practice not to record such excesses as a charge against income although they are deductible by the domestic companies in the computation of Federal income taxes.

W. T. GRANT COMPANY

Notes to Financial Statements

Note F: Under the Employees Stock Purchase Plan, as amended, there was authorized the issuance of not more than 293,935 shares of unissued Common Stock to be offered to employees under the Plan.

The total offerings made to January 31, 1956 covered 175,125 shares, net after cancellations due to terminations of employment, leaving 118,810 shares available for future offerings.

At January 31, 1956, of the 175,125 shares offered, the Company had entered into contracts for the sales, on a deferred payment basis, of 163,205 shares at approximate market prices at dates of contracts, aggregating $4,921,180, and the remaining 11,920 shares were subject to acceptance within two years after the offerings.

At January 31, 1956, 82,425 shares had been fully paid for and issued and the unpaid balance for the remaining 80,780 shares amounted to $2,401,346.

HOOKER ELECTROCHEMICAL COMPANY

Notes to Financial Statements

Note 6: On March 13, 1956, the stockholders approved the establishment of a Stock Option Plan (available to officers and key employees to be selected by the Committee administering the Plan) and an Employees' Stock Purchase Plan (available to all eligible employees who are not eligible for the Stock Option Plan). The maximum number of shares of Common Stock of the Company that may be sold under each plan is 300,000 shares or a maximum aggregate of 600,000 shares. The plans are to continue in effect for ten years unless sooner terminated by the Company.

Under the terms of the Stock Option Plan, options to be granted may not be in excess of 5,000 shares to any one individual at a purchase price of the next multiple of $.25 above 95% of the last reported sale of the Company's Common Stock on the New York Stock Exchange on the date the option is granted. On March 19, 1956 options covering 88,000 shares were granted to 24 officers and key employees at $40 per share, an aggregate of $3,520,000 (market value $42 per share, an aggregate of $3,696,000). On December 20, 1956 additional options covering 32,000 shares were granted to 14 officers and key employees at $35 per share, an aggregate of $1,120,000 (market value $36¾ per share, an aggregate of $1,176,000). The options generally become exercisable in equal installments on each of the first five anniversaries of the date of granting of the option and expire in 1966 (subject to earlier expiration in event of termination of employment). No charges are made to income in connection with the options.

Under the terms of the Employees' Stock Purchase Plan, participants may elect to purchase, on any offering, a maximum of 1 share for each $260 of base annual earnings (as defined in the Plan) but not less than five shares. The purchase price is the next multiple of $.25 above 85% of the last reported sale price of the Company's Common Stock on the New York Stock Exchange on the offering date. Pursuant to an offering made April 10, 1956 which expired on July 9, 1956, employees elected to purchase 29,519 shares. Of these 2,028 shares had been paid in full by November 30, 1956; 412 shares had been cancelled and elections to purchase 27,079 shares remained in effect on November 30, 1956. The offering price was $39 per share, an aggregate of $1,151,241 (market value on April 9, 1956, was $45⅞, an aggregate of $1,354,184). Under the terms of the Stock Purchase Plan elections to purchase are cancellable prior to the issuance of the stock.

INTERNATIONAL HARVESTER COMPANY

Notes to Financial Statements

Note 2: Common Stock—In 1956, 28,725 shares of common stock were sold to employes, representing the balance of the shares issued under the Employes' Common Stock Subscription Plan of 1953, compared with 192,743 shares sold in 1955. In 1956 the market value at dates of issue was less than the stated value by $126,620; this amount was charged to income, but was not an allowable deduction for tax purposes. In 1955 the market value at dates of issue was more than the then stated value by $1,330,251; this amount was not charged to income, but was an allowable deduction for tax purposes.

The stated value of the outstanding common shares was increased from $32 to $40 per share as of October 31, 1955, by means of a transfer of $110,774,144 from Net Income Retained for Use in the Business to the Common Stock account.

THE NEW BRITAIN MACHINE COMPANY

Notes to Financial Statements

Note B: Common Stock Reserved—At December 31, 1956, 74,913 shares of unissued Common Stock were reserved for issuance and sale to employees pursuant to stock subscription plans and restricted stock options which have been or may be authorized by the Board of Directors.

The Company, in June, 1956, offered to employees and accepted subscriptions for 6,000 shares at a price of $37.40 per share (based on average bid and ask price for week ended May 26, 1956) or market price, if lower, at time when total payments of any subscriber equal such market price. During the year 1956, subscriptions for 4,673 shares became fully paid and the shares were issued. At December 31, 1956, no 1954 or 1955 subscriptions were outstanding and partial payments on 1956 stock subscriptions for 5,477 shares totaled $118,488.

On March 23, 1956, the stockholders approved a plan whereby 35,000 shares of unissued Common Stock were reserved for sale to employees under a Selected Employees' Stock Option Plan. Pursuant to such plan restricted stock options were granted for 18,200 shares at $36.60 per share (95% of fair market price at date of option grant). The options become exercisable in equal annual amounts for five years beginning January 1, 1957, and the options expire December 31, 1965.

REYNOLDS METALS COMPANY

Notes to Financial Statements

Note J: Stock Purchase Plan—Under the terms of a Stock Purchase Plan adopted in 1949, the Company granted to certain officers and employees of the Company and its subsidiaries the right to purchase shares of the Company's Common Stock. At December 31, 1956, 21,010 shares (after giving effect to stock dividends and the stock split) of unissued Common Stock were reserved for issuance at $3.00 per share, which was equivalent to the approximate market price at the date the rights were granted. The Plan provides that the total price shall be payable in ten equal installments commencing on December 1, 1949, but that the purchaser may defer payment of any installment (other than the first one) for a period of five years. No shares were purchased in 1956.

CONTINGENT LIABILITIES

The principal types of contingent liabilities disclosed by the survey companies in their 1956 reports were those existing in connection with contract renegotiation or price determination under U. S. Government contracts (these are discussed separately in this section under "U. S. Government Contracts"); those resulting from long-term lease commitments which are referred to in Table 17, this section; liabilities existing in connection with litigation, arising out of guarantees, or attributable to the construction or acquisition of fixed assets.

TABLE 43: CONTINGENT LIABILITIES

Nature of Contingency	1956
Accounts or notes receivable sold (*Co. Nos. 131, 283, 491, 527)	18
Agreement to purchase stocks or bonds (*Co. Nos. 42, 92, 272)	6
Agreements—investments (*Co. Nos. 35, 525)	2
Agreements—as to employees (*Co. Nos. 32, 97, 268, 492)	13
Agreements with affiliated and subsidiary companies (*Co. Nos. 51, 309, 327, 502)	4
Commitments for acquisition of fixed assets (*Co. Nos. 3, 130, 392, 479)	31
Commitments for acquisition of inventory (*Co. Nos. 204, 491)	6
Commitments for construction of fixed assets (*Co. Nos. 184, 272, 341, 435)	38
"Purchase" commitments (*Co. Nos. 78, 267, 305, 328)	11
Repurchase commitments (*Co. Nos. 7, 207, 393, 592)	5
Contracts (*Co. Nos. 79, 96, 494)	14
Dividend arrearages (*Co. Nos. 419, 448, 578)	4
Guarantees re affiliated and associated companies (*Co. Nos. 62, 346, 471, 599)	19
Gurantees re subsidiary companies (*Co. Nos. 103, 146, 593)	45
Guarantees—other (*Co. Nos. 122, 126, 294, 436)	31
International Wheat Agreement (*Co. No. 445)	1
Letters of credit (*Co. Nos. 115, 284, 563)	3
Liquor in bond (*Co. Nos. 425, 516)	2
Litigation—Non-government (*Co. Nos. 137, 206, 399, 600)	56
Litigation—Government (*Co. Nos. 167, 240, 401, 445)	32
Litigation—not identified (*Co. Nos. 84, 247, 256, 474)	18
Taxes (*Co. Nos. 119, 174, 367, 447)	24
Uninsured risks (*Co. No. 328)	1
Fixed royalties (*Co. No. 310)	1
Total	**385

Number of Companies	
Referring to contingent liabilities	363
Not referring to contingent liabilities	237
	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).

In most cases the disclosure of information regarding contingent liabilities was made in footnotes to the financial statements. Some companies, however, called attention to and described the contingency in the letter to the stockholders while others presented it within the balance sheet with no dollar amounts included in balance sheet totals.

A total of 363 survey companies referred to contingent liabilities in their 1956 reports. Table 43 indicates the various types of such liabilities as shown in these reports, but does not include liabilities concerning contract renegotiation, 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 1956 reports:

Guarantees

CORN PRODUCTS REFINING COMPANY

Notes to Financial Statements

Note 9: Contingent Liabilities—The parent company is guarantor on outstanding and possible future commitments of subsidiary companies in the amount of $2,150,079 at December 31, 1956 and for an additional amount of $4,197,000 at February 20, 1957. At December 31, 1956 the contingent liability as guarantor on such outstanding commitments was $1,077,813.

Contingent liability under service contracts with executives amounted to $151,804 at December 31, 1956.

CLARK EQUIPMENT COMPANY

Comparative Balance Sheet

Noncurrent Assets:

Investments:

Equipment Finance Company—a wholly-owned subsidiary not consolidated. At equity in underlying net assets in 1956 (see accompanying statement)	$6,215,955

Note: Receivables aggregating $1,639,208 at December 31, 1956 are guaranteed as to payment by Clark Equipment Company, which has also agreed to reimburse Equipment Finance Company, not to exceed $500,000 in any year, for losses on certain other receivables which aggregated $8,314,752 at December 31, 1956. Clark Equipment Company has no contractual obligation in respect of the repayment of the indebtedness of these subsidiaries.

STANDARD OIL COMPANY (NEW JERSEY)

Financial Review: Contingent Liabilities and Commitments—Jersey and some of the consolidated companies were contingently liable at the year end for guaranteed notes and loans aggregating $94,000,000. Of this amount, the parent company was contingently liable for $19,500,000 of loans made by insurance companies to Trans-Arabian Pipe Line Company and for a $3,350,000 bank loan of Associated Ethyl Company Limited.

In addition, Imperial Oil Limited has agreed to provide funds totaling $99,000,000 in the event that Interprovincial Pipe Line Company, Trans Mountain Oil Pipe Line Company, or the Portland-Montreal pipeline companies are unable to meet certain outstanding debt obligations.

Litigation

BRIGGS MANUFACTURING COMPANY

Notes to Financial Statements

Note 5: Contingent Liabilities—A suit instituted in 1953 against the company by a former employee, claiming damages of $6,500,000 for alleged breach of a patent agreement executed between the company and the employee, is still pending. While legal counsel for the company believe the claim is without merit, they do not feel they can at the present time predict with certainty the final outcome of the suit nor fix any amount as to possible recovery.

In 1956, a corporation which formerly acted as the company's export agent filed suit against the company and certain of its employees claiming damages of $500,000 following cancellation of the agency contract. The company denies any liability and has filed a counterclaim for an accounting of company funds in excess of $250,000 which are being withheld by the export agent. Legal counsel for the company believe that the agent's claim is of questionable merit and that the litigation should result in a judgment for the company.

MEDUSA PORTLAND CEMENT COMPANY
Consolidated Balance Sheet
Below Capital Stock and Surplus:
Contingent Liability—as guarantor of liabilities of subsidiary not consolidated: $92,800 in 1956.

UNITED FRUIT COMPANY

Notes to Financial Statements

Note 4: The trial of the lawsuit brought by a small group of stockholders of International Railways of Central America was concluded during 1956 and the decision of the Court is being awaited. Counsel remain of the opinion that there is no merit to this suit. The lawsuit brought by a banana jobber is without merit in the opinion of counsel. A judge has been designated before whom the antitrust suit filed by the United States Department of Justice will be tried in New Orleans. Due to the complexity of the case there will be extended pretrial procedures before the case can be tried.

Agreement with Employees

THE HALOID COMPANY
Comparative Consolidated Balance Sheet
Noncurrent Liabilities:
Commitments and Contingent Liabilities (Note 7)

Note 7: Commitments and Contingent Liabilities—1. The amount of contingent actuarial liability under the Company's past service pension plan is approximately $4,500.00.

2. Such liability, if any, as may exist in connection with possible renegotiation of contracts with departments of the federal government. Reference is made to Note 10.

3. Under the terms of the Company's union contract, vacation pay allowances accrue on May 1st each year. The Company's established practice for many years has been to reflect vacation pay as an expense in the year paid. If computed ratably over the period May 1 to April 30, vacation pay in the amount of approximately $86,000.00 would have accrued at December 31, 1956.

4. The Company has approximately $75,000.00 of outstanding commitments for the purchase of fixed assets at December 31, 1956.

5. Such liability as may exist in connection with the execution of an agreement with The Battelle Development Corporation dated December 28, 1955. Reference is made to Note 12.

6. Under the terms of certain employment contracts, the Company is required under certain conditions to pay severance, death and disability benefits, the amounts of which cannot be determined in advance. The Company will record such expense when and as required.

7. Such liability as may exist in connection with government research contracts and other research commitments.

8. Such liability as may exist in connection with the execution of a preliminary agreement dated November 30, 1956 with The Rank Organisation Limited and Rank Precision Industries Limited. Reference is made to Note 13.

Contracts

THE GARRETT CORPORATION
Consolidated Balance Sheet
Liabilities, Capital Stock and Surplus:
Commitments—See Note E .... $———

Note E: Commitments—The Company leases from the U.S. Government, under contracts which may be canceled by either party on sixty days notice, an equipped laboratory and testing facility at Phoenix, Arizona, and a portion of the equipment used in its Phoenix manufacturing plant. The annual rentals for such facility and equipment in use at June 30, 1956, are approximately $528,000.

The Phoenix manufacturing plant and offices are on land leased for a period ending December 11, 2049. The annual rental for this property is not significant.

The Company also leases, for a period expiring in 1976, land at Los Angeles International Airport on which it has constructed office and hangar facilities. The rentals for this property are conditional upon sales; the minimum annual amount for rent is $37,125.

Other leases are either for short terms or involve no significant amount of rentals.

TIME INCORPORATED
Consolidated Balance Sheet
Liabilities, Reserves and Capital:
Commitments and contingent liabilities, see Note M .... $———

Note M: In February 1957 the Company agreed to purchase certain radio and television properties from Consolidated Television & Radio Broadcasters, Inc. subject to, among other conditions, approval by the Federal Communications Commission.

During February 1957 the Company purchased 50% of the common stock of St. Francisville Paper Company, the other 50% being purchased simultaneously by Crown Zellerbach Corporation. This newly formed company plans to construct a groundwood pulp and paper mill at St. Francisville, Louisiana.

In December 1956 the Company and Rockefeller Center, Inc. jointly announced plans for construction of a new office building. The Company, as major tenant, will hold a substantial minority interest in Rock-Time, Inc., the corporation which will own and operate the building.

Based on present estimates of costs and of outside financing expected to be obtained, it is anticipated that the Company and its subsidiaries may be required to make expenditures of approximately $30,000,000 in connection with the foregoing projects and other projects presently planned.

At December 31, 1956 there were pending against the Company lawsuits and claims arising in the regular course of business, with respect to which counsel for the Company are of the opinion that recoveries, if any, by plaintiffs or claimants that may result from such suits and claims will not be material in relation to the assets of the Company and its subsidiaries. Contingent liabilities also existed under provisions relating to termination or non-renewal or other phases of printing, paper, printing equipment, and certain other contracts; and under guarantee of a bank loan for $475,000 of Albuqueque Broadcasting Company which is 50% owned by the Company.

Miscellaneous

ANDERSON-PRICHARD OIL CORPORATION

Notes to Financial Statements

Note 9: Contingent Liabilities—The Company is contingently liable in respect of claims, commitments, guarantees and pending litigation, the settlement of which will not, in the opinion of the management, subject the Company to any material loss.

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 and for the purchase of materials, supplies and services which in the opinion of the officers are not significant in relation to the net assets of the companies. At December 31, 1956 the companies, including subsidiaries not consolidated, had long-term (3 years and over) leases for real property and charters for tankers for which the minimum rentals are estimated at $56,000,000 for 1957.

The companies were contingently liable for guarantees of loans payable by associated companies, owners of service stations and others in the amount of $72,000,000. Officers of the Corporation are of the opinion no losses of any consequence will result.

RITTER COMPANY, INC.
Consolidated Balance Sheet
Above Shareholders' Investment:
Commitments and Contingent Liabilities (Note 5) $———

Note 5: Commitments and Contingent Liabilities—

A. 1. At December 31, 1956 the Company had outstanding commitments in the amount of $236,893 for the acquisition of fixed assets.

2. On February 18, 1957 the Company entered into a royalty agreement covering the period January 1, 1956 to and including March 7, 1961. Under the terms of the agreement, the Company is to pay $332,500 as royalties for the term of the agreement with quarterly payments of $16,625 each being payable March 31, 1957 and each quarter thereafter. A final payment in the amount of $66,500 is due in 1961 prior to March 7, 1961.

Of the amount of $332,500 referred to above, $66,500 has been recorded as a liability at December 31, 1956 by charge to 1956 operations.

B. At December 31, 1956 the Company was contingently liable as follows:

1. As guarantor of commitments of its Latin-American agents (represented by collateral notes under discount with banks) in the aggregate amount of approximately $111,000 converted at the rates of exchange then in effect, and

2. To repurchase installment contracts sold to a bank and which become ninety days past due.

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." For the purpose of this tabulation, a company has been considered 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.

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.

Table 44 indicates that out of 510 companies having subsidiaries in 1956, 272 companies presented fully consolidated statements; 204 companies had some subsidiaries consolidated and some not consolidated, and only 34 reports disclosed all subsidiaries as unconsolidated.

The most significant factors in excluding certain subsidiaries from consolidation were: exclusion of all foreign subsidiaries (31 companies); geographic location of some foreign subsidiaries (34 companies); and non-homogeneous operations of domestic subsidiaries (30 companies).

Table 44 summarizes the various bases of consolidation of domestic and foreign subsidiaries with corresponding references to survey companies disclosing their consolidation policies.

The Research Department of the American Institute of Certified Public 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.

Examples

The scope and nature of the information disclosed in the 1956 annual reports concerning the consolidation of domestic and foreign subsidiaries is illustrated by the following selected examples (See Table 19, Section 2 for examples of unconsolidated companies):

Fully Consolidated Statements

BURROUGHS CORPORATION

Notes to Financial Statements

Note 1: Principles of Consolidation and Subsidiary Companies—All subsidiary companies are wholly-owned and are included in the financial statements. Net income for 1956 of subsidiary companies operating in foreign countries other than Canada was $6,611,513, and the dividends paid to the Company by these subsidiaries during 1956 were $3,621,271. All intercompany items and transactions have been eliminated from the financial statements. Inventories acquired from the U. S. and property accounts of the subsidiary companies operating outside the U. S. and Canada are included substantially at the U. S. dollar equivalent at the time of acquisition. Other net assets and the net income are converted into U. S. dollars at appropriate free rates of exchange prevailing at the year end.

In the 1955 financial statements the transactions which resulted in the Company receiving the net assets of The Todd Company, Inc., and all of the outstanding stock of the Charles R. Hadley Company were treated as purchases. In 1956, Todd became the sole stockholder of Hadley; Hadley's net assets were then transferred to Todd; and Hadley was dissolved. In view of this event and because of the further integration of the operations and management of Todd and Hadley with those of the Company, it became evident that the pooling of interests method of accounting was more appropriate in the case of the Todd and Hadley transactions; and the figures for 1955 given in the accompanying financial statements have been restated to conform with this basis. By order of Todd's Board of Directors in 1956, the amount by which income invested in the business was increased by the retroactive application of the pooling of interests method of accounting was capitalized; and, accordingly, the amount of $7,198,010 was transferred from income invested in the business to additional capital account.

The receipt in June, 1956, of the net assets of ElectroData Corporation in exchange for 475,465 shares of the Company's common stock was also deemed to be a pooling of interests. The financial statements include the net assets and operations of ElectroData for 1956 and 1955.

GENERAL FOODS CORPORATION

Notes to Financial Statements

Principles of Consolidation: The consolidated financial statements for the fiscal year 1956 include the accounts of General Foods Corporation and all subsidiary companies. This is a change from the preceding year in that the accounts of subsidiary companies in the sterling area, Western Germany, and Japan, not consolidated in prior years, are included. Also included are the accounts of two subsidiaries in South America acquired during the fiscal year. The assets and liabilities of the consolidated foreign subsidiaries and the results of their operations are included at approximate rates of exchange prevailing at the end of the year, except that land, buildings, and equipment and related depreciation are included at approximate rates of exchange at dates of acquisition.

The excess of assets over liabilities at March 31, 1956 of consolidated subsidiaries located outside the United States and Canada was $7,711,000 and the consolidated net earnings for the fiscal year include $382,000 attributable to the operations of these subsidiaries.

All Foreign Subsidiaries Excluded

HEWITT-ROBINS INCORPORATED

Notes to Financial Statements

Consolidation: The accounts of the Company's two wholly-owned domestic subsidiaries are included in the consolidation. In accordance with past practice, the accounts of foreign subsidiaries have not been included.

NATIONAL CYLINDER GAS COMPANY

Notes to 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.

On January 3, 1956 the company acquired all of the outstanding common stock (but none of the $500,000 par preferred stock) of Denver Oxygen Company. The accounts of Denver Oxygen Company and three small subsidiaries are included in the financial statements from the date 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.

TABLE 44: CONSOLIDATION OF SUBSIDIARY COMPANIES

Consolidation Policy	Location of Subsidiaries: Domestic Only	Domestic and Foreign	Foreign Only	Not Indicated	1956 Total Companies
Fully Consolidated Financial Statements (*Co. Nos. (a) 121, 452, 590; (b) 2, 148, 409; (c) 95, 470, 584)	(a) 132	(b) 115	(c) 11	14	272
Partially Consolidated Financial Statements**	30	168	5	1	204
Unconsolidated Financial Statements (*Co. Nos. (d) 99, 212, 413; (e) 33, 420, 540; (f) 80, 109, 371)	(d) 8	(e) 13	(f) 10	3	34
Total Companies Having Subsidiaries	170	296	26	18	510
Companies having no subsidiaries (*Co. Nos. 221, 294, 411)					90
					600

**Partially Consolidated Financial Statements—Consolidation Policy	1956 Total Companies
Companies having domestic subsidiaries only:	
Wholly-owned, active subsidiaries consolidated (*Co. Nos. 86, 524, 547)	7
Significant, principal, and active subsidiaries included (*Co. Nos. 178, 186, 441)	4
All subsidiaries consolidated except those with non-homogeneous operations (*Co. Nos. 18, 71, 535)	11
Other basis stated (*Co. Nos. 138, 375	4
Basis not indicated	4
Total companies having domestic subsidiaries only	30
Companies having domestic and foreign subsidiaries:	
All domestic subsidiaries consolidated, with following treatment of foreign subsidiaries (58 companies):	
Exclusion of all (*Co. Nos. 43, 576, 586)	31
Exclusion based upon geographic location (*Co. Nos. 6, 176, 436)	18
Exclusion based upon geographic location plus other factor(s) of operation, ownership, significance, etc. (*Co. Nos. 47, 497)	3
Inclusion of wholly-owned (*Co. No. 193)	1
Basis not indicated	5
Wholly-owned, active domestic subsidiaries consolidated with following treatment of foreign subsidiaries (41 companies):	
Inclusion of all (*Co. No. 383)	1
Inclusion of all wholly-owned and active (*Co. Nos. 21, 142, 209)	25
Inclusion of all significant, principal, and active (*Co. Nos. 139, 327)	2
Exclusion of all (*Co. Nos. 90, 199, 385)	8
Exclusion based upon geographic location (*Co. Nos. 332, 536)	2
Exclusion based upon geographic location plus other factor(s) of operation, ownership, significance, etc. (*Co. Nos. 424, 549, 551)	3
Non-homogeneous domestic subsidiaries excluded with following treatment of foreign subsidiaries (19 companies):	
Inclusion of all (*Co. Nos. 128, 146, 393)	6
Exclusion of all (*Co. Nos. 19, 491)	4
Exclusion based upon geographic location or geographic location plus other factor(s) (*Co. Nos. 7, 243, 401)	8
Basis not indicated	1
Other variations (50 companies):	
All subsidiaries based on voting control or fixed percentage of ownership (*Co. Nos. 40, 313)	5
All significant, principal, and active subsidiaries included (*Co. Nos. 190, 239, 561)	8
Domestic, significant subsidiaries included with some foreign subsidiaries excluded on basis of geographic location (*Co. Nos. 37, 69, 563)	3
Other basis stated (*Co. Nos. 400, 480)	6
Basis not indicated	28
Total companies having domestic and foreign subsidiaries	168
Companies having foreign subsidiaries only:	
Exclusion based upon geographic location (*Co. Nos. 111, 447, 513, 595)	4
Exclusion based upon geographic location plus factor(s) of operation, ownership, significance, etc. (*Co. No. 353)	1
Total companies having foreign subsidiaries only	5
Location of subsidiaries not determinable:	
Basis not indicated	1
Total companies partially consolidating financial statements	204

*Refer to Company Appendix Section.

Exclusion of Foreign Subsidiaries Based on Geographic Location

H. J. HEINZ COMPANY

Notes to Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements, as in prior years, include the company and all operating subsidiary companies with the exception of the Spanish subsidiary. Consolidated net assets were located as follows:

United States	$ 74,142,505
Canada	13,952,282
British Isles	20,076,768
Australia	3,053,390
Consolidated net assets	$111,224,945

All assets, except fixed assets, and all liabilities, except long-term debt, of the foreign subsidiaries have been converted generally at rates of exchange prevailing at the end of the fiscal year; fixed assets and long-term debt have been stated at their approximate United States dollar equivalent at the time of acquisition. The realization in U. S. dollars of assets located in the British Isles and in Australia is limited by currency and other restrictions of those countries.

Of the net income for the year $6,697,339 originated from foreign subsidiaries consolidated.

Operating accounts (other than depreciation which was based upon the approximate equivalent dollar cost of fixed assets) were converted generally at average rates of exchange prevailing during the fiscal year. The income of the company from dividends declared and paid by foreign subsidiaries during the year amounted to $2,096,366 before foreign taxes on such dividends.

At May 2, 1956, the net assets of the Spanish subsidiary, as shown by unaudited financial statements, amounted to approximately $80,000.

STERLING DRUG, INC.

Notes to Financial Statements

Note A: The consolidated financial statements include the accounts of all subsidiaries except those operating in Argentina and Chile. Assets, other than properties, and liabilities of consolidated subsidiary companies and branches operating in foreign countries, some of which are included in the consolidation based on fiscal years ended September 30 or October 31, have been converted at quoted fiscal year-end rates. Property accounts have been converted at rates prevailing at acquisition. A summary of net assets and net income of subsidiary companies and branches operating in foreign countries or engaged solely in export trade included in the consolidated statements follows:

	Latin America	Other Foreign	Total
Net current assets	$11,503,232	$ 7,449,052	$18,952,284
Property accounts, less depreciation	6,671,331	7,769,723	14,441,054
Other assets and liabilities (net)	3,781,829	628,584	3,153,245
Net Assets	$21,956,392	$14,590,191	$36,546,583
Net income for the year 1956	$ 3,068,735	$ 3,329,406	$ 6,398,141

Subsidiaries with Non-Homogeneous Operations Excluded

CATERPILLAR TRACTOR CO.

Notes to Financial Statements

Note 1: Consolidation of Foreign Subsidiaries—In recognition of the increasing importance of foreign operations, the results of operations and financial position of the Company's wholly owned foreign subsidiaries have been, for the first time, consolidated with those of the parent company. Provision has been made for the appropriate United States income tax on profits of those subsidiaries not transferred to the parent company, and the intercompany profits in inventories (less the applicable income taxes) have been eliminated. In order to provide proper comparisons with this year's consolidated results, the data for prior years have been restated to include the data for foreign subsidiaries.

Note 4: Domestic Subsidiary Not Consolidated—Investment in and advances to Caterpillar Credit Corporation, a wholly owned domestic subsidiary, not consolidated at December 31, 1956, were, at cost, $5,005,062.

To the Shareholders: Caterpillar Credit Corporation—The investment in wholly owned Caterpillar Credit Corporation, the accounts of which are not consolidated with those of the parent, increased during the year from $3,202,645 to $5,005,062. This subsidiary was established in 1954 to assist dealers in financing sales of the Company's products when other sources of credit were not available. Dealers to date have not required large loans from the Credit Corporation but if business continues to expand or if bank credit becomes more difficult for dealers and their customers the Credit Corporation's operations may increase substantially.

SUTHERLAND PAPER COMPANY

Notes to Financial Statements

Note 1: Principles of Consolidation—The accounts of Fort Orange Paper Company, a wholly-owned subsidiary acquired as of October 31, 1955, are consolidated in the accompanying financial statements for the years ended December 31, 1956 and 1955, except that in 1955 the results of its operations are included only for the two months subsequent to its acquisition.

Another wholly-owned subsidiary, Lissner Paper Grading Co., has not been consolidated, because the nature of its operations are dissimilar, but the investment is carried at cost in the accompanying balance sheet. At December 31, 1956 and 1955 the book value of the net assets of this non-consolidated subsidiary was $262,332 and $240,814, respectively, in excess of the Company's investment at cost. The net income of this subsidiary for the years ended December 31, 1956 and 1955 was $21,518 and $33,262, respectively. No dividends were received from the subsidiary in either of the years.

Insignificant and Inactive Subsidiaries Excluded

THE KENDALL COMPANY

Notes to Financial Statements

Note A: Basis of Consolidation—In the accompanying financial statements the accounts of all domestic subsidiaries and those of the Canadian subsidiary (converted at appropriate rates of exchange), all of which are wholly owned, have been consolidated with those of The Kendall Company. Other wholly-owned foreign subsidiaries have not been consolidated. Their assets and operations are not significant in relation to the consolidated assets and operations of The Kendall Company. The earnings of these foreign subsidiaries are reflected in the consolidated statement of earnings only as received in dividends.

VITRO CORPORATION OF AMERICA

Notes to Financial Statements

Note A: Subsidiaries Consolidated—The statement of consolidated financial condition at December 31, 1956, includes the accounts of the Corporation, and (1) Refinery Engineering Limited, acquired by purchase in 1955, (2) Thieblot Aircraft Company, Inc., approximately 47% of the capital stock of which was acquired by purchase in 1955, and the remainder on July 31, 1956, through an exchange for shares of the Corporation's Common Stock, and (3) Berkshire Chemicals, Inc., acquired by purchase on December 1, 1956. Thieblot Aircraft Company, Inc. was liquidated into the Corporation after the close of business December 31, 1956. The operations of the two newly acquired subsidiaries have been included in the statement of consolidated income and earnings retained in the business from dates of acquisition. Revenues and net income (loss) of Thieblot Aircraft Company, Inc. for the period of one year and ten months prior to acquisition of 100% of its capital stock by the Corporation were as follows:

Period	Revenues	Net income (loss)
Year ended September 30, 1955	$1,971,212	$ 29,799
Ten months ended July 31, 1956	1,732,443	(177,237)

Other than the portion of deficit of Thieblot Aircraft Company, Inc. charged to consolidated earnings retained in the business as at the date of acquisition of 100% of its capital stock, the foregoing amounts were not included in the statement of consolidated income and earnings retained in the business.

The accounts of Uranium Prospectors Co., Ltd., a wholly owned subsidiary acquired February 21, 1956, have not been included in the consolidated financial statements, because the company was in the exploratory and development stage and its accounts were not significant in relation to the accounts of the Corporation and consolidated subsidiaries.

Inclusion of Wholly-Owned Subsidiaries or Based on Fixed Percentage of Voting Control

THE AMERICAN METAL COMPANY, LIMITED

Notes to Financial Statements

Foreign Subsidiaries Consolidated: The foreign subsidiaries included in the consolidated statements are corporations of Canada, Chile, England, Mexico, Switzerland and (West) Germany. The following United States dollar amounts are included in the consolidated balance sheets for such subsidiaries:

	1956	1955
Current assets	$21,454,647	$19,065,014
Current liabilities	21,389,390	15,515,058
	65,257	3,549,956
Property, plant and equipment, investments and deferred items	12,125,470	5,189,643
	12,190,727	8,739,599
Reserves and noncurrent liabilities	3,527,459	3,257,540
	$ 8,663,268	$ 5,482,059

Current assets and current liabilities to the extent that they are in foreign currencies are translated at applicable current exchange rates. Property additions, investments, etc., paid for in foreign currencies have been taken into account at the United States dollar equivalent at dates of acquisition. Allowances for depreciation and depletion are based upon United States dollar costs. Reserves are maintained at United States dollar amounts. Foreign currency items included in the accompanying statements of income are translated at the effective rates of exchange current at the dates of inception of the related transactions.

THE ANACONDA COMPANY

Notes to Financial Statements

Note A: Basis of Consolidation—The consolidated financial statements include the accounts of all significant subsidiaries substantially all of whose stock is owned by the Company.

Note E: Equity in Principal Unconsolidated Subsidiary—The investment of the Company in Anaconda Wire and Cable Company (70.63 per cent owned) is included in the Consolidated Balance Sheet at $27,431,074 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 $6,797,666. Dividends received from this subsidiary amounting to $2,980,470 are included in consolidated income.

POST BALANCE SHEET DISCLOSURES

Events occurring subsequent to the balance sheet date were disclosed by many of the survey companies in their 1956 annual reports. The most frequently discussed subjects were:

(a) Cash or stock dividend declared or paid (*Co. Nos. 215 P, 218 P, 221 N, 227 P, 348 P, 423 N)

(b) Indebtedness—incurred (*Co. Nos. 37 N, 111 N, 124 N, 126 N, 259 N, 423 P), reduced (*Co. Nos. 12 P, 31 P, 197 P), refinanced (*Co. Nos. 326 P, 343 N, 522 N)

(c) Subsidiaries—interests acquired or increased (*Co. Nos. 78 N, 225 N, 227 N, 348 P, 432 N, 490 P), or sold or decreased (*Co. Nos. 130 P, 545 N)

(d) Fixed assets—purchased (*Co. No. 208 P), constructed (*Co. Nos. 221 P, 265 P), sold (*Co. Nos. 433 N, 450 N)

(e) Litigation (*Co. Nos. 55 P, 63 P, 425 P)

(f) Employee relations—welfare, pension and stock option plans (*Co. Nos. 29 N, 158 P, 223 N), union negotiations (*Co. Nos. 154 P, 208 P, 535 P, 575 P)

(g) Capital stock—changes in capital structure (*Co. Nos. 21 P, 49 P, 139 P, 320 N, 408 N), stock acquired for redemption or retirement (*Co. No. 127 N), and stock conversions (*Co. Nos. 9 P, 140 P, 502 N)

(h) Various other subjects (*Co. Nos. 25 P, 44 P, 144 P, 182 P, 208 P, 292 N)

Examples of the balance sheet presentation illustrating some of the above categories follow:

Indebtedness

CARRIER CORPORATION
October 31, 1956

Notes to Financial Statements

On December 12, 1956, the Corporation entered into an agreement whereby it may borrow up to $10,000,000 from a group of banks for the succeeding three years. Under the terms of the agreement, so long as the Corporation owes any amount to the group of banks, payments of dividends on Common Stock may not exceed $6,000,000 plus consolidated net income earned subsequent to October 31, 1956, less preferred dividends subsequent to that date. This agreement will be canceled pursuant to its terms in the event of additional financing by the Corporation, other than with banks.

LESLIE SALT CO.
December 31, 1956

Notes to Financial Statements

Arrangements are being made whereby early in 1957 the $6,164,000 of presently outstanding 4% First Mortgage Bonds are to be exchanged for a like amount of 4.55% First Mortgage Bonds payable $336,000 annually from 1960 through 1976 and a final payment of $452,000 in 1977. Under the proposed new indenture $4,048,225 of the consolidated retained income at December 31, 1956 would not be available for payment of dividends.

J. P. STEVENS & CO., INC.
November 3, 1956
Consolidated Balance Sheet
Long-Term Debt—Note D:

Notes payable—banks	$30,000,000

Note D: . . . Under date of December 18, 1956, the Company entered into a loan agreement with certain institutional lenders for borrowings in the aggregate principal amount of $30,000,000, to be evidenced by 4½% Promissory Notes providing for prepayments of $1,000,000 annually from 1960 to 1977 and $2,400,000 annually from 1978 to 1981, the remaining unpaid balance becoming due on January 1, 1982. The notes permit, under certain conditions, optional prepayments with a premium at various rates until January 1, 1981. The proceeds from the notes are to be received at various times which may extend to July 31, 1958. Among other matters, the notes provide for (1) restrictions relating to the creation or existence of additional liabilities, including guarantees and contingent liabilities, (2) restrictions on long-term rentals, (3) restrictions on the payment of dividends (other than stock dividends) on the Company's capital stock and on the purchase of such stock, and (4) maintenance of a stated minimum amount of working capital.

The provisions under the 4½% notes with respect to the payment of dividends and the purchase of stock are more restrictive than those under the 2¾% notes. Had the provisions of the 4½% notes been in effect at November 3, 1956, the aggregate amount of dividends on the Company's capital stock and purchases of such stock would have been limited by formula to $12,000,000 as at that date.

To provide for interim financing, pending receipt of the proceeds under the 4½% notes referred to above, the Company entered into a credit agreement with two banks on December 18, 1956, under which the Company borrowed $30,000,000 and applied the funds to repay current debt of a like amount owing to such banks at November 3, 1956. In addition, the Company agreed to repay the borrowings incurred under the credit agreement from the proceeds of the aforementioned 4½% notes. The credit agreement incorporates, among other matters, the restrictions contained in the 4½% notes. Because of these refunding arrangements, the amount of $30,000,000 owing to the banks at November 3, 1956 is shown in the accompanying consolidated balance sheet as long-term debt.

*Refer to Company Appendix Section.

P—President's Letter
N—Notes to Financial Statements
S—Financial Statements

Acquisitions

BATES MANUFACTURING COMPANY
December 29, 1956

Notes to Financial Statements

Pursuant to agreement dated as of October 19, 1956, the Company acquired from Consolidated Textile Co., Inc., on January 2, 1957, its manufacturing plant, machinery and equipment, and associated property located at Lynchburg, Virginia. The purchase price of $1,250,000 for the plant, machinery and equipment is payable $312,500 on December 31, 1957, and the balance in fifteen equal installments of $62,500 on December 31st of each year 1958 through 1972. The purchase price of the goods in process and supplies, aggregating $431,900, is payable on December 31, 1957.

EX-CELL-O CORPORATION
November 30, 1956

Notes to Financial Statements

Subsequent Transactions: 1. Effective December 1, 1956, Ex-Cell-O Corporation acquired all the outstanding capital stock of Cadillac Gage Company in exchange for a minimum of 28,000 or a maximum of 38,000 shares of Ex-Cell-O common stock, dependent upon earnings of Cadillac to May 31, 1960. 2. Effective December 1, 1956, the Company issued 12,220 shares of common stock in exchange for all the outstanding capital stock of The Smith Bearing Company, Inc.

LILY-TULIP CUP CORPORATION
December 31, 1956

President's Letter: On February 28, 1957, a newly organized subsidiary of the Company, Old Town Pulp Products, Inc., purchased for cash the business and plant of The Old Town Company, Old Town, Maine, an established manufacturer of smooth surface molded pulp plates.

Although the plant is small and consequently the sales volume is limited, Old Town smooth surface molded plates, both regular and compartment types, are of good quality and the basic manufacturing process employed appears to be particularly suited for the type of enlarged operation contemplated for the future.

PENN-TEXAS CORPORATION
December 31, 1956

Notes to Financial Statements

Note 13: Important Transactions Subsequent to December 31, 1956—(a) Purchase of Fairbanks, Morse & Co. capital stock:

During the period from January 1 to March 15, 1957, the company purchased or entered into agreements to purchase 162,100 shares of the capital stock of Fairbanks, Morse & Co. in addition to the shares set forth in notes 3 and 12. Such transactions are summarized as follows:

	Purchase price
5,000 shares for cash	$ 300,300
97,100 shares purchased through brokers*	5,825,540
60,000 shares under agreement to purchase with delivery at a future date	4,192,500
	$10,318,340

*At March 15, 1957, loans payable to brokers aggregated $5,707,036.

In addition, the company satisfied certain of its commitments outstanding at December 31, 1956 (see note 12) as follows:

	Number of shares	Purchase price	Payments made	
Agreements to purchase with delivery at a future date	33,000	$1,993,929	$1,178,929	Cash
			815,000	Cash deposit at Dec. 31, 1956
Call option	25,000	1,100,000	1,100,000	Cash
Puts	91,750	4,381,063	4,381,063	Cash
	149,750	$7,474,992	$7,474,992	

Revision in Capital Structure

ALUMINUM COMPANY OF AMERICA
December 31, 1956

Financial Review: Increase in Authorized Shares—On January 21, 1957, the Board of Directors approved an amendment to Article Fifth of the Articles of Incorporation, providing for an increase in the authorized shares of common stock from 25,000,000 shares to 50,000,000 shares, subject to the approval of shareholders at their annual meeting in 1957.

JONES & LAMSON MACHINE COMPANY
December 31, 1956

Notes to Financial Statements

Note 4: On January 18, 1957, the stockholders of the Company approved an amendment to the Articles of Association increasing the authorized capital stock from $3,000,000 to $6,000,000 and the number of authorized shares from 150,000 to 300,000 shares of common stock of the par value of $20 each. At the same time, the stockholders approved a 100% stock distribution to stockholders of record January 18, 1957, i.e. one additional share of common stock of the par value of $20 for each share outstanding, or an aggregate of 128,646 additional shares. In connection with this distribution, the amount of $2,572,920 (being the aggregate par value of said 128,646 additional shares) was transferred from the Company's surplus account to its capital stock account.

Stock Conversion

AIR REDUCTION COMPANY, INC.
December 31, 1956

President's Letter: At the beginning of the year 129,819 preferred shares were outstanding out of an original issue of 248,805. By the year end 83 percent of the original issue had been converted into common, leaving 41,993 preferred shares still outstanding. By mid-February, 1957, this amount had been reduced to 39,778.

CHICAGO RAILWAY EQUIPMENT COMPANY
December 31, 1956

President's Letter: Your Board of Directors decided to call the remaining outstanding preferred stock of the Company as of the close of business February 28, 1957, and a notice to this effect was mailed to all preferred shareholders under date of February 7, 1957. The holders of this preferred stock will be paid $30.00 a share call price in cumulative income subordinated debentures of the Company. Thus there will be no preferred stock of the Company outstanding after the close of business February 28, 1957.

Employee Stock Option Plan

EMERSON RADIO AND PHONOGRAPH CORPORATION
October 31, 1956

Notes to Financial Statements

Note 3: On November 20, 1956, the Board of Directors adopted a Key Employees' Restricted Stock Option Plan. The Plan provided that options for not more than 150,000 shares could be issued to key employees at prices not less than 95% of the fair market values of the shares on the dates the options were granted. As of December 19, 1956, options were granted to 51 employees covering an aggregate of 100,925 shares at an option price of $6.24 per share. Each option provides that the right to purchase shares shall accrue at the rate of 20% at the end of each year, and expire on December 19, 1966. This Plan is subject to approval of stockholders at the next annual meeting.

Section 3 INCOME STATEMENT

TERMINOLOGY

There is a wide variety of terms used as captions for the items within the income statements as indicated by a review of the 1956 reports of the 600 survey companies. The committee on terminology of the American Institute of Certified Public Accountants has issued *Accounting Terminology Bulletin No. 2,* "Proceeds, Revenues, Income, Profit and Earnings" and *No. 3,* "Cost, Expense and Loss" to promote uniformity of usage of terms which refer to closely related concepts. The committee in its examination of the usage of these terms found that the lack of uniformity in accounting practice was confusing and has therefore given definitions and recommendations for the use of these terms in connection with business operations and financial statements.

SALES—PRESENTATION

Two of the 600 survey companies did not include an income statement in their 1956 annual reports. The various methods of presenting income from sales and services by the remaining 598 survey companies are summarized in Table 1. *Net sales* was the term presented by the majority of companies (360 companies) although ten of these included *net sales* with *operating revenue* (*Co. Nos. 10, 21, 57, 140). Of the 41 reports which showed *sales less discounts, returns, etc.,* two also referred to *operating revenue* (*Co. Nos. 369, 452) and one also indicated *net sales* (*Co. No. 24). Thirty reports included *gross sales less discounts, returns, etc.,* and one of these (*Co. No. 15) included the term *operating revenue* in its caption. Of the 25 companies using the term *gross sales,* one company also used the term *operating revenues* (*Co. No. 290); the same company also indicated, parenthetically, *net sales* and *operating revenues.* The term *sales* was used by 96 companies, including 10 companies which used *sales* and *operating revenues* (*Co. Nos. 69, 70, 101, 119), and 4 which indicated *sales* and *revenues* (*Co. Nos. 13, 63, 239). The terms *revenue* or *operating revenue* were used by 7 companies in lieu of *sales.*

In twenty-two of the survey companies the initial item of income was either *gross profit* or *operating profit.*

Examples of the various methods used to present sales in the 1956 reports are as follows:

NET SALES

AMERICAN CHAIN & CABLE COMPANY, INC.
Comparative Consolidated Statement of Income and Earned Surplus

Net Sales	$117,616,377
Less:	
Cost of sales	87,410,468
Selling, administrative and general expenses	14,453,669
	$101,864,137
Income before federal and Canadian taxes on income	$ 15,752,240
Federal and Canadian taxes on income	8,275,000
Net income for the year	$ 7,477,240
Earned surplus, January 1	34,428,582
	$ 41,905,822
Less, Dividends paid:	
In cash, $2.50 per share	$ 2,642,472
In common stock, 4 per cent, 42,279 shares at $56.25 per share	2,378,194
	$ 5,020,666
Earned surplus, December 31	$ 36,885,156

*Refer to Company Appendix Section.

ZENITH RADIO CORPORATION

Statements of Consolidated Income and Earned Surplus

Income:	
Net Sales	$141,529,855
Costs and Expenses:	
Cost of sales	$108,578,217
Selling, advertising and administrative expenses	16,317,168
Contribution to Zenith Profit-Sharing Retirement Plan	1,840,659
Provision for depreciation and amortization	1,495,094
Total	$128,231,138
Income before Federal income taxes	$ 13,298,717
Provision for Federal income taxes	7,120,000
Net income for the year	$ 6,178,717

Net Sales after Deducting Discounts, etc.

THE CELOTEX CORPORATION

Statement of Income

Net Sales (after deducting freight, allowances and discounts)	$76,467,119
Costs and Expenses:	
Cost of sales (exclusive of depreciation and depletion)	$52,573,264
Provision for depreciation and depletion	2,319,643
Selling and administrative expenses	9,486,278
Total Costs and Expenses	$64,379,185
Income from Operations	$12,087,934

Sales, Less Discounts, Returns, etc.

AMERICAN ENKA CORPORATION

Statement of Income

Sales, less returns	$60,892,199
Cost of sales	$48,346,116
Depreciation and amortization	4,697,617
Selling, administrative and general expenses	3,195,933
	$56,239,666
Operating income	$ 4,652,533

AMERICAN MAIZE-PRODUCTS COMPANY

Consolidated Statement of Income

Income:	
Sales, less discounts, returns, allowances, freight, etc.	$38,090,377
Costs and Expenses:	
Cost of products, supplies and services (exclusive of items below)	$29,356,207
Selling, administrative and general expenses	3,398,668
Depreciation	1,028,348
Provision for federal taxes on income	2,050,000
Pension plan expense (Note C)	303,048
Interest on note payable	55,006
Miscellaneous (income) and expense, net	(60,742)
Total costs and expenses	$36,130,535
Net Income for the Year	$ 1,959,842

Gross Sales, Less Returns, etc.

BAYUK CIGARS INCORPORATED

Consolidated Statements of Income and Earnings Retained for Use in the Business

Gross sales of cigars, less discounts, returns and allowances	$41,803,042
Cost of goods sold (Note 4)	33,072,211
	$ 8,730,831
Selling, general and administrative expenses (Note 4)	5,852,993
	$ 2,877,838
Other income and (expense):	
Royalties, interest, discounts and gain on sale of real estate, etc.	$ 424,635
Dividends from subsidiary not consolidated, prior to merger	—
Interest on notes payable, etc.	(475,940)
	$ (51,305)
Balance before taxes on income	$ 2,826,533
Estimated taxes on income:	
Federal	$ 1,356,000
Pennsylvania	128,000
	$ 1,484,000
Net income for year	$ 1,342,533

TABLE 1: SALES**

Income Statement Shows	1956	1955	1954	1950
Net Sales:				
Net Sales	360	346	333	307
Net sales after deducting discounts, returns, etc.	7	9	10	12
Sales less discounts, returns, etc.	41	44	46	50
Gross sales less discounts, returns, etc.	30	28	36	46
Both Gross and Net Sales	10	14	17	17
Gross Sales	25	21	24	28
Sales	96	104	97	97
Revenue (*Co. Nos. 282, 545)	2	1	1	1
Operating Revenue (*Co. Nos. 58, 76, 288, 520)	5	6	4	1
No "sales"—initial item is:				
Gross Profit	11	14	16	23
Operating Profit	11	11	13	15
No income statement (*Co. Nos. 269, 430)	2	2	3	3
Total	600	600	600	600

*Refer to Company Appendix Section.
**Refer to further discussion in narrative.

INTERNATIONAL PAPER COMPANY

Statement of Consolidated Profit and Loss

Sales and Other Income:	
Gross sales, less returns, allowances and discounts	$969,618,438
Other income—net (see summary opposite)	5,131,634
	$974,750,072
Costs and Expenses:	
Pulpwood, labor, materials, outward freight, expenses, etc.	$752,277,213
Depreciation and depletion	47,838,259
	800,115,472
Profit Before Deducting Taxes Based on Income	$174,634,600
Provision for Taxes Based on Income:	
U. S. Federal taxes	$ 70,580,075
State taxes	4,164,767
Canadian and other foreign taxes	13,261,745
	88,006,587
Net Profit	$ 86,628,013

GROSS AND NET SALES

CORN PRODUCTS REFINING COMPANY
Consolidated Statement of Income and Earned Surplus

Gross Sales:	
To customers:	
Domestic	$321,245,326
Foreign	5,447,890
	$326,693,216
To foreign subsidiary and affiliated companies	5,661,409
Total	$332,354,625
Less transportation and other sales deductions	28,181,383
Net Sales	$304,173,242
Cost of Sales, including increase of $416,093, in 1956 and decrease of $1,914,350 in 1955 in reserve for reduction of normal inventories to fixed prices—Note 2	$225,060,274
Selling, General and Administrative Expenses	41,452,143
Depreciation	7,064,438
Provision for Additional Compensation under Profit Sharing Plan	344,000
Taxes, other than taxes on income	2,400,208
Total	$276,321,063
Profit from Operations	$ 27,852,179

NATIONAL PRESTO INDUSTRIES, INC.
Consolidated Profit and Loss Account

Gross Sales	$30,815,015
Less sales of facilities to the U.S. Government at cost ($1,569,365.83), discounts, freight, returns and allowances	2,236,872
Net Sales	$28,578,143
Cost of Sales	$19,958,839
Gross Profit	$ 8,619,304

SUNSHINE BISCUITS, INC.
Statement of Income

Gross Sales	$157,986,226
Less discounts and allowances	7,389,552
Net Sales	$150,596,674
Cost of Sales	$ 96,966,973
Gross Profit	$ 53,629,701

UNIVERSAL MATCH CORPORATION
Statement of Consolidated Income

Gross Sales	$32,448,868
Less: Excise and Sales Taxes, Discounts, Returns	1,371,570
Net Sales	$31,077,298
Cost of Goods Sold:	
Materials, Labor and Manufacturing Expenses	$21,925,019
Depreciation and Amortization	549,500
Cost of Goods Sold	$22,474,519
Income From Sales	$ 8,602,779

REVENUES

HARBISON WALKER REFRACTORIES COMPANY
Consolidated Current and Retained Income

Revenues:	
Products sold	$94,672,360
Dividends, interest and other income	376,314
	$95,048,674
Costs:	
Wages, salaries, social security taxes, pensions and insurance (Note 2)	$31,261,894
Materials, supplies and services purchased	34,098,509
Depreciation and depletion	3,173,340
Amortization of certified cost of emergency facilities	3,891,109
Interest	247,359
Foreign, state and local taxes	2,083,066
Federal income taxes	8,598,773
Minority interest in subsidiaries' income	647,513
	$84,001,563
Net Income for the Year	$11,047,111

TIME INCORPORATED
Consolidated Statement of Income

Revenues	
From sales of magazines, advertising and books; radio and television broadcasting; pulp and paperboard; timber, poles and piling; printing plates and scanned negatives; and miscellaneous products and services—less discounts, commissions, allowances, returns, etc.	$229,373,627
Costs and Expenses	
Production, distribution, selling, editorial and general. Note A	204,340,283
Operating Income	$ 25,033,344

OPERATING REVENUE

HEARST CONSOLIDATED PUBLICATIONS, INC.
Statement of Consolidated Income and Surplus

Operating Revenue (less discounts, returns, allowances and provision for uncollectible receivables less recoveries):	
Circulation (including, 1956—$4,690; 1955—$5,933 from affiliated companies)	$ 67,601,725
Advertising (including, 1956—$235,677; 1955—$210,124 from affiliated companies)	122,918,547
Sales of The American Weekly and Puck-The Comic Weekly supplements (including, 1956—$1,245,329; 1955—$1,190,640 from an affiliated company)	6,857,988
Revenue from paper manufacturing operations (including, 1956—$2,212,650; 1955—$1,725,867 from an affiliated company)	11,498,926
Other (including, 1956—$809,640; 1955—$589,382 from operation of radio broadcasting station and 1956—$674,761; 1955—$596,070 from affiliated companies)	2,339,681
Total	$211,216,867
Operating Costs and Expenses:	
Editorial, mechanical, circulation, and advertising departments, and radio broadcasting	$111,822,462
Newsprint and ink	66,219,038
Paper manufacturing	8,980,986
Taxes, other than Federal taxes on income	3,425,383
Provision for depreciation and amortization	2,404,136
Other operating and general expenses (including, 1956—$1,433,482; 1955—$1,155,936 general management assessments by affiliated companies)	16,264,566
Total	$209,116,571
Profit from Operations	$ 2,100,296

STANDARD OIL COMPANY (NEW JERSEY)
Consolidated Statement of Income

Revenue:	
Operating revenue	$7,126,855,410
Dividends, interest, and other revenue	155,027,596
	$7,281,883,006
Deductions:	
Operating charges:	
Purchases of crude oil, petroleum products, and other merchandise	$3,537,516,956
Operating, selling, and administrative expenses	1,867,954,058
Taxes, other than income taxes	139,767,699
Depreciation, depletion, amortization, and retirements	388,257,912
Interest on long-term debt	21,219,603
Other interest	10,762,925
Provision for loss on investments	2,886,654
Provision for income taxes	430,000,000
Income applicable to minority interests in affiliated companies	74,982,280
	$6,473,348,087
Net Income	$ 808,534,919

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.	$7,101,757
Miscellaneous income	97,426
	$7,199,183
Deduct:	
Employees' retirement income plan	$ 879,223
Depreciation	822,129
Interest	487,524
	$2,188,876
Profit before provision for federal income taxes	$5,010,307

THE GARLOCK PACKING COMPANY
Summary of Consolidated Earnings and Earnings Retained for Use in the Business

Earnings from Operations (after depreciation and amortization: 1956, $1,103,901; 1955, $921,071)	$5,972,833
Miscellaneous Charges—net	31,951
Earnings Before Charges for Employee Retirement and Other Benefits, Taxes on Income, and Extraordinary Credit	$5,940,882
Charges for Employee Retirement and Other Benefits (Note 2)	1,138,574
Earnings Before Taxes on Income and Extraordinary Credit	$4,802,308

GENERAL BOX COMPANY
Statement of Consolidated Income and Earned Surplus

Profit from operations before provision for depreciation	$1,341,050
Provision for depreciation	454,466
Profit from operations	$ 886,584

SALES—U. S. GOVERNMENT CONTRACTS

BELL AIRCRAFT CORPORATION
Consolidated Income and Earnings Retained in the Business

Sales—Net (Including billings under CPFF contracts)	$216,033,290

LOCKHEED AIRCRAFT CORPORATION
Consolidated Earnings and Earnings Retained for Use in the Business

Sales and Other Income:	
Sales (including costs and fees under cost reimbursement type contracts)	$742,591,206

COST OF GOODS SOLD AND GROSS PROFIT—PRESENTATION

There continues to be a trend 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 322 companies in the current survey disclosed a separate caption and amount for either cost of goods sold or cost of manufacturing, only 134 companies applied the amount against sales income, resulting in a subtotal either labeled as, or identifiable as, "gross profit." A substantial number of companies (226) 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. Table 2 summarizes the various presentations as shown in the 1956 survey reports.

The survey companies seldom present the opening and closing inventories or net changes in inventories in their annual reports. Only two of the 600 survey companies included opening and closing inventory balances in their 1956 income statements. These companies (*Co. Nos. 113, 128) combined inventories with other total costs in the single-step form of income statement. One additional company 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. No. 381).

Examples illustrating the various methods used in presenting the cost of goods sold and gross profit are as follows:

*Refer to Company Appendix Section.

GROSS PROFIT AS INITIAL ITEM

THE AMERICAN SHIP BUILDING COMPANY
Summary of Consolidated Income and Income Retained for Use in the Business

Gross income after deducting costs and expenses exclusive of expenses shown below	$ 3,338,169
Deduct:	
Administrative and general	$1,107,250
Provision for depreciation and amortization	555,181
Taxes—state, county, and miscellaneous, including payroll taxes	365,141
Workmen's compensation and hospitalization benefits	207,118
Other deductions	23,879
	$2,258,569
	$1,079,600
Add other income	$ 101,052
Income Before Federal Taxes on Income	$1,180,652

THE COCA-COLA COMPANY
Consolidated Profit and Loss Statement

Gross Profit	$153,614,594
Selling, administrative and general expenses	94,926,044
Operating Profit	$ 58,688,550

GENERAL RAILWAY SIGNAL COMPANY
Statement of Consolidated Income

Gross operating income, before deduction of depreciation		$9,707,277
Deduct:		
Depreciation of buildings, machinery and equipment		$ 318,239
Selling, general and administrative expenses		2,986,676
Amortization of past service costs under employees' retirement plan (Note 3)		103,236
		$3,408,151
Net operating income		$6,299,126

THE GRUEN WATCH COMPANY
Consolidated Statement of Income and Retained Earnings

Gross profit on sales	$3,262,869
Selling, advertising, administrative and general expenses	4,527,854
Operating loss	$1,264,985

COST OF GOODS SOLD AND GROSS PROFIT

ALLIED MILLS, INC.
Consolidated Profit and Loss Account

Net Sales	$93,314,323
Cost of Sales	79,316,421
Gross Profit	$13,997,901

TABLE 2: COST OF GOODS SOLD AND GROSS PROFIT

Cost of Goods Sold:	1956	1955	1954	1950
Income Statement Presentation—				
Single total amount for:				
Cost of goods sold (*Co. Nos. 17, 30, 31, 35, 38, 41, 59)	322	314	340	354
Manufacturing cost of goods sold (*Co. Nos. 181, 246, 393, 471)	22	22	18	15
Cost of goods sold together with other costs (*Co. Nos. 7, 29, 44, 50, 54)	226	230	204	175
Cost of goods sold shown in:				
Separate elements of cost (*Co. Nos. 240, 288)	4	5	4	13
Detailed section therefor (*Co. Nos. 78, 281)	2	2	2	2
Total	576	573	568	559
Not shown in statement—				
Initial item is:				
Gross profit (*Co. Nos. 46, 94, 150)	11	14	16	23
Operating profit (*Co. Nos. 65, 219, 249)	11	11	13	15
No income statement (*Co. Nos. 269, 430)	2	2	3	3
Total	24	27	32	41
	600	600	600	600
Gross Profit:				
Income Statement Presentation—				
As initial item of gross profit (*Co. Nos. 94, 279, 436)	12	14	17	25
With single total amount:				
Designated "gross profit" (*Co. Nos. 53, 77, 162, 213, 281)	108	109	108	123
Identifiable as "gross profit" (*Co. Nos. 29, 56, 349)	26	25	24	25
Total	146	148	149	173
Not shown in statement (*Co. Nos. 12, 84, 128, 136, 475, 579)	441	439	435	409
Initial item is operating profit (*Co. Nos. 65, 429, 574)	11	11	13	15
No income statement (*Co. Nos. 269, 430)	2	2	3	3
Total	600	600	600	600

*Refer to Company Appendix Section.

BARKER BROS. CORPORATION
Consolidated Statement of Earnings

Net sales (including sales of leased departments and credit service charges on installment sales contracts)	$42,672,510
Cost of merchandise sold	26,463,913
Gross profit	$16,208,597

BELDING HEMINWAY COMPANY, INC.
Comparative Consolidated Statement of Income

Sales, less returns, allowances and discounts	$22,133,448
Cost of sales, exclusive of depreciation and amortization (Note A)	17,728,426
Gross profit on sales before deducting depreciation and amortization	$ 4,405,022

RAYBESTOS-MANHATTAN, INC.
Consolidated Statement of Earnings and Surplus

Net sales	$84,630,819
Manufacturing cost of sales	63,421,112
Gross profit	$21,209,706

COST OF GOODS SOLD INCLUDED IN COSTS AND EXPENSES

AINSWORTH MANUFACTURING CORPORATION
Summary of Income and Retained Earnings

Net Sales	$22,318,807
Cost of Sales and Selling, General, and Administrative Expenses	22,445,753
Profit (Loss) from Operations	$ (127,046)
Income Charges Less Other Income	51,223
Income (Loss) for the Year Before Provision for Federal Taxes on Income	$ (178,269)

AMPCO METAL, INC.
Statement of Profit and Loss

Net Sales	$13,279,590
Cost of Sales, Shipping, Selling, Research and General and Administrative Expenses	12,026,489
Profit from operations (after provisions of $132,376 and $130,621 for depreciation in the respective periods)	$ 1,253,101
Other Income, less other expense	16,369
Profit before provision for income taxes	$ 1,269,470

THE BUDD COMPANY
Results of Operations

Products sold	$307,829,326
Royalties and miscellaneous income	1,609,168
	$309,438,494
Costs allocated to the year:	
Inventories brought forward from previous year	$ 45,076,035
Materials, supplies, services purchased, etc.	159,443,717
Payrolls and other employment costs	119,740,300
Depreciation of plant and equipment	7,130,799
Property taxes, interest and rents	4,211,948
	$335,602,799
Deduct—Inventories carried forward to next year	45,029,579
Total costs allocated to the year	$290,573,220
Profit before taxes on income	$ 18,865,274

MIDWEST RUBBER RECLAIMING COMPANY
Statement of Operations and Disposition of Profit

Sales of Reclaimed Rubber, less freight allowed to customers	$8,928,224
Costs and Expenses:	
Scrap rubber and manufacturing supplies	$2,833,402
Factory payrolls and company contributions for employee benefits	2,888,837
Portion of cost of manufacturing facilities allocated to operations (depreciation) (Note 1)	444,569
Power, maintenance supplies, and other factory expenses	976,251
Administrative and sales salaries and other benefits	558,958
Other administrative and sales expenses	479,186
Interest expense (net)	48,794
Sales of waste materials and miscellaneous income	(34,535)
Cost of reclaimed rubber manufactured and other business expenses	$8,195,462
Decrease (or increase) in inventory of reclaimed rubber during year	(723,925)
Total Costs and Expenses	$7,471,537
Profit Before Estimated Federal Income Taxes	$1,456,687

COST OF MATERIALS—PRESENTATION

Of the 600 survey companies 170 referred to the cost of materials in their 1956 reports. The most common presentation was in the income statement (used by 64 companies). The methods of presentation used by the survey companies to show the cost of materials in their 1956 reports are summarized in Table 3.

Examples

Examples illustrating the various methods of presentation of cost of materials in the income statement are as follows:

ALAN WOOD STEEL COMPANY
Statement of Consolidated Income and Retained Earnings

Income:	
Net sales and operating revenues	$69,330,353
Other	88,812
	$69,419,165
Costs and Expenses:	
Employee costs:	
Wages and salaries	$21,679,489
Pensions, group insurance and supplemental unemployment benefits (Note 8)	1,195,156
Social security taxes	636,470
	$23,511,115
Materials and services purchased	$35,305,019
Provision for wear and exhaustion of property, plant and equipment (Note 2)	4,676,619
Gain on property sold or retired	(118,439)
Interest on term indebtedness	167,646
Miscellaneous taxes	546,478
	$64,088,438
Income Before Provision for Income Taxes	$ 5,330,727

TABLE 3: COST OF MATERIALS

Presentation in Income Statement:	1956	1955	1954	1950
With single total amount for—				
Materials and services purchased (*Co. Nos. 10, 290, 363, 447)	20	23	17	15
Materials purchased (*Co. Nos. 278, 381, 444, 517, 518, 520, 544)	10	6	9	6
Materials used (*Co. Nos. 240, 287)	3	5	7	3
Materials, together with other costs (*Co. Nos. 26, 92, 189, 272, 300, 421, 533)	31	23	21	22
Total	64	57	54	46
Disclosed Elsewhere in Report:				
In notes to financial statements (*Co. No. 43)	1	1	4	2
In uncertified statements or schedules (*Co. Nos. 221, 319, 315, 322, 401, 577)	58	66	75	91
Total	59	67	79	93
In Graphic Presentation—				
With dollar amount shown therein (*Co. Nos. 29, 69, 193, 201, 284, 400)	12	21	16	18
With dollar amount not shown therein (*Co. Nos. 102, 243, 256, 276, 395, 445)	35	49	43	66
Total	47	70	59	84
Number of Companies				
Referring to material costs	170	194	192	223
Not referring to material costs	430	406	408	377
	600	600	600	600

*Refer to Company Appendix Section.

FOREMOST DAIRIES, INC.
Statement of Consolidated Income

Net Sales	$382,395,852
Other Operating Income	1,577,707
Total	$383,973,559
Cost and Expenses:	
Cost of materials	$236,555,601
Manufacturing labor and expense	34,178,715
Selling and delivery expense	70,594,082
General and administrative expense	16,260,619
Total	357,589,017
Profit From Operations Before Depreciation and Amortization	$ 26,384,542

GRANITE CITY STEEL COMPANY
Consolidated Statement of Operations

Operating income:	
Gross sales, less discounts, returns, and allowances	$137,131,233
Operating expenses:	
Cost of products sold, including materials, wages and salaries, property taxes, and other manufacturing expenses	$ 95,504,233
Provision for depreciation (Note 1)	5,042,814
Selling, administrative, and general expenses	3,988,739
Interest expense	1,363,456
	$105,899,242
Income from operations	$ 31,231,991

TIDEWATER OIL COMPANY
Statement of Income

Revenue:	
Sales and other operating revenue	$522,556,000
Dividends, interest and other income	3,258,000
Total revenue	$525,814,000
Costs, Expenses and Taxes:	
Purchased crude oil, petroleum products and merchandise	$243,225,000
Operating, selling and administrative expenses	177,439,000
Employees' pension and thrift plans	4,575,000
Taxes, other than federal income taxes	13,837,000
Depreciation, depletion and dry hole losses	33,856,000
Amortization of undeveloped leasehold costs	6,358,000
Interest	5,234,000
Federal income taxes estimated	3,300,000
Total costs, expenses and taxes	$487,824,000
Net Income	$ 37,990,000
Less: Dividends on preferred stock	2,995,000
Net Income Applicable to Common Stock	$ 34,995,000

UNITED STATES GYPSUM COMPANY
Statement of Earnings

Income:	
Net sales	$265,001,168
Income from securities	1,416,982

Royalties and miscellaneous income (net)	645,253
Total income	$267,063,403
Deductions:	
Cost of products sold—	
Plant wages and salaries	$ 48,178,198
Materials, services and other costs	108,756,849
Provision for depletion and plant depreciation	7,234,392
Total	$164,169,439
Selling, general and administrative expenses	25,731,313
Total costs and expenses	$189,900,752
Earnings Before Taxes on Income	$ 77,162,651
Federal and Canadian taxes on income	36,549,000
Net Earnings	$ 40,613,651

EMPLOYMENT COSTS—PRESENTATION

Wages or employment costs were presented in the income statements by only 45 of the 600 survey companies. Some 224 companies presented their employment costs either in 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 their income statements also referred to pension costs (*Co. Nos. 74, 84, 148, 154, 589). Four companies showed pension costs as "past-service" costs (*Co. Nos. 70, 148, 299, 406). Some companies referred to profit sharing costs (*Co. Nos. 89, 447, 486) and/or incentive compensation (*Co. Nos. 12, 98, 142, 305, 308).

In addition to the pension or retirement plans mentioned above, many companies referred to other employee welfare plans. These plans 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.

The various methods of presentation of employment costs used by the survey companies in their annual reports are summarized in Table 4.

Examples

The following examples illustrate the various presentations of employment costs found in the 1956 reports:

ATLAS POWDER COMPANY
Statement of Earnings
Costs and expenses:
Wages, salaries and other employment costs $20,695,650

*Refer to Company Appendix Section.

TABLE 4: EMPLOYMENT COSTS

Presentation in Income Statement:	1956	1955	1954	1950
With single total amount for—				
Wages and salaries (*Co. Nos. 136, 290, 324, 388, 589)	11	9	12	13
Wages, salaries, and employee benefits (*Co. Nos. 70, 101, 128, 148, 282)	14	16	14	13
Wages and salaries together with certain unrelated costs (*Co. Nos. 29, 84, 454, 488, 506)	11	14	12	10
In separate section detailing employee costs (*Co. Nos. 62, 78, 154, 463)	9	11	8	6
Total	45	50	46	42
Disclosed Elsewhere in Report:				
In notes to financial statements (*Co. No. 43)	1	3	3	3
In uncertified statements or schedules (*Co. Nos. 88, 108, 125, 560, 591)	143	153	148	151
In letter to stockholders (*Co. Nos. 206, 237, 273, 477, 551)	26	18	24	25
Total	170	174	175	179
In Graphic Presentation—				
With dollar amount shown (*Co. Nos. 181, 277, 313, 495, 593)	19	23	17	17
With dollar amount not shown (*Co. Nos. 34, 256, 284, 320, 536)	35	29	38	54
Total	54	52	55	71
Number of Companies				
Showing employment costs	269	276	276	292
Not showing employment costs	331	324	324	308
	600	600	600	600

*Refer to Company Appendix Section.

BRISTOL-MYERS COMPANY
Results of Operations

Income:	
From sales of products	$89,403,544
From other sources	1,751,482
	$91,155,026
Expenses:	
Labor, goods and services cost us	$77,465,653
We deducted for wear and aging of facilities	1,844,775
Interest on debentures	387,930
Miscellaneous losses and expenses were	515,136
Income taxes cost us	5,355,364
Making total expenses of	$85,568,858
This left net earnings of	$ 5,586,168
Less the dividend on preferred stock	210,063
Earnings remaining for holders of common stock amounted to	$ 5,376,105
Which on a per share basis is equivalent to	$3.55
Common Shares outstanding December 31	1,514,000

THE COLORADO FUEL AND IRON CORPORATION
Consolidated Income and Surplus

Costs and Expenses:	
Employee costs:	
Wages and salaries	$123,026,897
Pensions, social insurance and other employee benefits	7,924,611
	$130,951,508

CONTINENTAL BAKING COMPANY
To Our Stockholders: Comparative Analysis of Operations—

Net sales to customers	$284,206,892	100.00%
Cost of ingredients and wrapping supplies	$113,460,071	39.92%
Wages and salaries (other than officers' and directors' salaries)	96,396,923	33.92%
Contributions to Company Pension Fund	110,918	.04%
Contributions to Union Employees' Health and Welfare and Pensions Funds	2,157,532	.76%
Contributions to Employees' Group Insurance	458,211	.16%
Salaries of all officers and directors	733,792	.26%
Advertising	11,809,416	4.16%
Depreciation	4,388,962	1.54%
All Federal, State, and local taxes	14,772,979	5.20%
Interest	889,608	.31%
Repairs and renewals	3,323,066	1.17%
All other manufacturing, operating, selling, and administrative expenses	27,905,651	9.82%
Loss (Gain) on disposal of plant and equipment	174,765	.06%
Miscellaneous income	(83,694)	(.03%)
Amortization of Goodwill	196,269	.07%
Sub-Total	$276,694,469	97.36%
Leaving Net Profit	$ 7,512,423	2.64%

CONTINENTAL OIL COMPANY

General Review: Payrolls—During 1956 the Company paid $64.4 million in wages, salaries, and benefits. Wages and salaries amounted to $58.8 million, an increase of 11% over 1955. Contributing to this increase was a 6% general pay raise granted to all employees on February 1, 1956. Company contributions under various employee benefit plans in 1956 amounted to $5.6 million, or 9.5% of wages and salaries.

DREXEL FURNITURE COMPANY

To the Stockholders of Drexel Furniture Company: The year 1956 has been a good one for Drexel employees. Payrolls were $9,490,000, an increase of 18% over 1955. Profit-sharing payments to hourly-rated employees totaled $944,556, exceeding all past records. This was equivalent to approximately eight weeks' straight-time pay for our nonsalaried employees. The profit-sharing plan is considered a potent factor in the employer-employee relationships which your Company has enjoyed for the past six years.

W. T. GRANT COMPANY

To the Stockholders: Personnel and Organization—At the year end, there were approximately 27,800 employees including part-time people. This compares with 24,600 last year.

Salaries and wages for 1955 amounted to $59,759,495 which is $6,297,587 above 1954. In addition, other employee benefits amounted to $3,636,172, compared to $3,554,382 in 1954. Included in the other benefits, there was $1,195,878, contributed by the Company to the retirement plan, compared with $1,383,414 for 1954; and $1,809,317, compared with $1,585,308 for 1954, of social security taxes paid to various state and the federal governments for future employee benefits.

Thus, for 1955, salaries, wages, and other benefits amounted to $63,395,667 or 11.2% above the $57,016,290 in 1954. The 1955 amount was equivalent to 18.0 cents of each sales dollar, which is the same as in 1954. During 1955, the Company made better progress in controlling this expense element by procedure simplification and control of pre-opening payrolls at new stores.

RADIO CORPORATION OF AMERICA
Consolidated Earnings

Cost of Operations:	
Wages and salaries (Note 2)	$390,025,232
Pensions, social security taxes, insurance and other employee benefits (Note 3)	26,638,125
Total Employment Costs	$416,663,357

Note 3: RCA Retirement Plan—Under the RCA Retirement Plan, the Corporation contributed to funds held for the benefit of employees by a bank acting as trustee and an insurance company: (a) $8,357,521 for employee service in 1956 and (b) $523,925 for benefits based upon employee service prior to 1956. The estimated unfunded cost of past service benefits at December 31, 1956 was $3,700,000.

UNITED ENGINEERING AND FOUNDRY COMPANY

Annual Report: Employee Relations—During the year of this report, our employees received in wages and salaries and the Company expended for their benefit, the following:

Wages and Salaries	$25,910,263
Contribution to Retirement Plan	$ 909,416
Group Insurance Plan; Federal Old Age Benefit Contribution; Unemployment Insurance and Supplemental Unemployment Benefits	$ 1,002,159
Total	$27,821,838

WESTERN ELECTRIC CORPORATION
Consolidated Statements of Operations and Income Retained in the Business

Cost Applicable to Income:	
Wages and Salaries	$589,434,419
Employee insurance, pensions and social security taxes	44,127,372

PENSION AND RETIREMENT PLANS

The 600 survey companies included 376 which indicated that there were pension or retirement plans in operation during 1956; the remaining 224 companies made no reference to the existence of such plans. Ten of the survey companies stated in their 1956 reports that they had adopted new pension plans during the year (*Co. Nos. 7, 84, 106, 339, 343, 400, 483, 495), and forty-four companies disclosed new plans which either supplemented or replaced pension plans previously in effect (*Co. Nos. 102, 135, 142, 172, 179, 190, 202, 343, 479).

Thirty-five other companies that had referred to pension plans in a prior year made no reference to such plans in their 1956 reports. Approximately 64% of the plans mentioned in the 1956 reports were described as being funded or partially funded. Approximately 9% of the plans were stated to be unfunded; the remaining 27% gave no descriptive information.

Of the 376 companies mentioning pension plans in their 1956 reports, only 286 disclosed the related costs. Pension plan costs were disclosed in the notes to financial statements in 166 instances (*Co. Nos. 19, 289, 391, 525, 546); 101 instances in the income statement (*Co. Nos. 82, 154, 341, 372, 494, 591); 9 instances in uncertified supplementary schedules (*Co. Nos. 64, 312, 422, 496, 521); and 45 instances in the letter to stockholders or financial review (*Co. Nos. 30, 43, 107, 179, 518, 569).

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 1956 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 1956 reports.

Examples

The following examples illustrate the various presentations and data applied by the survey companies in their 1956 annual reports concerning pension and retirement plans:

Revised Pension Plans

ALLEGHENY LUDLUM STEEL CORPORATION
Notes to Financial Statements

Note 7: Retirement Plans—The corporation and one of its subsidiaries have non-contributory pension plans covering their hourly rated and salaried employees. In a labor agreement, dated August 5, 1956 covering most hourly rated employees, the corporation agreed to continue the plan for its hourly rated employees with additional amendments from November 1, 1957 to October 31, 1959, subject to approval of the stockholders. Contributions to the respective pension trusts established pursuant to the above plans amounted to $3,480,615 for the cost of current service and $612,565 for the equivalent of interest at 2½% per annum upon the unfunded costs of past service.

The corporation and two of its subsidiaries contributed $554,513 to an insured group annuity retirement plan for all salaried employees.

Another subsidiary contributed $306,830 representing a portion of its earnings to an Employees' Security Fund for the benefit of its officers and employees upon their retirement, death, disability, or termination of employment.

AMERICAN VISCOSE CORPORATION
Notes to Financial Statements

Notes to Financial Statements: Retirement Plan—During 1956 the Corporation made substantial revisions in the Retirement Plan. The Plan covers all employees age 25 and over with two years service and provides retirement benefits commencing at age 65 or at an earlier age if the employee elects to retire after age 55 and after completing 15 years service.

The Plan continues the benefits previously provided, that is, the pensions financed solely by the Corporation for service prior to December 26, 1943 and the deferred annuities purchased by the Corporation and by the employees for service between that date and January 1, 1956. The principal features of the amended Plan are outlined below.

HOURLY-RATED EMPLOYEES

The Plan for the hourly-rated employees in the Rayon and Acetate Divisions was amended as a result of negotiations with the Textile Workers Union of America, AFL-CIO. Employees were given the right to withdraw their contributions made prior to January 1, 1956 with loss of benefits purchased by such contributions. After that date, benefits, at the rate of $1.75 per month for each year of service to January 1, 1961 and thereafter at 55/100ths of 1% of annual earnings, are financed solely by the Corporation. Employees who did not withdraw their contributions will receive benefits of not less than $1.75 for each year of service prior to January 1, 1956.

Also as a result of negotiations with the same Union, the Non-contributory Retirement Plan for hourly-rated employees of the Cellophane Division, which was adopted January 1, 1952, was improved and extended for 10 years from January 1, 1958. The benefits under the amended Plan are substantially the same as those provided for the hourly-rated employees of the Rayon and Acetate Divisions.

The Union agreements provide that the Retirement Plan will not be subject to collective bargaining for 10 years from the effective dates of the foregoing amendments.

SALARIED EMPLOYEES

Salaried employees are covered by the fully contributory part or the partially contributory part of the Plan in accordance with their election. These employees were permitted to withdraw their contributions on their first $5,000 of annual earnings with a resulting reduction in benefits. For service beginning January 1, 1956 the annual benefit commencing at age 65 under the fully contributory part for employees who did not withdraw their contributions is equal to 1¼% of the first $350 of monthly earnings and 2% of the excess amount. For each year of service prior to January 1, 1956 such employees with respect to their first $350 of monthly earnings on that date will receive a benefit of not less than 6/10ths of 1% of such earnings or $1.80 per month, whichever is greater. The employee contributes 3% of the first $350 of monthly earnings and 5% of the amount in excess thereof. The Corporation pays the balance of the cost. The benefits and contributions under the partially contributory part are similar to those of the fully contributory part except that employees make no contribution on the first $350 of monthly earnings and on such earnings will receive a smaller benefit, namely $1.80 per month or 6/10ths of 1% of such earnings, whichever is higher. Employees who withdraw their contributions will not receive the minimum benefits described above for service prior to January 1, 1956.

In the event of death before retirement, the employee's beneficiary receives his contributions with interest except that if the employee dies before retirement but after 10 years membership in the Plan and after attaining age 55, his beneficiary will receive for a period of 10 years the retirement benefits which accrued with respect to the employee's earnings in excess of $4,200 per year after the original plan was adopted, in the same amount the employee would have received had he elected early retirement on the date of his death plus his contributions with interest applicable to the first $4,200 of his annual earnings. If the employee dies within 10 years immediately following his retirement, his beneficiary will receive for any remaining part of such 10-year period the retirement benefits which accrued with respect to his earnings in excess of $4,200 per year after the original plan was adopted, plus the balance of his contributions with interest, attributable to the first $4,200 of his annual earnings.

VESTED RIGHTS FOR ALL EMPLOYEES

After 10 years membership in the Plan, employees have a vested right to the benefits financed by the Corporation for service after

*Refer to Company Appendix Section.

TABLE 5: PENSION AND RETIREMENT PLANS

	Charge to Income Set Forth For*:						
	Current and Past Service Costs:						
Funded or Partially Funded Plans:	Shown Combined	Shown** Separately	Current Service Costs	Pension Costs	Pension Costs With Other Expenses	Charges Not Set Forth	Total 1956 Plans
Current funding of current service costs with installment funding of past service costs	49	50	5	24	4	9	141
Current funding of current service costs with funding completed for past service costs	2	3	7	4	—	4	20
Current funding of current service costs with past service costs not to be funded	—	1	1	1	1	1	5
Basis of funding not disclosed	8	8	8	51	2	23	100
Total	59	62	21	80	7	37	266
Unfunded plans with related costs to be absorbed at time of retirements or as benefits are paid	6	4	5	8	2	11	36
Unidentified plans with no reference made to funding or nonfunding of related costs	3	1	2	44	17	44	111
Total	68	67	28	132	26	92	413
**Charge to Income Set Forth In*:							
Statement of income	14	8	11	55	13	—	101
Notes to financial statements	50	52	16	45	3	—	166
Uncertified supplementary schedule	—	1	—	3	5	—	9
Letter to stockholders	4	6	1	29	5	—	45
Charges Not Set Forth For:							
Funded pension or retirement plans	—	—	—	—	—	37	37
Unfunded pension or retirement plans	—	—	—	—	—	11	11
Unidentified pension or retirement plans	—	—	—	—	—	44	44
Total	68	67	28	132	26	92	413

Number of Companies:	1956
Referring to pension or retirement plans:	
Disclosing related costs	286
Not disclosing related costs	90
Total	376
Not referring to pension or retirement plans	224
	600

Number of Pension or Retirement Plans:	1956
Adopted during year	15
Amended during year	48
Continued as adopted in prior year	350
Total	413

**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.

December 26, 1943 and after 15 years membership for service before that date, except that employees who withdraw their contributions will not have a vested right to such benefits until they have attained age 40 and completed 20 years service. Employees hired after January 1, 1956 do not have such a vested right until they have reached age 50 and have completed 20 years of service.

Cost of Plan

The estimated cost to the Corporation to provide the retirement benefits described above for service prior to January 1, 1956 is about $7 million, no part of which has been funded at December 31, 1956. The Corporation expects to fund this liability over a period of years during which the annual contributions should be deductible for income tax purposes. A provision of $2,325,000 including provisions for past service cost was charged to operations in 1956.

H. J. HEINZ COMPANY
Notes to Financial Statements

Note 4: Retirement Systems—As of December 31, 1955, the company amended its pension plan, including certain revisions in the basis for computing past service benefits, with the result that past service costs were increased by $2,283,398, as actuarially determined. Such costs are being funded over ten years and $2,055,058 had not been provided for at May 2, 1956.

The amount charged to income by the company and its consolidated subsidiaries for the year aggregated $1,440,000 with respect to past service and current service cost.

Trusteed Pension Plans

DEERE & COMPANY
Consolidated Balance Sheet
Liabilities:
Reserves for pensions, insurance, and foreign exchange (Note 5) $20,150,000

Note 5: Past service costs of a noncontributory pension plan established in 1908, as amended, which have not been funded or provided for in the reserve for pensions or otherwise, were approximately $15,600,000 at October 31, 1956 and $23,500,000 at October 31, 1955. The decrease in the net amount of the past service costs resulted principally from a special provision of $7,500,000 credited to the reserve for pensions.

During 1956 and 1955 the Companies paid $7,369,516 and $5,810,026, respectively, to the pension trusts and pensioned employees to cover past and current service requirements of the Plan. Of the amounts paid, $5,532,638 in 1956 and $4,855,894 in 1955 were charged against income in those years, and the remainder was charged against pension reserves previously created from income.

OWENS-ILLINOIS GLASS COMPANY

Chairman's Letter: Retirement Plans—Owens-Illinois has four retirement plans.

The Service Retirement Plan adopted in 1942 by Owens-Illinois covers substantially all employees of the Company (except those who came to us from National) at no cost to them. It provides modest retirement benefits based on years of service. Under this plan there are 1,043 retired employees receiving annuities.

The Contributory Retirement Plan adopted by Owens-Illinois in 1941 covers 4,104, or 64 per cent of all salaried employees (except former employees of National). Virtually all who are eligible are participating in the plan. The participants share the cost with the Company. The cost and also the benefits are related to the earnings of the employee. At the close of the year, 197 persons had retired and were receiving annuities under this plan. Both of these plans are believed to be fully funded.

National Container Corporation had two retirement plans, which are being continued for employees of the Mill and Multiwall Bag Divisions of Owens-Illinois and for employees of National Container Corporation (Ohio).

One of these, the Retirement Pension Plan adopted in 1944, covers all salaried employees who have completed five years of service. There were 530 salaried employees participating in this plan at year end. Retirement benefits under this plan are equivalent to a percentage of the employee's average annual earnings during the five years of service immediately prior to retirement. At year end, 32 members had retired and were receiving annuities.

The other, the Retirement Income Plan adopted in 1947, covers hourly employees and salesmen. It provides retirement benefits based on each participant's annual compensation. At year end, there were 1,662 participants in this plan, and 106 retirees receiving annuities. It is believed that the unfunded portion of these two plans is approximately $400,000.

The Company's payments under all four plans are fully deductible for Federal income tax purposes. Directors who are not officers of the Company are not eligible to participate. The Chairman of the Board and the President, although eligible, have elected not to participate.

Payments to the Trustees under all four plans are shown in the Annual Report of Retirement Funds on the following page.

Report of Retirement Funds for Year 1956: (Combines all four funds)—

	1956	Total Accumulations 1941-1956
Payments into Funds by Company	$2,901,962.26	$35,930,851.81
Payments into Funds by employees	1,035,880.00	7,384,682.41
Income, including gain or loss on investments disposed of, etc.	1,926,984.46	11,513,082.48
Additions to Funds	5,864,826.72	54,828,616.70
Disbursements and Administrative expenses, etc.	1,118,015.94	5,492,661.83
Total	$4,746,810.78	$49,335,954.87

Composition of Funds:

Cash and accrued interest and dividends	$ 656,273.15
U. S. Government securities (amortized value)	27,409,006.91
Corporate securities (amortized value)	5,842,802.34
Preferred stocks, at cost	342,108.16
Common stocks, at cost	8,749,504.12
Real estate (net after depreciation)	2,947,344.86
Reserve value of annuity insurance policies (on lives of participants)	3,388,915.33
Total	$49,335,954.87

Note: Includes the following which are applicable to employees of the Mill and Multiwall Bag Divisions and National Container Corporation (Ohio) and subsidiaries—1956 payments into funds—$602,297; total of funds—$3,629,813.

UNITED STATES STEEL CORPORATION

Consolidated Statement of Income

Products and services sold	$4,228,877,241
Costs:	
Employment costs:	
Wages and salaries	$1,455,616,321
Pensions and other employee benefits	225,352,981
	$1,680,969,302

Chairman's Letter: Cost of Employee Benefits—Sums provided by U. S. Steel to cover the costs of pensions, social security taxes, insurance and other employe benefits in the year 1956 is as follows:

Pensions costs	
Non-contributory part of pension plan	
Funding of current service cost (including interest on past service cost)	$ 79,800,389
Funding of portion of past service cost	38,000,000
Contributory part of pension plan—current service cost	7,406,294
Total for pensions	125,206,683
Social security taxes	39,747,127
Insurance costs	25,117,691
Payments to industry welfare and retirement funds and other employe benefit costs	35,281,480
Total cost of employe benefits	$225,352,981

PENSION TRUSTS

The amounts included above for the current service costs of pensions are determined by an independent actuary as the present value of that part of prospective future pensions to which present employes, as a group, may become entitled by reason of service rendered during the year. The amount for past service cost applies against the actuarial cost of non-contributory pensions for service rendered prior to March 1, 1950, the effective date of the present plan.

The cost which had not been funded at that date was then estimated at $496 million, of which $259 million has since been provided to December 31, 1956. There is no unfunded past service cost in connection with contributory pensions, since no service prior to the date of employe participation is involved in determining benefits.

Funds to cover the total pension costs set forth in the statement above for the year, as well as similar costs reported in prior years, have been regularly paid into contributory and non-contributory pension trusts. United States Steel and Carnegie Pension Fund (a nonprofit Pennsylvania membership corporation organized following the start in 1911 of U. S. Steel's pension plan) is the trustee of these pension funds. The members and directors of such corporation, except for three of its officers, are all officials of U. S. Steel.

The assets, less reserves, of the combined pension trusts were $894.7 million at December 31, 1956, and $760.4 million at December 31, 1955, as set forth in the statement appearing on page 39. These funds are held by the trustees solely for the payment of benefits under the U. S. Steel pension plan and are not a part of the assets of U. S. Steel.

PENSION BENEFITS

Under the U. S. Steel pension plan, pensions were granted during 1956 to 3,391 retiring employes. At the end of the year there were 24,520 former employes receiving pensions as compared with 22,860 at the end of 1955. Pension benefits paid to retired employees in 1956 were $18.7 million.

Profit Sharing

HELENE CURTIS INDUSTRIES, INC.

Consolidated Balance Sheet

Current Liabilities:

Employees' profit sharing retirement plans	$473,959

Consolidated Statement of Earnings

Other Deductions:	
Contributions to employees' profit sharing plans	$468,482
Interest expense	63,239
Loss on sale of equipment	3,386
Miscellaneous	5,118
	$540,225

Notes to Financial Statements: As at July 1, 1956, the Company leased from the Employees' Profit Sharing Retirement Plan, factory and warehouse property located at Barry Avenue and Pulaski Road in the City of Chicago. This lease is for a term from July 1, 1956 to December 31, 1966 at a monthly rental of $2,705.55. In addition, real estate taxes, insurance and maintenance are paid by the Company. The cost of this property to the Employees' Profit Sharing Retirement Plan was $225,000.

In January 1956, the Company entered into an agreement with the Employees' Profit Sharing Retirement Plan for a license to use the trademark "Kings Men" and the formulae for products manufactured and sold thereunder. This license is exclusive until January 1, 1971. Initial royalties payable to the Plan are 2½% of net sales and decline to 1% of net sales for 1964 and subsequent years with minimum royalties declining from $138,000 in 1956 to $75,000 in 1970. There are no minimum royalties after 1970. The Company has executed a consent to an assignment of a portion of the royalties to holders of notes issued by the Plan in connection with its purchase of the trademark and rights in connection therewith, and has agreed to pay the assigned amounts directly to the note holders on the due dates thereof.

In March 1956, the Company entered into an agreement with the Employees' Profit Sharing Retirement Plan for a license to use certain patents and trademarks (the best known of which is "Stop ette") and formulae for the products manufactured and sold thereunder. This license is exclusive until January 1, 1967. Initial royalties payable to the Plan are 2½% of net sales and decline to 1% of net sales in 1964 with minimum royalties of $150,000 for each calendar year through 1965 and $65,000 for the calendar year 1966. There are no minimum royalties after 1966. The Company has executed a consent to an assignment by the Plan of the sum of $138,000 per year out of the royalties and has agreed to pay the assigned amounts directly to the assignee.

IRONRITE, INC.
Consolidated Statement of Operations

Deductions from income (including $177,-989.27 for depreciation of plant and equipment):	
Cost of products sold	$3,854,026.43
Selling, administrative, and general expenses	1,467,530.63
Contribution to employees' profit-sharing retirement trust	19,995.47
Miscellaneous other deductions	16,961.95

Note C: Employee Retirement Plans—The Corporation has in effect pension plans for hourly-rated and salaried employees. The estimated annual cost of the plans under present conditions is $95,000.00, including amortization of past-service costs over a thirty-year period. Unfunded past-service costs as of December 31, 1956, approximated $440,000.00.

The Corporation also has a profit-sharing retirement plan for salaried employees under which the Corporation's contributions are based upon its annual earnings, as defined, but limited to 15% of the aggregate annual compensation of the participants.

Group Annuity

INLAND STEEL COMPANY

President's Letter: Employee Benefits Cost $14.6 Million—A total of $14,616,485 was expended by the Company in 1956 for the various employee benefits detailed in the table on page 19. This was equivalent to 25.2 cents per hour.

At year end, the Inland Steel Company Pension and Past Service Trusts had combined assets with a market value of $45,366,596, of which 54 per cent was in fixed-income securities and 46 per cent in common stock. In addition, the Equitable Life Assurance Society held about $37,000,000 of employee and Company funds paid in under the Group Annuity Plan.

Cost of Employee Benefits:

Group Insurance Costs	$ 2,697,054
Company Pension Contributions—	
Under Contributory Annuity Plan	1,873,201
To Non-Contributory Pension Trust	5,507,018
Payments to Industry Welfare and Retirement Funds	590,290
Social Security and Unemployment Compensation Taxes	3,342,753
Provision for Supplemental Unemployment Benefit Plan costs	606,169
Total Cost of Employee Benefits	$14,616,485

Unfunded Plan

AMERICAN BANK NOTE COMPANY
Consolidated Balance Sheet
Assets:

Investments of Subsidiary Company Appropriation for Employees' Pensions:	
Securities, at cost (market $368,200 and $381,-000)	$390,722
Cash	138,854

President's Letter: The provision for pensions in 1956 amounted to $688,720, as compared with $615,555 in the previous year. This increase was largely due to the fact that the formal trusteed plan of one of our subsidiaries, referred to in last year's report, was in effect only during the second half of 1955. It is contemplated that a similar trusteed plan for our other subsidiary will replace its present informal pension program this year.

Past Service Funding Not Completed or Not Required Under Funded Plans

GERBER PRODUCTS COMPANY
Notes to Financial Statements

Note D: Employees' Retirement Plan—The Company's liability for past services under the plan, which is being funded over a period of ten years, amounted to approximately $243,000 at March 31, 1956. The cost of the plan to the Company, including payments for past services, amounted to $504,368 for the year ended March 31, 1956.

KAISER ALUMINUM & CHEMICAL CORPORATION
Notes to Financial Statements

Note 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 contributory and non-contributory on the part of the various employees. For the year ended May 31, 1956 the cost of the plans to the companies was approximately $3,600,000, including $470,000 for past-service benefits. As of May 31, 1956 the unfunded portion of the past-service benefits relating to the plans was approximately $6,800,000 which benefits the Corporation anticipates funding with interest over a period of eighteen years from June 1, 1956.

MALLORY-SHARON TITANIUM CORPORATION
Statement of Income

Costs and expenses:	
Cost of goods sold	$21,671,785
Cost of employees' pension and insurance program (Note 5)	412,470
Provision for depreciation and amortization	806,624
Research and development expenses, including $551,285 under government contracts	1,655,873
Selling, administrative and general expenses	1,006,581
Interest expense	261,256
	$25,814,589

Note 5: Effective January 1, 1956 the company adopted (1) a non-contributory pension plan for all employees paid on an hourly basis, and (2) a contributory retirement plan for all salaried employees. The plans provide for normal retirement at age 65. Assets which had been accumulated in the trust funds of Sharon Steel Corporation for employees who were transferred to Mallory-Sharon Titanium Corporation were segregated and deposited as at January 1, 1956 in trust funds of Mallory-Sharon Titanium Corporation. During 1956 income was charged with $295,275 representing $122,576 for current service costs and $172,699 for past service costs.

Under the provisions of the respective plans, the company is required in general to make annual payments to the trust funds which when considered with previous payments shall be sufficient to pay the costs of pensions previously granted. Payments to the trust funds and charges to income in respect of past service liability are made at the discretion of the company.

STAHL-MEYER, INC.
Notes to Financial Statements

Note 4: Effective October 29, 1954 the Board of Directors approved the adoption of a voluntary contributory retirement plan to provide retirement benefits for substantially all of its salaried employees. Under the terms of this plan, for which a trustee has been appointed, the Company has undertaken to pay for the entire cost of past service (service from age 40 to October 29, 1954) benefits and to contribute that part of the cost of current service benefits not met by employees' contributions. The Company's annual past service contribution must be not less than the amount required, when added to previous years' past service contributions, to equal the amount computed by multiplying 4 per cent of the initial cost of past service benefits, estimated by the Company's actuary at $177,158, by the number of years since the effective date of the plan. Contributions in respect of past service have aggregated $14,172 to October 26, 1956. The Company charges the annual cost of the plan, $30,474 in 1956, to earnings of the year.

While it is intended to continue the plan indefinitely, the Board of Directors may suspend payments or terminate the plan at its discretion.

AMERICAN MACHINE & FOUNDRY COMPANY

Statement of Source and Disposition of Funds

	1956	1955
Source of Funds:		
Net earnings	$ 8,975,676	$ 4,774,016
Depreciation and amortization	8,351,369	6,080,241
Federal income taxes deferred	555,000	676,000
Sale of common stock	171,754	6,322,437
Long term borrowings	38,242,042	13,650,000
Cash held by subsidiaries when acquired	320,049	245,118
Total	56,615,890	31,747,812
Disposition of Funds:		
Leased machines	22,668,810	10,869,315
Property, plant and equipment	5,820,155	3,988,498
Patents and developments capitalized	1,850,376	800,856
Preferred stock redeemed	267,051	163,486
Long term debt paid or transferred to current liabilities	8,783,219	5,332,500
Dividends paid	3,218,001	2,844,884
Increase in working capital other than cash	6,274,543	7,454,016
Other items—net	414,958	286,722
Total	49,297,113	31,740,277
Increase in Cash	$ 7,318,777	$ 7,535
Cash:		
At beginning of year	$10,481,595	$10,474,060
At end of year	17,800,372	10,481,595
Increase (as above)	$ 7,318,777	$ 7,535

UNITED MERCHANTS AND MANUFACTURERS INC.
Notes to Financial Statements

Note 6: The Pension Plan of the Corporation and its subsidiaries, effective May 28, 1942, and amended through May 28, 1953, covers all eligible employees of the Corporation and subsidiary companies which have adopted the Plan. The entire cost of the Pension Plan is borne by the Corporation and its subsidiaries. The unfunded cost of past service benefits at June 30, 1956 was approximately $1,179,-000. The Corporation, which is not contingently liable under the Plan, does not presently contemplate funding the cost of past service benefits.

DEPLETION

Annual Charge

An annual charge for depletion was disclosed by 107 survey companies in the 1956 reports. An additional 9 companies presented accumulated depletion accounts in their balance sheets but made no reference to an annual depletion charge in their income statements (*Co. Nos. 138, 249, 288, 294, 416, 423, 432, 437, 457). The most common presentation by those companies which revealed an annual charge for depletion in the income statement was to show it 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, 103 companies made no reference to the method or basis used in the determination of the amount provided. Nine companies disclosed both basis and method used for computing depletion, of which six companies indicated use of the unit-of-production method (*Co. Nos. 23, 58, 61, 459, 503, 533) while three companies indicated use of the cost method (*Co. Nos. 120, 441, 520). One company (*Co. No. 552) mentioned that depletion rates, based upon estimated productive or useful life expectancies, were applied under various methods and indicated that they were used for tax purposes. Three companies (*Co. Nos. 55, 141, 328) reported net income for the year "without deduction for depletion" of metal mines.

The treatment of intangible drilling and/or development costs was discussed by approximately 13% of the survey companies which referred to depletion in their reports.

*Refer to Company Appendix Section.

TABLE 6: DEPLETION—ANNUAL CHARGE

Presentation in Income Statement:	1956	1955	1954	1950
Listed among other costs with single total amount for—				
Depletion (*Co. Nos. 149, 178, 194, 444, 539)	15	16	19	24
Depletion and depreciation (*Co. Nos. 21, 92, 181, 210, 321, 400)	33	30	32	35
Depletion, amortization, and depreciation (*Co. Nos. 40, 494, 502, 568, 591)	31	33	29	12
Depletion and amortization (*Co. Nos. 496, 506, 518)	3	4	4	4
Combined with other costs (*Co. Nos. 23)	1	1	1	—
Segregated within income statement in note or schedule (*Co. Nos. 165, 298, 403, 455, 467)	5	6	2	2
Presented at foot of income statement in note or schedule (*Co. Nos. 67, 147, 257, 378)	11	13	15	14
	99	103	102	91
Disclosed Elsewhere in Annual Report:				
In notes to financial statements (*Co. Nos. 180, 211, 318, 545)	5	5	3	12
In letter to stockholders	—	1	1	1
Depletion not deducted from net income (*Co. Nos. 55, 141, 328)	3	2	2	2
	8	8	6	15
Number of Companies Referring to:				
Annual depletion charge	107	111	108	106
Accumulated depletion but not referring to annual depletion charge	9	6	7	8
Not referring to depletion	484	483	485	486
Total	600	600	600	600

*Refer to Company Appendix Section.

Examples

Examples selected from the 1956 annual reports illustrating the methods used to disclose depletion in the accounts are as follows:

AMERADA PETROLEUM CORPORATION
Consolidated Statement of Income

Profit before providing for Intangible Drilling and Development Costs, Depreciation, Depletion and Leases Abandoned and Expired	$66,029,657
Deduct:	
Intangible Drilling and Development Costs	$26,678,197
Depreciation, Depletion and Leases Abandoned and Expired	12,852,064
	$39,530,262
Net income for the year transferred to surplus	$26,499,395

Synopsis of Accounting Practices: All intangible drilling and development costs incurred are charged against income each year through a 100% reserve.

All geological and geophysical expenses are charged against income as incurred. Lease rentals are charged off in full when paid.

Nearly all the Corporation's production is obtained from properties purchased prior to the discovery of oil or gas thereon. Properties that become productive are still carried in the accounts at cost, less depletion, and consequently the increase in value resulting from the discovery of oil or gas is not reflected in the Balance Sheet. The cost of each producing property is amortized by annual charges for depletion in the proportion which the production for the year bears to the estimated recovery of oil or gas, calculated separately for each property.

Unproductive and undeveloped properties are carried in the accounts at cost, which cost is written off in full when properties are surrendered or otherwise disposed of, but in certain cases, properties are written off prior to formal relinquishment.

The annual depreciation charge applicable to equipment used on productive wells is computed separately for each property, in the same manner as depletion. The depreciation charge on all other equipment is computed on the "straight-line" method, at annual rates commensurate with the estimated useful life of each of the various kinds of equipment in use.

The cost of properties, plant and equipment retired or otherwise disposed of, less depreciation or other reserves accumulated thereon, is charged against income. All expenditures for maintenance and repairs are also charged against income.

ANDERSON-PRICHARD OIL CORPORATION
Statement of Consolidated Financial Position

Fixed Assets (Note 4):	
Property, plant, and equipment, at cost	$90,979,462
Less depreciation and depletion to date	39,650,994
	$51,328,468

Statement of Consolidated Earnings and Earnings Reinvested in the Business

Depreciation and depletion	$5,292,424

Note 4: Fixed Assets—A summary of the total investment in fixed assets and the net investment after allowances for depreciation and depletion at December 31, 1956 is as follows:

	Total Investment	Net Investment
Producing	$66,375,832	$32,172,905
Non-Producing	5,397,124	5,397,124
Refining	12,533,787	8,702,434
Transportation	2,665,125	2,155,484
Marketing	2,678,264	2,194,855
Miscellaneous	1,329,330	705,666
	$90,979,462	$51,328,468

The policy with respect to depreciation and depletion is to make provision over the useful life of the assets by use of either the unit of production or straight line method. Of the total net investment shown above, 63% is represented by investments in producing oil and gas properties.

ARGO OIL CORPORATION
Condensed Comparative Balance Sheet

Capital Assets (Notes A and B):	
Developed leases and royalties	$21,420,951
Undeveloped leases and royalties	6,265,616
Buildings and equipment	16,269,865
	$43,956,432
Less: Reserve for depletion and depreciation	21,273,300
Total capital assets (net)	$22,683,132

Condensed Comparative Statement of Income and Expenses

Other Charges:	
Depletion (notes A and B)	$ 1,004,231
Depreciation	683,754
Intangible development costs—dry holes and geophysical expense	1,439,924
Loss from abandonments	830,883
Total Other Charges	$ 3,958,794

Note A: Capital Assets—The basis of depletable assets represents values based on appraisal at January 1, 1944, with subsequent acquisitions valued at cost. The basis of other capital assets represents values based on cost.

Depletion is computed for each property separately under the unit of production method. The unit is determined by dividing the basis as of the end of the year by the estimated remaining recoverable units of reserves as of the beginning of the year and is then multiplied by the units produced in such year. Depreciation of well and lease equipment is computed in a similar manner. The straight-line method of depreciation is used to recover the cost of other depreciable property. The rates applicable to major classifications of such other depreciable property are as follows:

Automotive equipment	24%
Office furniture and equipment	6%
Buildings	5%
Machinery and equipment	5%

Note B: Intangible Drilling and Development Costs—The Company follows the practice of capitalizing, in the year incurred, all intangible drilling and development costs on productive wells.

All intangible drilling and development costs on productive wells are amortized or depleted on a unit basis of production on each lease affected. Intangible drilling and development costs on nonproductive wells are charged off in full when the wells prove nonproductive.

Provision for income taxes has been made on the basis of taxable income after deduction of all intangible drilling and development costs incurred during the year in accordance with the consistent policy of the Company.

CALUMET & HECLA, INC.
Consolidated Balance Sheet

Capital Assets:	
Land and Standing Timber (at cost)	$ 5,688,801
Mine Lands (at cost of ore in place)	4,204,920
Plants and Equipment (at cost less amounts charged to past operations as depreciation)	14,404,563
Capital Work in Progress	8,214,051
Total Capital Assets	$32,512,335

Comparative Income Statement

Earnings before Depletion	$ 4,493,558
Depletion of Mines	480,916
Net Income—Carried to Earned Surplus	$ 4,012,642

Note 11: Standing timber generally has been valued at cost less a provision for depletion computed annually on the basis of the reported forest cut at rates accepted by the United States Treasury Department or as revised to give effect to certain growth accumulations resulting from sustained yield forest management. Approximately 50,000 acres of the Goodman forest lands are entered under the Wisconsin Forest Crop Law. This constitutes an agreement that for fifty years these lands will be used for forestry purposes.

Financial Review: Cost depletion charges related to mines increased from $439,886 in 1955 to $480,916 in 1956, primarily because of the operation during the latter year of Osceola No. 13 shaft.

THE PURE OIL COMPANY
Consolidated Balance Sheet
Property Plant and Equipment, at cost:

Classification	Gross	Reserve	
Producing ...	$296,541,767	$141,313,154	
Refining	130,373,190	72,125,635	
Marketing ...	137,465,854	59,925,853	
Transportation	41,175,953	18,691,908	
Other	7,019,750	2,928,951	
	$612,576,514	$294,985,501	$317,591,013

Consolidated Statements of Income and Surplus
Provision for depreciation, depletion and amortization (Note 3) $27,907,461

Note 3: The company provides for depreciation and depletion of producing properties (including intangible drilling costs) by applying to the total oil and gas produced an over-all rate (per barrel) determined by dividing the total amount of producing properties subject to depreciation and depletion by the net oil and gas reserves (in barrels) estimated by the company's engineers.

SKELLY OIL COMPANY
Statement of Income
Exploratory costs and delay rentals .... $ 9,640,854
Depletion, depreciation, and surrendered oil and gas leases 33,322,112

THE SUPERIOR OIL COMPANY
Balance Sheet
Properties, Plant and Equipment (Note A):
Oil and gas lands and leases, oil and gas wells and equipment, natural gasoline plants, storage facilities, drilling equipment, transportation equipment, office buildings, etc., at cost exclusive of intangible development expenditures $219,623,186
Less—Reserves for depletion, depreciation and amortization 82,135,629
$137,487,557

Statement of Income and Earned Surplus
Other Deductions:
Intangible development expenditures (including depreciation of drilling equipment of $1,570,468 in 1956 and $1,508,104 in 1955) (Note A) .... $ 32,650,038
Provision for depletion and depreciation (Note A) 8,728,685

Note A: Intangible Development Expenditures, Provisions for Depletion and Depreciation, etc.—Intangible development expenditures, including depreciation on drilling tools, applicable both to wells completed as productive wells and to dry holes have been charged to income account as the expenditures were incurred.

Provisions for depletion and depreciation of producing properties, including costs of oil and gas wells and lease equipment (exclusive of intangible expenditures described above), have been computed on the unit of production method based upon reserves estimated by the Company's engineers. Such estimates are revised from time to time to give weight to new evidence obtained as the result of drilling, producing and testing the properties.

Provision for depreciation of other property and equipment has been calculated chiefly by the straight-line method at various rates believed to be adequate to amortize the cost of the facilities over their estimated useful lives.

No provision has been made for amortizing the cost of undeveloped oil properties. Unproductive lands and leases relinquished have been written off by charge to income account as abandonments at the time of relinquishment. Rents of undeveloped leases have been charged to income account over the period of the leases.

DEPRECIATION

Annual Charge

Table 7 summarizes the manner in which the annual charge for depreciation is treated by the survey companies in their 1956 annual reports.

Depreciation was disclosed by all 600 survey companies. However, 31 companies made this disclosure only to the extent that the report showed accumulated depreciation in the balance sheet or a supplemental schedule. Of the remaining 569 companies, 477 presented the annual charge for depreciation in the income statement and 92 companies indicated the annual charge for depreciation in either the notes to financial statements or the letter to the stockholders.

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 October, 1954, the committee on accounting procedure of the American Institute of Certified Public Accountants issued *Accounting Research Bulletin No. 44—Declining Balance Depreciation* which discusses the problems to be considered in accounting for such changes in methods.

Of the 600 survey companies only 97 referred to the method of depreciation used. Yearly comparisons as to the number of companies using certain methods of depreciation could not be made as it appears that often companies disclose new methods adopted during the year but thereafter make no further disclosure.

In the 1956 annual reports 29 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. 33, 129, 216, 332) (**542)	13
Sum of the years digits method (*Co. Nos. 123, 229, 310, 451, 551)	12
Accelerated depreciation method (*Co. Nos. 477, 585)	3
Declining balance and sum of the years digits methods (*Co. No. 318)	1

An additional 27 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. 481, 508) (**102, 299, 303)	9
Sum of the years digits method (*Co. Nos. 105, 154, 390, 559) (**407)	10
Accelerated depreciation method (*Co. Nos. 248, 403) (**333, 360)	8

In the reports of 41 survey companies, the method of depreciation was given simply as follows:

Straight line method (*Co. Nos. 83, 108, 160, 267)	16
Accelerated depreciation method (*Co. Nos. 217, 379) (**259)	8
Production method (Unit of production) (*Co. No. 459)	1
Straight line and production method (*Co. Nos. 58, 441, 503)	8
Declining balance method (*Co. No. 321)	1
Sum of the years digits method (*Co. No. 397) (**167, 236)	6
Annual composite rate method (*Co. No. 591)	1

Examples of the various methods used have been selected from the 1956 annual reports and are as follows:

Straight Line

BRISTOL-MYERS COMPANY
Consolidated Statement of Financial Position
Property, Plant and Equipment:

Land	$ 1,136,072
Buildings	10,698,799
Machinery, equipment, fixtures, etc.	17,181,170
Construction in progress	558,940
	$29,574,981
Less: Allowance for depreciation	$10,490,491
	$19,084,490

Statement of Consolidated Earnings

Cost of Sales, Advertising, Selling and Administrative Expenses, including depreciation of $1,844,775 in 1956 and $1,883,614 in 1955	$79,310,428

Notes to Financial Statements: Property, Plant and Equipment—Property, plant and equipment are generally valued at cost to the company or its subsidiaries. Book depreciation was computed on the straight-line method.

*Refer to Company Appendix Section.
**Companies using alternative methods for tax purposes only.

Sum of the Years Digits

FAIRCHILD ENGINE AND AIRPLANE CORPORATION
Consolidated Balance Sheet
Property, Plant and Equipment:

Land and buildings	$15,744,858
Machinery and equipment	13,274,127
Other	903,424
	$29,922,409
Less accumulated depreciation and amortization	12,073,589
	$17,848,820

Statement of Consolidated Earnings

Depreciation and amortization	$ 3,304,469

Principles of Accounting Currently Applied in the Preparation of Financial Statements: General—In preparing its annual financial statements, the Corporation seeks to follow generally accepted principles of accounting and statement preparation which are consistently applied from year to year. Where it becomes desirable to change any of the basic principles followed, the change made and its effect on the statements are disclosed. Certain significant principles followed by the Corporation in its financial accounts are as follows: . . .

Property, Plant and Equipment: The cost of new items of property, plant and equipment, the cost of improvements which lengthen the life of these items and the cost of improvements to leaseholds are capitalized. In the case of items constructed or work done by the Corporation, no overhead or interest is capitalized. The cost of these assets acquired prior to January 1, 1954, is depreciated or amortized in equal annual amounts over the estimated lives of the various classes of assets; the cost of assets acquired after January 1, 1954, is depreciated on the sum of the years-digits basis. The life of emergency plant facilities is taken on the basis established by the Internal Revenue Code. The difference between the depreciated value of assets and the amount realizable at disposal is charged against, or credited to, revenue at the time of removal from service.

Declining Balance

ACF INDUSTRIES, INCORPORATED
Statement of Financial Position

Land, Buildings, Railroad Cars, Machinery and Equipment, at cost, less accumulated depreciation (1956—$62,509,114; 1955—$57,997,549)	$65,088,538

Statement of Income and Retained Earnings
Costs and Expenses:

Depreciation—Note 4	$ 4,657,379

Note 4: Depreciation—Depreciation for the year was computed by use of the "declining balance" method with respect to fixed assets acquired subsequent to 1953. This new method allows faster depreciation of assets during the early years of their life than the "straight line" method used with respect to previous fixed asset acquisitions. However, the effect of the change was offset during the year by other adjustments which placed depreciation on the same basis for both book and tax purposes.

TABLE 7: DEPRECIATION—ANNUAL CHARGE

Presentation in Income Statement:	1956	1955	1954	1950
Listed among other costs with single total amount for—				
Depreciation (*Co. Nos. 65, 82, 168, 264, 492, 576)	142	160	165	237
Depreciation and amortization (*Co. Nos. 6, 57, 273, 389, 393, 512)	114	120	127	68
Depreciation, amortization, and depletion (*Co. Nos. 15, 40, 158, 265, 353, 453, 459)	31	30	28	12
Depreciation and depletion (*Co. Nos. 58, 136, 321, 400, 435, 462)	32	32	29	35
Depreciation and unrelated costs (*Co. Nos. 23, 52, 120, 373)	4	3	2	2
Segregated within income statement in note or schedule (*Co. Nos. 107, 108, 155, 162, 307, 422)	66	42	39	18
Presented at foot of income statement in note or schedule (*Co. Nos. 67, 144, 147, 215, 340, 532)	88	89	93	114
Total	477	476	483	486
Disclosed Elsewhere in Annual Report:				
In notes to financial statements or in other certified portion of report (*Co. Nos. 161, 253, 331, 446, 560, 578)	80	84	75	66
In letter to stockholders (*Co. Nos. 248, 295, 466, 505)	12	14	16	17
Total	92	98	91	83
Number of Companies Referring to:				
Annual depreciation charge	569	574	574	569
Accumulated depreciation but not referring to annual depreciation charge	31	26	26	31
Total	600	600	600	600

*Refer to Company Appendix Section.

ELASTIC STOP NUT CORPORATION OF AMERICA
Balance Sheet
Fixed Assets—At cost:

Property, plant and equipment	$9,603,289
Less—Amounts charged to operations as depreciation and amortization	6,459,820
	$3,143,469

Note 5: Depreciation and amortization charges to operations conform to the following basic rates:

Machinery	5 to 25%
Furniture and fixtures	6 2/3 to 10%
Automotive equipment, etc.	25 to 50%
Land improvements	10 to 25%
Buildings	1 1/2 to 5%
Building equipment	5 to 10%
Leasehold improvements	5%
Patents	5 15/17%

To the extent allowed under the provisions of the Internal Revenue Code, depreciation of facilities acquired after December 31, 1953, was provided for under the declining balance method at double the basic rate applicable. In addition permissible allowances have been made for amortization of equipment covered by certificates of necessity.

Provision for depreciation and amortization for the year ended November 30, 1956, is as follows:

Normal provisions:	
Charged to manufacturing costs	$342,030.51
Charged to cost of goods sold	95,152.66
Charged to selling, engineering, administrative and other expenses	48,424.34
	$485,607.51
Additional amortization of emergency facilities—	
Charged to cost of goods sold	49,775.78
	$535,383.29

Expenditures for maintenance, repairs, renewals and betterments are charged generally to operating expenses, except that major projects in these categories are capitalized.

The accumulated charges for depreciation and amortization are applied against the cost of properties retired or sold, and any resulting gain or loss is taken into income for the year of retirement or sale.

KOPPERS COMPANY, INC
Consolidated Balance Sheet
Fixed Assets:

Buildings and equipment, at cost, including current emergency facilities being amortized over periods of 60 months in the accounts and in the Federal income tax returns, 1956—$14,460,246; 1955—$14,022,331	$163,669,900
Less accumulated depreciation and accumulated amortization of current emergency facilities, 1956—$12,595,810; 1955—$10,262,035	84,818,010
	$ 78,851,890
Land, at cost	$ 6,941,991
Intangible assets, less amortization	967,943
	$ 86,761,824

Statement of Consolidated Income
Operating Expenses:

Depreciation, including amortization of current emergency facilities, 1956—$2,361,445	$ 11,871,284

Financial Matters: Depreciation—Charges for depreciation, amortization and depletion, which provide for the recovery of the capital cost of plants and equipment, continued to increase and in 1956 amounted to $11.9 million as compared with $10.2 million in 1955 and $7.8 million in 1954. This increase is due in part to the high level of recent new construction and acquisitions. Also, accelerated depreciation taken during 1956 on the declining balance basis as allowed under the Internal Revenue Code with respect to new properties acquired or constructed was $1.6 million in excess of straight-line depreciation. Included in the 1956 charge is $2.4 million for 60 month amortization under certificates of necessity. This charge with respect to present certificates of necessity will be substantially less in 1957 and by 1960 will be negligible.

LOCKHEED AIRCRAFT CORPORATION
Consolidated Balance Sheet

Fixed Assets—at cost (less accumulated depreciation and amortization: 1956—$44,-478,131) (Note 3)	$53,238,924

Consolidated Earnings

Depreciation and amortization of fixed assets (Note 3)	$ 8,162,087

Note 3: Approximately 69% of the items currently subject to depreciation and amortization are being written off on a basis which provides a higher charge in the earlier years of the asset's life—either through the declining balance method (for additions after December 31, 1953) or through amortization, over periods of sixty months, of the varying percentages of cost of emergency facilities specified under certificates of necessity. Items constituting the remaining 31% are being written off on a straight line basis over their estimated useful lives.

A material portion of the plant facilities used by the Company in performing Government contracts is furnished by the Government.

Straight Line & Unit of Production

THE SUPERIOR OIL COMPANY
Balance Sheet

Properties, Plant and Equipment (Note A):

Oil and gas lands and leases, oil and gas wells and equipment, natural gasoline plants, storage facilities, drilling equipment, transportation equipment, office buildings, etc., at cost exclusive of intangible development expenditures	$219,623,186
Less: Reserves for depletion, depreciation and amortization	82,135,629
	$137,487,557

Statement of Income and Earned Surplus

Other Deductions:

Provision for depletion and depreciation (Note A)	$ 8,728,685

Note A: Intangible Development Expenditures, Provisions for Depletion and Depreciation, etc.: Intangible development expenditures, including depreciation on drilling tools, applicable both to wells completed as productive wells and to dry holes have been charged to income account as the expenditures were incurred.

Provisions for depletion and depreciation of producing properties, including costs of oil and gas wells and lease equipment (exclusive of intangible expenditures described above), have been computed on the unit of production method based upon reserves estimated by the Company's engineers. Such estimates are revised from time to time to give weight to new evidence obtained as the result of drilling, producing and testing the properties.

Provision for depreciation of other property and equipment has been calculated chiefly by the straight-line method at various rates believed to be adequate to amortize the cost of the facilities over their estimated useful lives.

No provision has been made for amortizing the cost of undeveloped oil properties. Unproductive lands and leases relinquished have been written off by charge to income account as abandonments at the time of relinquishment. Rents of undeveloped leases have been charged to income account over the period of the leases.

Accelerated Depreciation Method for Tax Purposes Only

THE BORDEN COMPANY
Consolidated Balance Sheet

Property and Equipment	$266,579,863
Less Reserves for Depreciation	127,647,295
Net Property and Equipment	$138,932,568

Note 6: Depreciation and Rentals—Provision for depreciation charged to operations was $15,130,492 for 1956 and $14,282,324 for 1955. Rentals amounted to approximately $6,700,000 for 1956 of which $4,400,000 was related to long term leases.

Note 7: Income Tax—The Company, for income tax reporting only, has adopted the declining-balance method of computing depreciation on its property and equipment in the United States acquired after December 31, 1953, as permitted by the U. S. Internal Revenue Code of 1954. Income taxes for 1956 have been reduced by approximately $1,900,000 arising from the additional deduction for depreciation so allowable for income tax reporting of which about $925,000 is applicable to 1955 and 1954. In the year 1955 income taxes were reduced by the transfer of $2,350,089 from reserves provided in prior years.

HOOKER ELECTROCHEMICAL COMPANY
Consolidated Balance Sheet

Plant and Equipment, at cost less depreciation per accompanying statement	$78,092,777

Accompanying Statement: Plant and Equipment—

	Gross	Net
Land	$ 1,821,958	$ 1,821,958
Buildings, etc.	29,523,751	20,782,630
Machinery and equipment, furniture and fixtures	85,481,897	49,147,226
Rolling stock and containers	2,482,809	736,537
Construction in progress	5,604,426	5,604,426
	$124,914,841	$78,092,777
The above includes amounts covered by certificates of necessity	$ 7,080,387	$ 1,691,317

Consolidated Statement of Income and Earned Surplus

Depreciation and amortization included in costs and expenses above amounted to:

Depreciation	$6,203,851
Amortization under Certificates of Necessity	965,480
	$7,169,331

Note 4: In 1956 the Company elected to use for tax purposes the declining balance method of computing depreciation on additions to plant and equipment in the years 1954 and 1955 and intends to elect to use the declining balance method for 1956. The Company does not intend to adjust the provisions for depreciation taken on its books in these years but has treated the above reductions of taxes as a reserve for deferred taxes. This resulted in a reduction of taxes payable for 1954 and 1955 as previously reflected in the accounts in the amounts of $207,468 and $571,654 respectively.

HUDSON PULP & PAPER CORP.
Balance Sheet

Fixed Assets—Notes B, D and G:

Land, buildings, equipment, woodlands and timber and water rights	$54,931,257
Less: Reserves for depreciation, amortization and depletion	18,784,447
	$36,146,810
Construction in progress	7,732,909
	$43,879,719

Statement of Income and Earned Surplus

The provision for depreciation, amortization and depletion was as follows—Note B:

Charged to cost of goods sold	$ 3,371,814
Charged to other selling, general and administrative expenses, etc.	111,001
	$ 3,482,815

Note B: Fixed assets are stated substantially at cost. For financial reporting purposes, depreciation is computed on a straight-line basis over the estimated useful life of fixed assets or over a five-year period as provided by Necessity Certificates on certain productive facilities. Accelerated depreciation on facilities covered by Necessity Certificates exceeded by $964,197 depreciation computed on a straight-line basis at the rates applied to similar facilities not so covered. For Federal income tax purposes the Company provides additional depreciation on certain facilities under the "declining balance" method. Such additional depreciation exceeded by approximately $179,000 the amount provided for financial reporting purposes. Charges for depletion of woodlands and amortization of timber rights are based on quantity of timber cut, after allowance for residual land value. See Note D for comment on woodlands under mortgage.

Note D: The 3¾% Promissory Notes are payable in annual installments of not more than $691,000 on August 1, 1957 to 1965, inclusive, the balance being payable on August 1, 1966. During the year, the Company issued an additional 4% Promissory Note in the amount of $3,000,000. The 4% Notes are payable in annual installments of $280,000 on October 1, 1956 to 1968, inclusive, the balance being payable on October 1, 1969. Under the terms of these Notes the Company is restricted from paying dividends (other than stock dividends) and from purchasing, redeeming or retiring its capital stock unless, after giving effect thereto, certain conditions are met, particularly as to earnings, net working capital and ratio of current assets to current liabilities. Surplus as at August 31, 1956 not subject to the restrictions was approximately $1,560,000 under the terms of these Notes. However, the Company, without regard to these restrictions, may pay dividends on or operate sinking funds applicable to the Cumulative Preferred Stock outstanding on August 31, 1956.

The Mortgage Note, representing purchase money obligation on certain woodlands, is due September 15, 1957. The installment due September 15, 1956 was paid in August 1956.

Note G: Commitments as at August 31, 1956 for plant machinery and equipment aggregated approximately $3,200,000.

MARATHON CORPORATION
Consolidated Balance Sheet
Plant and Equipment:

Land	$ 919,053
Buildings	21,484,828
Machinery and equipment	58,485,677
Canadian properties	40,130,132
Construction in progress	5,265,715
Total plant and equipment, at cost	$126,285,405
Less—Reserves for depreciation	41,269,540
Total plant and equipment, net	$ 85,015,865

Statement of Consolidated Net Earnings

Earnings before income taxes after provision of $6,511,449 in 1956 and $5,305,419 in 1955 for depreciation and amortization	$ 20,172,390

Review of 1956 Operations: Finances—To help us carry out our long-range plans and to provide funds for normal development, the company completed a $95 million financing program during the year.

These funds enabled us to refinance loans of $40 million negotiated in 1955. The balance available from the new loans will be used to finance our current expansion.

Net working capital, or current assets less current liabilities, increased by $8,248,196 in 1956, to $39,888,131 from $31,639,935. Sources and disposition of funds in 1956 are summarized in the accompanying table.

As permitted by the 1954 Internal Revenue Code, we have taken advantage of the accelerated depreciation provisions for income tax purposes only. This method has the advantage to a growing company of retaining cash in the business by deferring a portion of the federal income tax payments. However, it has no effect on our current or future earnings since we will continue to deduct normal depreciation and income taxes from earnings as in the past.

THE NATIONAL SUGAR REFINING COMPANY
Statement of Financial Position

Plant, Property—at cost, less depreciation: 1956—$17,746,702; 1955—$16,870,511	$ 26,557,031

Statement of Earnings
Costs and Expenses:

Cost of Goods sold (including depreciation: 1956—$1,135,033; 1955—$881,403)	$160,078,823

Note 4: Accelerated Depreciation—The Company has elected to use, for income tax purposes only, the sum of the years-digits method of computing depreciation with respect to certain assets acquired after December 31, 1955. This change had no material effect on net earnings for 1956.

Extraordinary Depreciation

The 1956 annual reports of several companies indicated that they followed the policy of providing accelerated depreciation on *assets acquired in prior years. Artloom Carpet Co.* disclosed in their income statement a "Provision for Special Depreciation"; while *Libby-Owens-Ford Glass Company* in the letter to the stockholders stated, "Because of the rapid technological advances which occur in the flat glass industry on the rising costs of new facilities, it has been your company's policy to make provisions for more rapid depreciation of plants and equipment than is currently deductible for tax purposes. Such provisions during 1956 amounted to approximately $7,600,000." Several other companies had previously indicated a policy of recording extraordinary depreciation; however, their 1956 annual reports did not contain any such information in the current year.

AMORTIZATION OF EMERGENCY FACILITIES UNDER CERTIFICATES OF NECESSITY

Table 8 shows that 111 survey companies referred to the amortization of emergency facilities under certificates of necessity in their 1956 annual reports. Of these companies 74 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. Two 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 1956 reports the existence of fully amortized emergency facilities either in the notes to financial statements (*Co. Nos. 84, 328) or in the letter to stockholders (*Co. Nos. 435, 489).

The committee on accounting procedure of the American Institute of Certified Public 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

*Refer to Company Appendix Section.

TABLE 8: ACCELERATED AMORTIZATION UNDER CERTIFICATES OF NECESSITY

Accelerated Amortization	1956	1955	1954
Deducted for Both Book and Tax Purposes, with *Charge* for Accelerated Amortization of Emergency Facilities—			
Separately set forth in:			
Statement of income (*Co. Nos. 13, 34, 92, 308, 518)	15	20	20
Notes to statements (*Co. Nos. 303, 328, 441, 471, 571)	21	36	38
Letter to stockholders (* Co. Nos. 87, 98, 254)	10	20	18
Schedule of fixed assets (*Co. Nos. 284, 494)	2	3	7
Combined with normal depreciation on regular facilities, set forth in:			
Statement of income (*Co. Nos. 74, 90, 525)	9	7	2
Notes to statements (*Co. Nos. 84, 89, 128, 134, 181)	13	14	24
Letter to stockholders (*Co. Nos. 245, 323)	4	1	8
Schedule of fixed assets	—	1	1
Total	74	102	118
Deducted for Tax Purposes Only, With No Evidence of Deferred Tax Benefit in Accounts—			
Referred to in:			
Notes to financial statements	—	5	10
Letter to stockholders (*Co. Nos. 489, 537)	2	1	1
Total	2	6	11
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. 83, 239, 246, 474)	15	17	11
Notes to statements (*Co. Nos. 47, 89, 154, 188, 402)	18	14	10
Letter to stockholders (*Co. Nos. 449, 467, 545)	2	3	2
Total	35	34	23

Number of Companies Referring to:			
Certificates of necessity and amortization of emergency facilities	111	142	152
Certificates of necessity referred to in letter to stockholders or in notes but not referred to in statements (*Co. Nos. 167, 203, 406)	7	2	1
Not referring to Certificates of necessity	482	456	447
Total	600	600	600

*Refer to Company Appendix Section.

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.

Examples

Examples illustrating the various presentations of the amortization of emergency facilities are as follows:

Amortization of Emergency Facilities Deducted for Tax Purposes Only

BEAUNIT MILLS, INC.
Consolidated Balance Sheet

Property, Plant and Equipment:	
Land, buildings, machinery and equipment	$98,775,477
Less, allowance for depreciation	41,460,951
	$57,314,526
Current Liabilities:	
Accrued federal taxes on income	$10,055,567
Above Capital:	
Deferred items:	
Federal income taxes relating to accelerated amortization of facilities under certificate of necessity (Note 3)	$ 1,777,500

Consolidated Statement of Income

Income before provision for taxes on income	$19,466,336
Provision for federal, state and foreign taxes on income:	
Federal:	
Currently payable	$ 9,050,000
Deferred (Note 3)	592,500
State	290,000
Foreign	44,361
	$ 9,976,861
Net income from current operations before minority interest	$ 9,489,475

Note 3: The company has elected, under the applicable provisions of the Internal Revenue Code, to amortize for federal income tax purposes the certified portion of the cost of Coosa Pines plant No. 2 under a Certificate of Necessity, over five years beginning with the fiscal year ended March 31, 1954. In its accounts the company recorded depreciation on this portion of the cost of the plant on the basis of the estimated service lives of its components. The current deduction of the excess of tax amortization over book depreciation will reduce the amount of tax-deductible depreciation in years subsequent to the amortization period. Accordingly, the company has adopted the policy of charging to income and crediting to deferred income the resulting reduction in income taxes payable for the current year which will be restored to income in appropriate amounts over the remaining service lives subsequent to the amortization period.

FOOD MACHINERY AND CHEMICAL CORPORATION

Consolidated Balance Sheet

Property, Plant and Equipment, at cost:	
Land and improvements	$ 4,078,191
Mines and development	3,154,615
Buildings	37,834,265
Machinery and equipment	109,923,037
Machinery leased to others	13,396,083
Construction in progress	12,006,530
	$180,392,721
Less depreciation, depletion and amortization	74,550,434
	$105,842,287
Current Liabilities:	
Federal and foreign taxes on income and renegotiation (Note 5)	$ 16,434,859
After Long-Term Debt:	
Reserve for deferred federal income taxes (Note 5)	$ 3,274,890

Note 5: Federal Taxes on Income and Renegotiation—The Corporation and its subsidiaries have obtained Certificates of Necessity for certain facilities aggregating $37,925,409, constructed since 1950 and now in operation. In its accounts the Corporation charged only normal depreciation on $34,269,245 of such facilities but in its tax returns elected to amortize the certified portions of certain of these facilities over a sixty-month period. The excess of tax amortization claimed over normal depreciation on these facilities for 1956 amounts to approximately $978,196. 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 increased its annual tax provisions by amounts substantially equivalent to the estimated future tax effect and has credited these amounts to a reserve for deferred Federal income taxes. Upon expiration of the amortization period, appropriate portions of the reserve are restored to income over the remaining lives of the assets.

The Corporation is amortizing over a sixty-month period $3,656,164 of facilities which may not be adaptable to post-emergency use. The excess of the recorded amortization over normal depreciation on these facilities in 1956 amounts to $239,745.

Federal income tax returns of the Corporation for the years subsequent to December 31, 1947 are presently being examined by the U. S. Treasury Department. Preliminary information indicates a potential tax deficiency of undetermined amount, primarily due to proposed changes in depreciation rates and certain other proposed adjustments. Subsidiaries file separate Federal and foreign tax returns which are subject to review for various periods. It is believed that adequate provision for tax liabilities has been made in the financial statements.

Certain sales for 1954 and subsequent years are subject to renegotiation by the U. S. Government. Provision has been made for any possible refunds which may be required.

GRANITE CITY STEEL COMPANY

Consolidated Statement of Financial Position

Current Liabilities:	
Estimated Federal income taxes (Note 1)	$ 9,972,518
Noncurrent Liabilities:	
Income tax savings to be used as a reduction of income tax expense in future years (Note 1)	$18,558,000

Consolidated Statement of Operations

Net income before federal income taxes	$30,909,411
Estimated provision for federal income taxes (Note 1):	
Current year	$11,795,000
Income tax savings applicable to current amortization and accelerated depreciation of facilities, to be used as a reduction of income tax expense in future years	4,047,000
Income tax savings in prior years applicable to facilities now fully amortized, used to reduce current income tax expense	(42,000)
	$15,800,000
Net income for the year	$15,109,411

Note 1: Amortization and Accelerated Depreciation of Facilities—It is the opinion of the management that the facilities covered by necessity certificates will continue to be used in the Company's operations after the five-year amortization periods for tax purposes and that the facilities subject to accelerated depreciation under the Internal Revenue Code of 1954 will depreciate at the same rate as other facilities used by the Company; therefore, there has been recorded in the Company's accounts depreciation on these facilities, computed in accordance with its customary practices. The excess of amortization and accelerated depreciation taken into consideration in determining provisions for federal income taxes over depreciation recorded in the Company's accounts was $7,700,000 and $7,550,000, respectively, in 1956 and 1955. Provision has been made in the Company's accounts for possible future federal income taxes of amounts equal to the current tax saving because of amortization and accelerated depreciation. Such provisions for possible future federal income taxes in 1956 and 1955 amounted to $4,047,000 and $3,926,000, respectively. Following the periods in which amortization and accelerated depreciation exceed depreciation recorded in the Company's accounts, the annual charges for income taxes in the statement of operations are being, or will be, reduced by charging to "Income Tax Savings to Be Used as a Reduction of Income Tax Expense in Future Years" that part of the federal income taxes for each year in excess of what would have been payable for each year if the amortization and accelerated depreciation had not previously been claimed for federal income tax purposes. The aforementioned accounting results in a net charge to operations for federal income taxes equivalent to what would have been charged if normal depreciation had been claimed for tax purposes in each such year.

Amortization of Emergency Facilities Deducted for Both Accounting and Tax Purposes

ALLEGHENY LUDLUM STEEL CORPORATION

Consolidated Balance Sheet

Fixed Assets—at cost, including $37,673,471 subject to amortization:	
Land, including coal lands	$ 2,047,843
Buildings, machinery and equipment	151,074,683
	$153,122,526
Less accrued depreciation, depletion and amortization	74,476,597
	$ 78,645,929

Statement of Consolidated Earnings and Earned Surplus

Depreciation, depletion, amortization and plant retirements, including amortization of emergency facilities of $6,896,247	$ 11,337,277

Amortization and Depreciation: Allowances for amortization, normal depreciation and depletion of the company's facilities totaled $11,337,000 for 1956, continuing at the previous high level. That amount is made up of normal depreciation and depletion of $4,441,000 and amortization of $6,896,000. If normal depreciation had been charged on these facilities instead of amortization, the effect would have been to increase the Corporation's earnings per share by 56¢.

Accelerated amortization has reached its peak and will decrease rapidly during the next three years to an estimated $5.3 million in 1957, $2.6 million in 1958, and $2.0 million in 1959.

BETHLEHEM STEEL CORPORATION
Consolidated Balance Sheet
Other Assets:

Property, plant and equipment—less depreciation and amortization (Note C)	$ 844,321,473
Consolidated Property, Plant and Equipment	
Property, Plant and Equipment:	
Steel producing, shipbuilding and ship repair, fabricating and other miscellaneous properties	$1,583,923,283
Raw material properties (after deducting depletion)	246,494,055
Transportation properties	99,837,295
Total	$1,930,254,633
Depreciation and Amortization:	
Steel producing, shipbuilding and ship repair, fabricating and other miscellaneous properties	$ 950,062,322
Raw material properties	84,560,679
Transportation properties	51,310,159
Total	$1,085,933,160
Net	$ 844,321,473
Consolidated Income Statement	
Provision for:	
Depreciation and depletion	$ 45,859,454
Amortization of emergency facilities (Note C)	56,600,000
State, local and miscellaneous taxes	34,987,567
Federal income taxes	147,000,000

Note C: Property, Plant and Equipment—The total of property, plant and equipment at December 31, 1956, shown on page 13, included $361,999,300 representing the portion of the cost of facilities which is subject to amortization under the provisions of the Internal Revenue Code. The total of depreciation and amortization accrued at December 31, 1956, shown on page 13, includes $233,533,305 in respect of amortization of such facilities completed prior to December 31, 1956, of which $56,600,000 was provided out of income in 1956 as shown in the income statement.

THE CARPENTER STEEL COMPANY
Balance Sheet

Property, Plant and Equipment (at cost):	
Regular plant facilities:	
Land	$ 494,744
Buildings, machinery and equipment, including construction work in progress	18,359,509
Emergency plant facilities:	
Buildings, machinery and equipment	9,834,056
	$28,193,565
Less allowances for depreciation and amortization	13,344,104
	$14,849,460
	$15,344,205
Statement of Income	
Other Deductions:	
Depreciation	$ 912,997
Amortization of emergency facilities, net of normal depreciation of $350,536	945,043

HIGHER PLANT REPLACEMENT COSTS

Reserves for higher plant replacement costs continue to decline. Only seven such reserves were disclosed by the 600 survey companies in their 1956 annual reports. Two companies (*Co. Nos. 397, 536) indicated that they eliminated their reserves. The reserve balances of the seven companies remained unchanged.

TABLE 9: HIGHER PLANT REPLACEMENT COSTS

Presentation in Report	1956	1955	1954
A. Income statement, separate last section	—	—	1
B. Charge to Retained Earnings	—	2	1
Total	—	2	2
C. Credit to Retained Earnings	2	—	4
D. Credit to Reserve for Depreciation	—	—	1
Total	2	—	5
Number of Companies with Reserves for Higher Plant Replacement Costs			
At beginning of year	9	9	14
Established during year	—	—	—
Eliminated during year	(2)	—	(5)
E. At end of year	7	9	9
No reserves for higher plant replacement costs	593	591	591
Total	600	600	600

Refer to Company Appendix Section—E: Nos. 78, 108, 167, 270, 484, 523, 572.

CHARITABLE FOUNDATIONS

Charitable foundations have been established by various companies included in the survey to serve as a medium for making donations to charitable, educational, scientific, or other similar organizations. Several of the 1956 reports included references to such foundations. Three companies (*Co. Nos. 40, 47, 513) disclosed the creations in the current year of charitable foundations and 24 companies disclosed prior year creations (*Co. Nos. 363, 368, 404, 558, 559).

FEDERAL INCOME TAXES—*Current Estimate*

Table 10 summarizes the income statement presentation of the current estimates for federal, state, foreign and other income taxes as shown in the 1956 survey

*Refer to Company Appendix Section.

reports. Of the 600 survey companies 562 presented estimated federal income taxes. Of these 139 included the estimates among other costs, while 423 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 300 of the 600 survey companies (See Table 10).

Examples—Federal Income Taxes—Current Estimate

Examples illustrating the presentation of the current estimate for income taxes in the income statement are as follows:

ARGO OIL CORPORATION
Condensed Comparative Statement of Income and Expenses

Net income before provsion for federal income taxes	$4,770,495
Provision for federal income taxes	261,837
Net income for year	$4,508,658

ART METAL CONSTRUCTION COMPANY
Summary of Consolidated Income and Earned Surplus

Income before items deducted below	$8,660,182
Deduct:	
Provisions for depreciation	585,928
Estimated provisions for United States federal and British Taxes on income and possible re-negotiation refunds, including adjustments applicable to prior years—Note B	4,299,672
	$4,885,600
Net income for the year	$3,774,582

ATLAS POWDER COMPANY
Statement of Earnings

Earnings before federal income taxes	$9,010,992
Federal income taxes, estimated	4,805,000
Net earnings	$4,205,992

BAUSCH & LOMB OPTICAL COMPANY
Statement of Income and Earned Surplus

Income:	
Products sold	$50,108,560
Other income	357,632
	$50,466,192
Costs and Expenses:	
Cost of products sold	$31,062,240
Depreciation of properties	1,317,542
Selling, administrative and general expenses	14,904,200
Interest expense	392,194
Federal income taxes	1,385,000
	$49,061,176
Net income for the year	$ 1,405,016

GAR WOOD INDUSTRIES, INC.
Consolidated Statement of Net Earnings

Earnings (Loss*) Before Taxes on Income	$1,383,322
Federal taxes on income, including additional taxes and interest of $186,311 for prior years	900,000
	$ 483,322
Income tax credits arising, for 1956, from carry-over of operating losses of prior years and, for 1955, from carry-back of operating loss	522,800
Net Earnings (Loss*)	$1,006,122

TABLE 10: CURRENT ESTIMATE FOR FEDERAL AND OTHER INCOME TAXES

Income Statement Designation	Listed among other costs	Set forth in last section	1956 Total
Federal Income Tax Estimate—			
Shown with single total amount for:			
"Federal income taxes"	91	253	344
"Federal income" and various other income taxes or non-tax items	42	142	184
"Income taxes" not further designated	6	28	34
Total	139	423	562
Not shown or not required:			
No provision for income taxes although income statement shows profit			3
Operating loss carry-forward eliminates estimate			22
Operating loss shown in statement			11
No income statement presented			2
			38
Total			600
Other Income Tax Estimates—			
Shown with single total amount for:			
"State income taxes"	12	61	73
"State income" and other income taxes	10	24	34
"State and foreign income taxes"	6	19	25
"Foreign income taxes"	11	38	49
Various other	35	84	119
Total	74	226	300

HYDROMETALS, INC.
Consolidated Balance Sheet

Current Assets:	
Estimated refund of federal income tax	$ 76,000

Consolidated Statement of Income and Earnings Retained and Invested in the Business

Loss before estimated refund of federal income tax	$(22,509)
Estimated refund of federal income tax arising from net operating loss carry-back (Note 3)	15,000
Net loss for the year	$(7,509)

Note 3: After giving effect to percentage depletion and the deduction for federal income tax purposes of license right development costs, a refund of federal income tax of approximately $38,000 was computed and the company will file a claim for this amount. The tax benefit arising from the deduction of license right development costs, which are included in Patents and License Rights in these statements, has been deferred.

JANTZEN, INC.
Consolidated Statement of Income and Earned Surplus

Cost and Expenses:	
Cost of products sold	$30,430,242
Selling, administrative and other expenses	10,030,065
Depreciation	403,756

Interest expense, etc.	233,427
Contribution to profit sharing retirement trust	449,410
Provision for federal and state income taxes	1,919,000
	$43,465,900

KIMBERLY-CLARK CORPORATION
Summary of Consolidated Earnings

Deduct:	
Cost of goods sold	$166,713,784
Selling, general, and administrative expenses	44,548,084
Interest	814,532
Contributions to retirement trusts (Note 7)	2,346,746
Provisions for Federal, state, and foreign taxes on income	20,611,945
Portion of earnings applicable to minority interest	74,993
Total	$235,110,084
Earnings for the year	$ 21,617,795

NATIONAL BISCUIT COMPANY
Consolidated Income and Unappropriated Retained Earnings

Net Sales	$410,455,124
Cost of sales	$251,094,838
Selling, general and administrative expenses	98,761,756
Depreciation	10,459,485
Taxes (other than federal and foreign taxes on income)	7,336,235
Contributions to pension trusts for past service	1,098,391
Interest and miscellaneous income (net)	153,215
Profit on disposal of fixed assets	32,356
Provision for federal and foreign taxes on income	21,603,037
Total	$390,168,171
Net Income	$ 20,286,953

TABLE 11: INCOME TAX ADJUSTMENTS AND ALLOCATION—1956

	Presentation in Report*								
	A: Income								
	Income Statement				Shown Elsewhere				
	Among other Costs:		In last Section:						
Nature of Income Tax Adjustments	With tax estimate	Special item	With tax estimate	Special item	In foot-notes	In letter to stock-holders	Income Total	B: Retained Earnings	1956 Total Items
Prior year tax accrual adjustment	—	3	2	9	3	—	17	13	30
Additional tax assessment or payment	—	—	2	—	3	2	7	—	7
Refunds under Sections 721, 722, etc.	—	1	—	1	1	—	3	1	4
Carry-back: Operating loss	—	8	1	6	1	—	16	2	18
Carry-forward: Operating loss	1	—	1	—	2	—	4	—	4
Prior year tax adjustments not identified	1	3	9	16	—	—	29	6	35
Interest received on tax refund	—	1	—	1	1	—	3	2	5
Tax adjustment—other items	—	—	—	—	1	—	1	—	1
Adjustments—Total	2	16	15	33	12	2	80	24	104
Allocation of Current Income Taxes, with:									
Extraordinary item shown net of related tax	—	34	—	—	—	—	34	13	47
Extraordinary item shown in full amount	—	4	6	—	—	1	11	1	12
Only tax effect of extraordinary item shown	—	14	—	—	—	—	14	1	15
Deferment of income tax benefit	—	—	3	19	26	—	48	—	48
Allocation—Total	—	52	9	19	26	1	107	15	122
Total	2	68	24	52	38	3	187	39	226

Number of Companies Presenting Special:	1956
Income tax adjustment items	87
Income tax allocation items	122
Total	209
Number of Companies not presenting special items	391
Total	600

*See Table 12 for Percentage of Materiality.
See Tables 13 and 14 for Extraordinary Items.

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 Certified Public 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 87 of the 600 survey companies that presented a total of 104 income tax adjustment items in their 1956 annual reports. Table 11 summarizes the various methods of presentation of the tax adjustments as shown by the survey companies. Of the 104 income tax adjustments, 66 items were set forth in the income statement; 14 were disclosed either in the footnotes, president's letter to the stockholders, or parenthetically in the balance sheet; the remaining 24 items were shown in the retained earnings statement. The income account was utilized for 80 income tax adjustments by 70 companies, and the retained earnings account for 24 items by 17 companies. A combination of such accounts was used by 2 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 illustrations refer to prior year 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 1956

TABLE 12: INCOME TAX ADJUSTMENTS AND ALLOCATION—1956

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							1956 Total Items
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	
Prior year tax accrual adjustments	9	1	3	1	3	—	17	5	4	—	2	—	2	13	30
Additional tax assessment or payment	2	2	—	—	—	3	7	—	—	—	—	—	—	—	7
Refunds under Sections 721, 722, etc.	—	—	2	—	1	—	3	—	—	—	1	—	—	1	4
Carry-back: Operating loss	1	1	2	4	8	—	16	1	—	—	—	1	—	2	18
Carry-forward: Operating loss	—	—	—	1	1	2	4	—	—	—	—	—	—	—	4
Tax adjustments not identified	18	5	3	1	1	1	29	1	1	1	1	1	1	6	35
Interest received on tax refund	2	—	1	—	—	—	3	1	1	—	—	—	—	2	5
Tax adjustment—other items	—	1	—	—	—	—	1	—	—	—	—	—	—	—	1
Adjustments—Total	32	10	11	7	14	6	80	8	6	1	4	2	3	24	104
Allocation of Current Income Taxes, with:															
Extraordinary items shown net of related tax	8	8	7	7	3	1	34	2	4	1	4	2	—	13	47
Extraordinary item shown in full amount	4	1	3	1	2	—	11	—	—	1	—	—	—	1	12
Only tax effect of extraordinary item shown	1	2	7	—	2	2	14	—	—	1	—	—	—	1	15
Deferment of income tax benefit	25	11	7	1	2	2	48	—	—	—	—	—	—	—	48
Allocation—Total	38	22	24	9	9	5	107	2	4	3	4	2	—	15	122
Total	70	32	35	16	23	11	187	10	10	4	8	4	3	39	226

	Accounts Adjusted for Special Items:			
Number of Companies, adjusting accounts:	Income	Income & Retained Earnings	Retained Earnings	1956 Total
For prior year income tax adjustments	69	2	16	87

Number of Companies Presenting Special:	
Income tax adjustment items	87
Income tax allocation items	122
Total	209
Number of Companies not presenting special items	391
Total	600

*See Table 11 for Presentation of Income Tax Adjustments. See Tables 13 and 14 for Extraordinary Items.
N—Percentage of materiality not determinable.

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 87 of the 600 survey companies in their 1956 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 1956 net income computed without regard for either income tax adjustments or extraordinary items. Table 12 shows that 56 of such adjustments did not exceed a materiality percentage of 10%; 12 items were within 11-20% range of materiality; 11 items varied from 21-50%; and only 16 items exceeded 50% of materiality. In the case of 9 of the 104 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 1956 reports, illustrate the presentation and treatment of adjustments in connection with prior income taxes:

THE AMERICAN SUGAR REFINING COMPANY
Statements of Consolidated Income and Earned Surplus

Net income before provision for U. S. and Cuban taxes on income	$19,704,936
Provision for United States and Cuban taxes on income	9,819,152
Net income for the year	$ 9,885,784
Adjustment for prior years income taxes and reserve	810,000
Net income and special credit transferred to earned surplus	$10,695,784

BEAUNIT MILLS, INC.
Consolidated Balance Sheet
Current Liabilities:

Accrued federal taxes on income	$10,055,567
Deferred items:	
Tentative carry-back adjustment of federal income tax, in suspense (Note 2)	$—
Federal income taxes relating to accelerated amortization of facilities under certificate of necessity (Note 3)	1,777,500

Consolidated Statement of Income

Income before provision for taxes on income	$19,466,336
Provision for federal, state and foreign taxes on income:	
Federal:	
Currently payable	$ 9,050,000
Deferred (Note 3)	592,500
State	290,000
Foreign	44,361
	$ 9,976,861
Net income from operations before minority interest	$ 9,489,475
Net income of subsidiary companies applicable to minority interest	511,348
Net income for the year	$ 8,978,127

Note 2: During the year, a final settlement was made with the Internal Revenue Service of the federal income tax liability of American Bemberg Corporation (a predecessor company) for the years 1947 through 1949. As a result, there was repaid to the U. S. Treasury $751,956 plus $266,541 interest, of the $1,550,000 tentative carry-back refund previously received and carried in suspense pending this final settlement. Certain collateral issues applicable to subsequent years remain unsettled; accordingly, the remainder of the suspense total, amounting to $531,503 is included in the liability for accrued federal income taxes.

Note 3: The company has elected under the applicable provisions of the Internal Revenue Code, to amortize for federal income tax purposes the certified portion of the cost of Coosa Pines plant No. 2 under a Certificate of Necessity, over five years beginning with the fiscal year ended March 31, 1954. In its accounts the company recorded depreciation on this portion of the cost of the plant on the basis of the estimated service lives of its components. The current deduction of the excess of tax amortization over book depreciation will reduce the amount of tax-deductible depreciation in years subsequent to the amortization period. Accordingly, the company has adopted the policy of charging to income and crediting to deferred income the resulting reductions in income taxes payable for the current year which will be restored to income in appropriate amounts over the remaining service lives subsequent to the amortization period.

Tax Assessments, Refunds, and Refundable Taxes

BRIGGS MANUFACTURING COMPANY
Statement of Financial Condition
Current Liabilities:

Estimated liability for federal income taxes	$ 1,580,358

Statement of Income and Income Invested

Net Sales	$22,849,045
Cash discounts and other miscellaneous income	124,107
	$22,973,152
Manufacturing costs	16,213,549
Depreciation and amortization	622,295
Administrative and selling expenses	3,101,028
Net interest expense	35,482
Estimated federal income taxes	1,590,000
	$21,562,354
Net income for the year	$ 1,410,798

Note 4: Federal Taxes on Income—The tax liability of the parent company for federal taxes on income has been settled with the Internal Revenue Service through the year 1941. Examinations for the years 1942 through 1953 have been completed subject to final approval by the Internal Revenue Service. The additional assessments, including interest, as determined by these examinations have been paid and charged to the liability for federal taxes on income provided therefor in prior years, or provision therefor has been made in the accounts. While the final tax liability for these and subsequent years cannot as yet be determined, it is believed that adequate provision therefor has been made in the accounts.

THE EASTERN MALLEABLE IRON COMPANY
Condensed Statement of Financial Position
Current Liabilities:

Accrued federal, state and municipal taxes, estimated	$ 740,867

Summary of Changes in Earnings Retained for Business Needs and Capital Surplus Account

Total Income	$1,580,751
Other increase:	
Capitalization by United States Internal Revenue Service of expenditures of years 1953 and 1954, originally charged to operations —net of related depreciation for years 1953, 1954 and 1955	8,612
Total Increases	$1,589,363

INTERNATIONAL HARVESTER COMPANY

SUMMARY OF CHANGES IN NET ASSETS

	1956	1955	Increase or *Decrease*
Cash and U. S. Government securities	$154,172,364	$193,146,432	*$38,974,068*
Receivables (net)	68,588,276	52,231,836	16,356,440
Trade accounts with subsidiary companies	29,521,867	15,770,723	13,751,144
Inventories	320,758,126	312,611,222	8,146,904
Total current assets	$573,040,633	$573,760,213	$ *719,580*
Less current liabilities	147,930,470	174,392,957	*26,462,487*
Net current assets (working capital)	$425,110,163	$399,367,256	$25,742,907
Property (net)	313,692,501	323,567,383	*9,874,882*
Investment in subsidiary companies	113,755,719	112,469,011	1,286,708
Miscellaneous assets	8,726,498	8,551,265	175,233
Net assets in which total capital was invested	$861,284,881	$843,954,915	$17,329,966

The increase in capital invested was accounted for as follows:

Net income	$49,618,709	
Less cash dividends	33,437,743	$16,180,966
Common stock sold to employes		1,149,000
Increase in total capital invested		$17,329,966

PROPERTY

LAND, BUILDINGS, MACHINERY AND EQUIPMENT	Production Facilities	Sales and Service Facilities	General Office and Other	Total
Balance October 31, 1955	$504,680,742	$56,086,724	$7,383,910	$568,151,376
Additions 1956	33,250,917	5,298,401	404,278	38,953,596
Sold, scrapped, etc. 1956	*37,223,770*	*967,023*	*102,823*	*38,293,616*
Balance October 31, 1956	$500,707,889	$60,418,102	$7,685,365	$568,811,356
RESERVE FOR DEPRECIATION				
Balance October 31, 1955	$225,461,067	$16,064,177	$3,058,749	$244,583,993
Provision 1956	30,789,163	2,427,683	391,500	33,608,346
Charges for property sold, scrapped, etc. 1956	*22,568,847*	*461,918*	*42,719*	*23,073,484*
Balance October 31, 1956	$233,681,383	$18,029,942	$3,407,530	$255,118,855
NET PROPERTY	$267,026,506	$42,388,160	$4,277,835	$313,692,501

Decreases:	
Federal income tax, estimated	$ 779,000
Additional provision for doubtful accounts receivable	17,000
Interest paid:	
On note for borrowed money	$ 46,750
On additional tax assessments	693
Sundry adjustments for tax accruals, net	5,120
Carrying charges—closed plants and sundry expenses	6,703
Total Decreases	$ 855,267
Net Income	$ 734,096

SUNRAY MID-CONTINENT OIL COMPANY
Consolidated Balance Sheet
Current Liabilities:

Provision for federal and state taxes on income	$19,219,477

Statement of Consolidated Income
Costs and Expenses:

Federal income taxes, (less adjustment in 1956 of $2,300,000 applicable to prior years)	$16,844,000

Note: Fixed Assets—It is the policy of the company to capitalize intangible development costs of drilling wells on productive leases and to amortize the cost thereof as oil and gas are produced, while for income tax purposes such costs are claimed as deductions in the year in which incurred. Income tax accounting practices which are in use by the industry with respect to delay rentals, depletion, depreciation and amortization contribute further to the differences between taxable income and income per books.

THE UNITED PIECE DYE WORKS
Statement of Financial Condition
Current Assets:

Refundable federal taxes on income (Note 2)	$ 429,200

Statement of Earnings

Earnings (Loss*) before federal income taxes	$(637,629*)
Federal income taxes:	
On earnings of the year	$ ———
Refundable—prior years	365,000*
Provision no longer required	143,333*
	508,333*
Net Earnings (Loss*)	$(129,296*)

Note 2: Federal Income Taxes—Refundable federal income taxes comprise the following:

	1956	1955
Prior years:		
On net loss of the year	$365,000	$———
On prior year's taxes	———	72,342
Paid in respect of 1956	64,200	———
	$429,200	$72,342

The Treasury Department has completed examination of federal income tax returns through 1952. No adjustments in respect of the years 1953 through 1955 are expected, accordingly, the reserve for contingencies in the amount of $143,333 has been returned to income.

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 1956 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 Certified Public Accountants.

The following representative examples of carry-backs and carry-forwards of operating losses have been selected from the 1956 reports of the survey companies.

Carry-Back of Operating Loss

AINSWORTH MANUFACTURING CORPORATION
Balance Sheet
Current Assets:

Claim for refund of Federal income tax resulting from carry-back of operating loss	$ 92,455

Summary of Income and Retained Earnings

Income (Loss) for the year before provision for federal taxes on income	$(178,269)
Provision for federal taxes on income (1956, credit resulting from carry-back of operating loss)	(92,455)
Net income (Loss) for the year	$(85,814)

THE GRUEN WATCH COMPANY
Consolidated Balance Sheet
Assets:

Refundable federal taxes on income resulting from carry-back provisions, estimated	$ 599,514

Consolidated Statement of Income and Retained Earnings

Loss before taxes on income	$1,330,464
Provision for taxes on income:	
Domestic (represents estimated recovery under carry-back provisions)	(590,769)
Foreign	226,104
	$ (364,665)
Loss	$ 965,799

Carry-Forward of Operating Loss

THE CUDAHY PACKING COMPANY
Consolidated Income Statement
Costs and Expenses:

Provision for federal income taxes (See note)	$———
Net income for the year, including the elimination of federal income taxes of $2,700,000 in 1956 (See note)	5,267,724
Special Credit—Gain on sale of Purex Corporation, Ltd. stock, including the elimination of federal income taxes of $200,000 (See note)	869,611
Net income for the year and special credit, including the elimination of federal income taxes of $2,900,000 in 1956 (See note)	$6,137,335
Earned Surplus:	
Balance at October 29, 1955	$2,702,755
Net income for the year and special credit, including the elimination of federal income taxes of $2,900,000	6,137,335
	$8,840,090
Less dividends paid on 4½% preferred stock ($11.25 per share)	1,125,005
Balance at October 27, 1956 (Since October 30, 1954)	$7,715,085

Note: By reason of prior years' losses, federal income taxes for both years were eliminated. Without benefit of loss carry-forwards, net income would have been $2,567,724 in 1956 and $1,402,755 in 1955; net income and special credit in 1956 would have been $3,237,335. Substantial loss carry-forwards remain for tax purposes in future years.

MC CALL CORPORATION
Balance Sheet
Current Liabilities:

Federal income tax	$ 138,132
Deferred federal income tax	243,639

Statement of Income and Earnings Retained in Business

(Undesignated total)	$1,645,365
Provision for federal income tax (1956 includes charge in lieu thereof (Note 2)	940,000
Net income for the year	$ 705,365

Note 2: Write-Down of Intangible Assets—The Board of Directors in 1956 authorized the write-down to $1 of intangible assets formerly carried as deferred charges and in subscription lists, advertising and pattern contracts, patents on printed pattern, processes, trademarks and goodwill. Although during 1956 the publication of the Bluebook and Better Living magazines was discontinued, the write-down did not represent a valuation of the remaining intangibles, which are considered by the Board of Directors to be worth substantially their book values, but rather a decision to carry these in the balance sheet in the future at the nominal value of $1. The write-down resulted in a charge to income of $809,381, the amount equivalent to the reduction in federal income taxes through carry-over of operating losses of Mass Market Publications, Inc. which previously published the Better Living magazine, and a charge to earnings retained in business of $8,662,228.

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 Certified Public Accountants, and also *Accounting Series, Release No. 53* published by the Securities and Exchange Commission.

Presentation of Income Tax Allocation

Table 11 shows there were 122 items of income tax allocation for extraordinary items and deferment of income tax benefits disclosed by the survey companies in their 1956 annual reports. In 47 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 one of these cases. The extraordinary item was shown "in full amount" in 12 cases; however, all of these cases disclosed the amount of "the related tax effect." Allocation of current income taxes was reported by 48 companies as a deferment of current income tax benefits to future years, due to accelerated amortization of emergency facilities under certificates of necessity, new depreciation methods, etc. (Full analysis and discussion of accelerated amortization can be found in Table 8, this section.) In the remaining 15 instances, the amount of the extraordinary item was not clearly determinable in the 1956 reports, and the current year entry showed only "the related tax effect" thereof. During 1956, the income account and the retained earnings account were utilized to reflect 107 and 15 allocations, respectively.

AMERICAN CYANAMID COMPANY
Consolidated Statement of Earnings

Earnings (exclusive of extraordinary gains) before taxes on income	$85,247,158
Provision for federal and foreign taxes on income	41,000,000
Net earnings exclusive of extraordinary gains	$44,247,158
Add:	
Gains arising from sale of Gloucester City plant and the capital stock of Chemical Construction Corporation, less related federal taxes ($2,000,000)	11,125,307
Net Earnings	$55,372,465

ARMOUR AND COMPANY
Consolidated Statement of Earnings

Net earnings for the year	$13,866,613
Special credits or (charges):	
Adjustment of reserve for federal income taxes as a result of final settlement of 1946-1949 liability	1,500,000
Separation pay and loss on disposal of closed units less relative income tax reduction of $977,000	(712,503)
Net earnings and special items	$14,654,110

BULOVA WATCH COMPANY, INC.
Consolidated Balance Sheet

Deferred federal taxes on income—principally tax on accelerated amortization of emergency facilities (Note B)	$ 936,297

Consolidated Statement of Income and Earned Surplus

Income before income taxes	$7,658,190
U. S. and foreign income taxes (including deferred taxes relating to accelerated amortization of emergency facilities: 1956—$304,981; 1955—$303,174)	4,175,000
Net income for the year	$3,483,190

Note B: Depreciation on property covered by certificates of necessity, having a gross asset value of $4,432,164 at March 31, 1956 and March 31, 1955, has been booked at normal rates used by the company, although for income tax purposes the accelerated amortization of 20% per annum has been deducted. The excess of tax amortization over normal depreciation has resulted in a temporary tax benefit of $864,796 ($304,981 arising in 1956 and $303,174 in 1955) which has been charged against earnings and credited to deferred Federal taxes on income. The amount so deferred will be taken into earnings in the years following the amortization period, when depreciation on property covered by certificates of necessity then being booked in the accounts will not be deductible for income tax purposes.

DELTA AIR LINES
Statement of Surplus
Earned Surplus:

Balance at beginning of year	$10,206,507
Add:	
Net income	3,369,196
Special item—Profit on disposition of flight equipment (less $1,425,000 applicable income taxes and reserve provision)	1,308,770
	$14,884,473
Deduct:	
Cash dividends on common stock	992,990

Transfer to common stock in connection with split effected in form of a 25% stock dividend	598,451
Balance at end of year ($9,401,549 of earned surplus is restricted as indicated on balance sheet)	$13,363,032

GENERAL DYNAMICS CORPORATION

Statement of Consolidated Income

Profit before income taxes	$61,570,397
United States and Canadian income taxes	31,850,000
Net income before special credit	$29,720,397
Special credit—Profit on sale of subsidiary less applicable United States income tax	2,226,598
Net income	$31,946,995

P. LORILLARD COMPANY

Consolidated Earnings and Retained Earnings

Total Revenues	$203,315,571
Costs and Expenses:	
Cost of goods sold, selling, advertising and administrative expenses	$191,578,240
Interest	3,107,695
Federal and state income taxes	4,299,000
Total costs and expenses	$198,984,935
Earnings before special items	4,330,636
Special items (after related federal income tax effect):	
Profit on sale of Cigar Division	429,751
Expense in connection with closing Jersey City plant	(240,629)
Net Earnings	$ 4,519,758

TABLE 13: EXTRAORDINARY ITEMS—1956

	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	1956 Total Items
Disposal or sale of:							
Fixed assets	82	23	—	10	115	6(1)	121
Investments or securities	15	9	2	1	27	1	28
Subsidiary, affiliate, or division	4	12	—	3	19	2	21
Other assets	6	3	—	2	11	2	13
Change in valuation bases:							
Inventory write-down to market	1	—	—	1	2	—	2
"Lifo" liquidation or replacement	1	—	—	—	1	—	1
Inventory "base stock" adjustment	1	1	1	—	3	—	3
Change in investment valuation	1	1	—	—	2	—	2
Fixed assets conformed to "tax" basis	5	3	1	—	9	—	9
Other fixed asset adjustments	1	1	—	—	2	1	3
Miscellaneous adjustments	—	4	1	1	6	—	6
Expenses, losses, gains, etc.:							
Catastrophe—fire, flood, other	2	1	—	—	3	1	4
Foreign exchange adjustments	8	1	—	—	9	—	9
Government contracts	2	4	—	—	6	2	8
Nonrecurring plant expenses	1	1	—	1	3	—	3
Various other gains and losses	3	—	1	—	4	—	4
Various prior year adjustments	6	5	—	1	12	9(1)	21
Miscellaneous other items:							
General undetermined contingencies	4	6	—	—	10	8	18
Lump-sum intangible asset reduction	—	2	—	—	2	3	5
Higher plant replacement cost or extraordinary depreciation	2	1	—	—	3	—	3
Transfer to reserves or reversal	1	4	—	—	5	—	5
Total	146	82	6	20	254	35	289

Number of Companies Presenting Special:	1956
Non-recurring extraordinary items	240
Not presenting special items	360
Total	600

*See Table 14 for Percentage of Materiality.
See Tables 11 and 12.
(1) Includes one entry to capital surplus.

EXTRAORDINARY ITEMS

A total of 289 extraordinary items were disclosed in the annual reports of 240 of the 600 survey companies. The disposal or sale of assets comprised the largest group. 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.

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 Certified Public 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."

Presentation of Extraordinary Items

Table 13 summarizes the various methods of presentation of extraordinary items as shown in the 1956 annual reports. Of the 289 extraordinary items the great majority were set forth in the statement of income (228 items); a number were disclosed in either the footnotes or in the letter to the stockholders (26 items); and the balance (35 items) were shown in the statement of retained earnings or capital surplus. The presentation of extraordinary items in the 1956 annual reports is illustrated in the examples which follow.

TABLE 14: EXTRAORDINARY ITEMS—1956

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							
Nature of Extraordinary Item	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	1956 Total Items
Disposal or sale of:															
Fixed assets	74	8	14	10	5	4	115	1(1)	1	1	1	2	—	6	121
Investments of securities	11	6	4	5	1	—	27	—	1	—	—	—	—	1	28
Subsidiary, affiliate, or division	8	2	3	3	1	2	19	—	—	—	1	1	—	2	21
Other assets	7	1	—	1	1	1	11	—	1	—	—	1	—	2	13
Changes in valuation bases:															
Inventory write-down to market	—	—	—	1	1	—	2	—	—	—	—	—	—	—	2
"Lifo" liquidation or replacement	1	—	—	—	—	—	1	—	—	—	—	—	—	—	1
Inventory "base stock" adjustment	2	—	—	1	—	—	3	—	—	—	—	—	—	—	3
Change in investment valuation	2	—	—	—	—	—	2	—	—	—	—	—	—	—	2
Fixed assets conformed to "tax" basis	4	1	2	1	—	1	9	—	—	—	—	—	—	—	9
Other fixed asset adjustments	1	—	—	1	—	—	2	—	—	—	—	1	—	1	3
Miscellaneous adjustments	2	—	2	2	—	—	6	—	—	—	—	—	—	—	6
Expenses, losses, gains, etc.:															
Catastrophe—fire, flood, other	—	—	2	1	—	—	3	—	1	—	—	—	—	1	4
Foreign exchange adjustments	8	1	—	—	—	—	9	—	—	—	—	—	—	—	9
Government contracts	1	1	2	2	—	—	6	—	1	—	1	—	—	2	8
Non-recurring plant expenses	1	—	1	1	—	—	3	—	—	—	—	—	—	—	3
Various other gains and losses	3	1	—	—	—	—	4	—	—	—	—	—	—	—	4
Various prior year adjustments	4	3	4	—	—	1	12	3	3(1)	2	1	—	—	9	21
Miscellaneous other items:															
General undetermined contingencies	3	2	1	2	1	1	10	3	2	1	2	—	—	8	18
Lump-sum intangible asset reduction	1	—	1	—	—	—	2	—	1	1	1	—	—	3	5
Higher plant replacement cost or extraordinary depreciation	1	—	—	1	1	—	3	—	—	—	—	—	—	—	3
Transfer to reserves or reversal	1	1	1	2	—	—	5	—	—	—	—	—	—	—	5
Total	135	27	37	34	11	10	254	7	11	5	7	5	—	35	289

	Accounts Adjusted for Special Items:				
Number of Companies, adjusting accounts:	Income	Income & Retained Earnings	Retained Earnings	Capital Surplus	1956 Total
For extraordinary items	211	6	21	2	240

Number of Companies Presenting Special:	
Non-recurring extraordinary items	240
Not presenting special items	360
Total	600

*Ratio of item to 1956 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.

Materiality of Extraordinary Items

Table 14 summarizes the percentage of materiality and the accounts adjusted for the 289 extraordinary items presented by the survey companies in their 1956 annual reports. The percentage of materiality of extraordinary items was determined by the ratio of such items to the 1956 earnings adjusted for both extraordinary items and prior income tax adjustment items. Table 14 shows that 180 of the extraordinary items did not exceed a materiality percentage of 10%; 42 items were within an 11-20% range of materiality; 41 items varied from 21-50%; and only 16 exceeded 50% of materiality. In the case of 10 of the 289 extraordinary items, the reports did not contain sufficient information for determination of the materiality.

The income account was utilized for the recording of 254 extraordinary items (217 companies); the retained earnings account for 33 extraordinary items (27 companies); and the capital surplus account for 2 items (2 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 1956 for extraordinary items are set forth in Section 4, Table 4.

The use of the income account in connection with extraordinary items is illustrated in the following examples. These examples show the presentation of extraordinary items and their varied nature.

BACHMANN UXBRIDGE WORSTED CORPORATION
Consolidated Statement of Income

Other deductions—net of other income:	
Interest—net	$ 569,317
Gain on sale of fixed assets—net (exclusive of loss included under special items below)	(24,739)
Miscellaneous—net	(20,840)
	$ 523,738
Net income	$ 193,407
Special items:	
Provision for loss on disposition of certain surplus plant, machinery and equipment (including loss of $26,535 incurred in 1956)	$ 526,535
Less: Insurance adjustments—net—Note 2	128,197
	$ 398,338
Excess of special items over net income	$(204,930)

Note 2: As at January 1, 1956, the Company recorded on its books unexpired insurance premiums and unabsorbed insurance deposits, both of which had theretofore been consistently expensed, and provided a reserve for claims under the self-insured portion of certain of its insurance policies, which claims had previously been charged to expense as paid. These changes in accounting principles resulted in a net credit as at January 1, 1956, shown under special items in the accompanying statement of income and earned surplus, of $128,197.

COMMERCIAL SOLVENTS CORPORATION
Consolidated Earnings and Summary of Earnings Retained in Business

Income:	
Earnings before extraordinary items	$3,163,307
Extraordinary items (see notes)	(332,716)
Net Earnings for year (per share $1.07 in 1956)	$2,830,591

Notes to Financial Statements: Extraordinary Items—The extraordinary item for 1956 represents the additional provision for price redetermination referred to above. The extraordinary item for 1955 represents net income from settlement of a lawsuit instituted by the Corporation less Federal income tax of $339,000 applicable thereto.

CRANE CO.
Consolidated Earnings and Earned Surplus Statement

Income:		
Earnings from operations		$18,080,524
Other income and (deductions):		
Dividends received from English subsidiary (Note 2)	$ 1,078,842	
Gain on foreign exchange conversion (Note 1)	807,932	
Interest on debentures, notes, etc.	(1,081,552)	
Profit on sale of securities and fixed assets—net	257,530	
Miscellaneous—net	686,812	
		1,749,564
		$19,830,088

Note 1: Conversion of Items Carried in Canadian Currency—In converting the items carried in Canadian currency, fixed assets were converted at U. S. dollar cost at dates of acquisition, less accumulated depreciation. Net current assets were converted at the current rate of exchange at the year-end and the net gain on conversion is included in the consolidated earnings statement under other income.

DEERE & COMPANY
Statement of Consolidated Income and Earned Surplus

Income:	
Net income before special adjustments	$20,005,396
Special adjustments:	
Restoration to income of depreciation reserves no longer required	7,553,061
	$27,558,457
Special provision for pensions	7,500,000
Net income for the year	$20,058,457

The President's Letter: Included in the 1956 miscellaneous adjustments and retirements is a transfer of $7,553,061 from the reserve for depreciation to income. This amount represents the entire balance of a special reserve for depreciation which is no longer required. It was created by charges against income in various years from 1923 through 1951, and was related to assets subsequently retired and adjustments agreed upon with the Internal Revenue Service. After this transfer, the reserve for depreciation at October 31, 1956 equaled the depreciation which has been deducted for Federal income tax purposes.

EAGLE-PICHER COMPANY
Statement of Consolidated Profit and Loss

Income:	
Net profit from operations for the year	$5,496,794
Net profit from special items:	
Non-recurring profit from Mexican subsidiaries, less Federal income taxes	$1,395,676
Special charge in connection with purchase of assets of Chicago Vitreous Corporation (excess of cost over book values, November 30, 1956) (note 2)	(936,261)
Loss on sale of two plants, less Federal income tax credit	(49,779)
	$ 409,636
Net profit for year	$5,906,430

Note 2: As of November 30, 1956, the company purchased for cash all of the assets of the Chicago Vitreous Corporation. The consideration was $936,261 in excess of the book value of the assets acquired; this amount has been allocated to property, plant and equipment in the accompanying financial statements. A reserve, in the amount of this excess, has been provided at November 30, 1956 by a special charge to income to reduce the property, plant and equipment acquired to the net basis of the predecessor.

FEDERAL SIGN AND SIGNAL CORPORATION
Income and Surplus
Income:

Net income	$776,900
Special credit—profit on sales of real estate and branch office assets, less applicable income tax	65,970
Net income and special credit	$842,870

MILLER MANUFACTURING CO.
Consolidated Statement of Income
Income:

(Undesignated total)	$ 821,126
Other income and (deductions):	
Royalty income	43,468
Excess of life insurance proceeds over cash surrender value	—
Gain (loss) on disposal of fixed assets	26,725
Interest and other income (net)	11,606
Interest on bank loans and debenture bonds, including amortization of bond discount and expense of $14,268 in 1956 and $16,184 in 1955	(127,505)
Cost of moving machinery, equipment, inventories and personnel to new plant, including severance pay	(133,924)
	$ 641,496
	179,630

To the Stockholders: Facilities—During the past year the company's new plant at Alliance, Ohio, comprising approximately 150,000 square feet of manufacturing space, was activated by the consolidation of the company's special service tool operations formerly conducted at Detroit and West Branch, Michigan, with the tool division of Bonney Forge & Tool Works which was moved from Allentown, Pennsylvania.

Through the consolidation and integration of these two operations insofar as administration, engineering, production and shipping operations are concerned, substantial economies will be effected. We have recently enlarged the field sales force of the Bonney Tool Division by more than 50% and look forward to substantially increased sales of this well known line of mechanics' hand tools.

The moving and installation of machinery and equipment and the relocating of certain personnel, resulted in direct costs of $133,924. Additional costs conservatively stated at $90,000 resulted from partial duplication of operations and premium paid for overtime work in an attempt to reduce the loss in production to a minimum during the time required for making such a move. The hiring and training of new personnel to accommodate this operation was time consuming and expensive, costs of which are reflected in the operations covering several months. The major part of the program involving the moving and modernization of these two divisions was effected during the months of April and May.

Upon completion of the moves as outlined above, land and buildings at Allentown, Pennsylvania not required for future operations, were promptly disposed of. The special fittings and forgings division of Bonney has been retained and revitalized in its present location at Allentown, Pennsylvania. Production and shipments by this particular division have been increased twenty-five percent during recent months.

MOTOR PRODUCTS CORPORATION
Statement of Income and Earned Surplus
Income:

Net income	$ 1,805,208
Special charge:	
Appropriated for expenses and possible losses relating to discontinuance of automotive production and the realization of assets of the Detroit Automotive Division and the North Chicago plant of Deepfreeze Appliance Division (Note 1)	(3,000,000)
Special charge less net income	$(1,194,791)

Note 1: During the year the company sold the former refrigerator plant at Lake Bluff, Illinois, discontinued freezer production, and disposed of the inventory and equipment of Deepfreeze Appliance Division.

As of June 30, 1956 the Canadian Division in Walkerville, Ontario was sold.

Upon completion of orders covering parts currently manufactured for 1956 model automobiles, it is contemplated that the manufacture of automotive parts will be discontinued.

The statement of income reflects expenses incident to the discontinuance of operations of the Deepfreeze Appliance Division and realized gains and losses on disposition of assets of the Deepfreeze Appliance and Canadian Divisions as well as regular operations during the period.

The Board of Directors has authorized a charge to the income statement in the amount of $3,000,000 to reflect further losses in conversion of assets pertaining to discontinuance of operations. The appropriated amount appears as a reserve in the balance sheet.

WAITT & BOND, INC.
Consolidated Statement of Income
Income:

Total other income	$ 14,456
	$ 78,218
Other charges:	
Interest	62,009
Amortization of bond expense and redemption premium	4,084
Inventory adjustments (Note 1)	452,084
Total other charges	$518,177
Income or loss*, before income taxes	$439,959*

Note 1: Costs are determined on the basis of identified lots in the case of leaf tobacco and on an average basis for other inventories. As of December 31, 1956, the carrying amounts of certain leaf tobacco and other inventories were reduced to approximate market determined on the basis of appraisals and reviews.

WALWORTH COMPANY
Consolidated Income Statement
Income:

Operating profit	$9,873,653
Other income less sundry other charges ($129,780 in 1956)	42,969
(Charges) and credits from extraordinary property disposals and, in 1956, $113,680 premium on debentures called	(207,019)
Operating profit and sundry items	$9,709,603

F. W. WOOLWORTH CO.
Consolidated Statement of Income and Earned Surplus
Income:

Operating profit plus other income	$81,562,226
Deductions from income:	
Depreciation and amortization	17,556,581
Interest and miscellaneous	3,474,101
Cost of terminating long-term leases	1,782,696
Total	$22,813,378
Net income before government taxes on income	$58,748,848

To the Stockholders: An item of $1,782,696 has been deducted from income, representing costs of canceling two very unprofitable leases. These cancellations will result in a considerable saving to the Company over the terms of these leases.

DESIGNATION OF FINAL FIGURE

The *Restatement and Revision of Accounting Research Bulletins,* issued by the committee on accounting procedure of the American Institute of Certified Public 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.*

The descriptive captions used to identify the figures preceding the non-recurring, special items and the final figures in the income statements are reflected in Table 15. There were 63 survey companies that presented such items in a separate last section of the 1956 income statements. Thirty-seven companies indicated the *inclusion* of the extraordinary charges and credits in the figure of net income for the year while 24 companies clearly indicated the *exclusion* of such charges and credits from the figure of net income for the year. The remaining 2 companies did not indicate whether the extraordinary charges or credits were *included* in or *excluded* from the figure of net income for the year.

Examples illustrating the presentation of the final figure of the income statement of the 1956 reports are as follows. Additional examples are given under *Extraordinary Items,* also in this section.

TABLE 15: DESIGNATION OF FINAL FIGURE—1956

Number of Companies Presenting	1956
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. 72, 160, 267, 354, 424)	22
Setting forth an *"undesignated"* figure preceding extraordinary item and designating final figure of the income statement as *"net income for the year"* (*Co. Nos. 59, 166, 224, 380)	4
Designating figure preceding extraordinary item as *"net operating income"* and final figure of the income statement as *"net income"* (*Co. Nos. 208, 241, 396)	6
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. 138, 263, 559)	5
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. 49, 183, 207, 339)	19
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. 94, 294, 353, 476)	4
Designating figure preceding extraordinary item as *"net income before special item"* and final figure of the income statement as *"transferred to retained earnings"* (*Co. No. 577)	1
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. No. 27)	1
Designating figure preceding extraordinary item as *"net income from operations"* with final figure not identified (*Co. No. 560)	1
Total	63

*Refer to Company Appendix Section.

ARCHER-DANIELS-MIDLAND COMPANY
Consolidated Profit and Loss and Reinvested Earnings

Add other income:	
Dividends received and interest earned	$ 225,707
Profit (loss) on disposal of depreciable assets	320,479
Miscellaneous	207,691
	$12,630,133
Less deductions from income:	
Interest paid	$ 612,779
Provision for doubtful accounts	44,958
Miscellaneous	40,048
	$ 697,785
	$11,932,348
Provision for federal, state, and Canadian taxes on income for the year—estimated—Note B	$ 5,435,842
Add income tax adjustments resulting from decrease in reserve for replacement of Lifo inventories—Note A	625,000
	$ 6,060,842
Net Profit for the Year	$ 5,871,506

CHESAPEAKE INDUSTRIES, INC.
Statement of Consolidated Earnings

Net earnings before special items	$1,420,813
Special items:	
Non-recurring inventory and contract losses	(394,935)
Net earnings and special items (Note 4)	$1,025,878

THE CUDAHY PACKING COMPANY
Consolidated Income Statement

Net income for the year, including the elimination of federal income taxes of $2,700,000 in 1956 (see note)	$5,267,724
Special credit—gain on sale of Purex Corporation Ltd., stock, including the elimination of federal income taxes of $200,000 (see note)	869,611
Net income for the year and special credit, including the elimination of federal income taxes of $2,900,000 in 1956	$6,137,335

Note: By reason of prior years' losses, federal income taxes for both years were eliminated. Without benefit of loss carry-forwards, net income would have been $2,567,724 in 1956 and $1,402,755 in 1955; net income and special credit in 1956 would have been $3,237,335. Substantial loss carry-forwards remain for tax purposes in future years.

DAYSTROM, INCORPORATED
Consolidated Results of Operations

Profit before special credit	$1,640,963
Special credit:	
Profit on sale of net assets of American Type Founders, Inc., after giving effect to Federal income tax benefit of $1,383,000 resulting therefrom	143,218
Net profit for year	$1,784,181

THE DUPLAN CORPORATION
Consolidated Statement of Operations

Loss from operations	$1,992,210
Interest expense, less $23,021 interest income	310,533
Provision for loss on disposal of surplus properties and equipment, including related costs (Note 2)	1,550,000
Income tax credit due to carry-back of operating loss (Note 3)	(61,000)
	$1,799,533
Net loss	$3,791,743

FORT PITT INDUSTRIES, INCORPORATED
Statement of Income and Earned Surplus

Operating profit before income and expenses shown below	$715,868
Other income	39,101
	$754,969
Other deductions	
Interest	$ 54,310
Idle plant expense	57,616
State income tax	10,000
	$121,926
	$633,043
Provision for depreciation	$340,294
Net profit from operations	$292,749
Net loss or (gain) on disposition of capital assets	
Jeannette plant equipment (Note 3)	$ 74,586
Other equipment and containers	(41,515)
	$ 33,071
	$259,678
Amortization of intangible acquisition costs (Note 2)	$ 74,335
Net Income	$185,343

THE GILLETTE COMPANY
Consolidated Statement of Income and United States Earned Surplus

Net income before special charges	$31,544,304
Special charges to amortize goodwill (page 11)	2,817,366
Net income after special charges, transferred to United States earned surplus	$28,726,938

LEAR, INCORPORATED
Statement of Earnings

Earnings before federal taxes on income	$3,406,018
Federal taxes on income	1,900,000
Net earnings	$1,506,018
Special credit:	
Return of excess provision in 1953 for estimated contract and other adjustments, less related federal taxes on income of $1,101,000	$ 471,781
Net earnings and special credit	$1,977,799

THE MURRAY CORPORATION OF AMERICA
Consolidated Statement of Net Earnings

Earnings before all direct taxes and before loss on idle plant facilities	$6,898,014
Expenses and taxes on idle plant facilities, less rents received and net gains on disposal of idle machinery and equipment	695,701
	$6,202,313
Direct taxes:	
Property, pay roll, and miscellaneous taxes (excluding taxes on idle plant)	$1,235,421
Federal taxes on income	2,200,000
	$3,435,421
Net Earnings From Operations	$2,766,892
Gain on sale of Frame Division assets less applicable federal income taxes	5,625,000
Net Earnings	$8,391,892

SHARON STEEL CORPORATION
Consolidated Statement of Income and Accumulated Earnings

Income before provision for taxes on income	$13,378,530
Taxes on income:	
Federal	$ 6,122,000
Pennsylvania	351,000
	$ 6,473,000
Net income for the year—$6.28 and $7.26 per share, respectively	$ 6,905,530
Special items:	
Gain on sale of facilities of Niles Rolling Mill Division, less income taxes of $945,000	2,720,034
Gain on sale of National Supply Company stock, less income taxes of $1,327,000	3,691,675
Net income and special items for the year	$13,317,239

WAGNER ELECTRIC CORPORATION
Statement of Consolidated Income and Unappropriated Retained Income

Income from operations before income taxes and overhead reserve	$12,997,353
Estimated income taxes	6,800,000
Income for the year before reserve	$ 6,197,353
Restored from reserve based on overhead in inventory	347,404
Balance transferred to unappropriated income	$ 6,544,757

Section 4

RETAINED EARNINGS and CAPITAL SURPLUS

THIS SECTION OF THE SURVEY reviews and classifies the charges or credits to the retained earnings and capital surplus accounts in the 1956 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, 1954, 1955, and 1956 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 1956 survey reports, are also included.

(b) The second group consists of the charges or credits resulting from stock dividends and stock splits. Table 3 summarizes the methods used by the companies to disclose stock dividends and stock splits in their annual reports. Illustrations of the presentations of these items follow the table.

(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. Table 4 summarizes the various entries according to the nature of the transaction, and extensive examples are presented in the text.

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 Certified Public 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

During the current year 580 survey companies declared cash dividends. Of these companies, 299 displayed such dividends in the retained earnings statement; 227 companies disclosed the cash dividends in a combined income and retained earnings statement; the remainder used various other methods of presentation, as shown in Table 1.

In 537 reports 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 presented.

A summary, in comparative form, of cash dividend presentations for the years 1950, 1954, 1955, and 1956 is given in Table 1.

RESTRICTIONS ON RETAINED EARNINGS FOR DIVIDEND PURPOSES

Of the 600 survey companies 368 reported the existence of restrictions on retained earnings limiting the declaration of cash dividends. Table 2, summarizing the various kinds of restrictions, discloses long-term indebtedness as the most common restrictive.

CASH DIVIDEND RESTRICTIONS—EXAMPLES

Typical examples of restrictions limiting the declaration of cash dividends, as presented in the 1956 reports, are as follows:

LONG TERM DEBT

DECCA RECORDS, INC.
Consolidated Balance Sheet

Noncurrent Liabilities:

Installment loan payable to bank, 3½%, payable in annual installments—1957, $500,000; 1958, $750,000; 1959-60, $1,000,000; and 1961, $1,250,000; less $500,000 transferred to current liabilities in 1956 (stock of Universal Pictures Company, Inc., pledged as collateral) (Note)	$4,000,000

Notes to Financial Statements: Under the bank loan agreement the company covenants to maintain its consolidated net current assets (including the investment in Universal Pictures Company, Inc. at the lower of cost or market value) at not less than the greater of $5,000,000 or 125% of the then outstanding notes; and, after January 1, 1955, to pay no dividends in any one fiscal year which would, in the aggregate, exceed the consolidated net earnings earned during that fiscal year plus $500,000. Other covenants restrict the investment of corporate funds and the incurrence of indebtedness. Decca Records Inc., Decca Distributing Corporation and Brunswick Radio Corporation are jointly and severally liable for repayment of the entire amount of the consolidated bank loan, either directly, as the borrower thereof, or indirectly, as the guarantor thereof.

FALSTAFF BREWING CORPORATION
Consolidated Balance Sheet

Noncurrent Liabilities:

Notes payable:	
4% note, maturing $420,000 annually from 1958 to 1973, inclusive, and $860,000 in 1974	$ 7,580,000
4½% sinking fund debentures, maturing $100,000 in 1961, $150,000 annually from 1962 to 1970, inclusive, and $550,000 in 1971	2,000,000
Total notes payable	$ 9,580,000

Note 1: The agreements relating to the notes payable contain restrictions on the payment of cash dividends and the purchase or retirement of the Company's capital stock. The maximum amount of consolidated earned surplus available as of December 31, 1956 for cash dividends on or reacquisition of the Company's capital stock is $3,344,979.

TABLE 1: STATEMENT PRESENTATION OF CASH DIVIDENDS

Where Charged	1956	1955	1954	1950
After the "Opening Balance of Retained Earnings" and the "Net Income for the Year" in:				
Retained earnings statement (*Co. Nos. 15, 98, 110, 188, 327, 448, 525)	297	310	292	325
Combined retained earnings and capital surplus statement (*Co. Nos. 17, 138, 340)	8	7	18	20
Combined retained earnings and income statement (*Co. Nos. 80, 100, 195, 275, 342, 424, 501)	198	181	177	150
Stockholders' equity statement (*Co. Nos. 18, 62, 300, 505, 543, 552)	15	14	15	11
Balance sheet (*Co. Nos. 23, 24, 269, 351, 426, 496)	12	14	18	17
Unclassified surplus statement (*Co. Nos. 47, 55, 92, 141, 441, 466)	6	7	6	8
Combined unclassified surplus and income statement (*Co. No. 320)	1	2	3	2
Total	537	535	529	533
Between the "Net Income for the Year" and the "Opening Balance of Retained Earnings" in:				
Retained earnings statement (*Co. Nos. 167, 200, 396, 581)	4	4	5	5
Combined retained earnings and income statement (*Co. Nos. 29, 181, 290, 308, 329, 412, 556)	29	31	30	33
Stockholders' equity statement (*Co. No. 415)	1	1	2	—
Total	34	36	37	38
Between "Net Income" and "Retained Earnings for the Year" in:				
Consolidated Statement of Surplus	—	1	—	—
Income, Costs and Changes in Capital Investment (*Co. No. 515)	1	—	—	—
At the foot of the income statement (*Co. Nos. 136, 212, 214, 334, 381, 569)	6	9	10	10
In a supplementary schedule (*Co. No. 430)	1	1	1	1
Within the "Distribution of Net Income" statement (*Co. No. 78)	1	2	1	3
Total	9	13	12	14
Number of Companies				
Declaring cash dividends	580	584	578	585
Not declaring cash dividends	20	16	22	15
Total	600	600	600	600

*Refer to Company Appendix Section.

GENERAL CIGAR CO., INC.
Consolidated Balance Sheet
Noncurrent Liabilities:

Long-term notes:	
Payable in annual installments to July 1, 1963, interest at 3¼%	$ 4,200,000
Payable in annual installments to October 1, 1961, interest from 3½% to 4½% (Note 2)	1,800,000
	$ 6,000,000

Stockholders' Equity:

Unappropriated retained earnings per accompanying statement (Note 1)	$15,599,672

Note 1: Under the conditions of the long-term note dated July 22, 1948 and the long-term note dated October 1, 1956 (see Note 2), dividends may not be declared or paid (1) in excess of 75% of the net income of the company earned after December 31, 1956, plus the sum of $3,674,457 or (2) when the net working capital would be reduced below $20,000,000 or below 250% of outstanding funded indebtedness. The amounts available for the payment of dividends would be further reduced to the extent that any payments for acquisition of capital stock of the company exceed any amounts received from the sale of capital stock of the company.

Note 2: On October 1, 1956 the company acquired certain assets and the business of José Escalante & Co. The consolidated financial statements include these assets and the results of operations of this business for the three month period ended December 31, 1956.

As a part of financing this acquisition, General Cigar Co., Inc. borrowed $2,000,000 on a long-term promissory note due October 1, 1961, payable in four annual installments of $200,000 each, and the balance in 1961, with interest at rates not less than 3½% nor more than 4½% per annum (¼ of 1% in excess of the prime rate prevailing on the dates on which interest becomes payable).

THE HALOID COMPANY
Consolidated Balance Sheet
Noncurrent Liabilities:

Long-term debt:	
Notes payable (Note 6)	$3,000,000.00
Capital and Surplus:	
Earned surplus (Note 6)	$3,867,227.70

Note 6: The Company has in effect a $3,000,000.00 twenty year loan under an agreement dated June 7, 1954. The loan is payable in annual installments beginning July 1, 1958; the first seven installments to be $100,000.00 each, followed by five installments of $150,000.00 and four installments of $200,000.00 with the final payment of $750,000.00 due June 1, 1974. Interest at 3⅝% is payable semi-annually.

The loan agreement contains certain covenants and restrictions among which are:

(1) The Company will at all times cause the consolidated current assets of the Company and its subsidiaries to exceed their consolidated current liabilities by an amount not less than $3,500,000.00.

(2) The Company will not declare or pay any dividends (except for dividends payable solely in capital stock of the Company) or make, or permit any subsidiary to make, any payment on account of the purchase, redemption or other acquisition or retirement of any capital stock of the Company or any distribution on or with respect thereof unless, after giving effect to such action, the aggregate payments for all such purposes subsequent to December 31, 1953 do not exceed the sum of (1) the consolidated net income of the Company and its subsidiaries earned subsequent to December 31, 1953, (2) the amount, if any, by which the aggregate net cash proceeds received by the Company from the sale (other than to any subsidiary) for cash since December 31, 1953 of shares of any class of its capital stock exceeds the aggregate amount of all cash expenditures made by the Company and its subsidiaries since December 31, 1953 on account of the purchase, redemption or other acquisition or retirement of any shares of any class of capital stock of the Company, and (3) $750,000.00.

Earned surplus of the Company not restricted under the above provisions at December 31, 1956 amounted to $2,507,744.61.

LEHIGH PORTLAND CEMENT COMPANY
Consolidated Balance Sheet
Noncurrent Liabilities:

Notes payable under bank agreement*	$12,000,000

TABLE 2: CASH DIVIDEND RESTRICTIONS

Source of Restriction	1956	1955	1954
Long-term indebtedness (*Co. Nos. 8, 160, 170, 252, 354, 494, 560)	327	305	291
Credit agreement (*Co. Nos. 20, 198, 221, 229, 476)	16	22	26
V-loan agreement (*Co. Nos. 168, 207, 244, 493)	7	8	17
Preferred stock requirements (*Co. Nos. 69, 77, 183, 291, 325, 409, 440)	51	49	46
Treasury stock (*Co. Nos. 8, 39, 133, 182, 540)	5	7	10
Dividend arrearage	—	1	3
Articles of incorporation (*Co. Nos. 19, 167, 180, 247, 507)	13	18	23
Elkins Act Decree (*Co. Nos. 278, 520, 529)	3	3	3
State statutory limitation	—	—	2
Foreign statutory limitation (*Co. Nos. 57, 65, 520)	3	4	4
Board of directors' resolution (*Co. Nos. 60, 123)	2	2	2
Restriction not described	—	2	4
Various other (*Co. No. 4)	1	1	1
Total	428	422	432
Number of Companies			
Referring to dividend restrictions	368	351	343
Not referring to dividend restrictions	232	249	257
	600	600	600

*Refer to Company Appendix Section.

Stockholders' Equity:

Earned surplus*	$28,201,401

*Under a credit agreement with The Chase Manhattan Bank, the company may borrow up to $25,000,000 prior to March 31, 1958. The notes issued thereunder are payable—70% in equal annual installments from 1958 through 1962 with interest at 4% per annum and 30% in 1963 with interest at 4¼%. Aggregate cash dividends declared during the period of the agreement may not exceed $4,000,000 plus 50% of consolidated earnings after December 31, 1955. Furthermore, net current assets of at least $6,000,000 shall be maintained through December 31, 1958 and increased thereafter by $1,000,000 each year to a minimum of $10,000,000 by December 31, 1962. Under the more restrictive of these provisions, earned surplus available for cash dividends at December 31, 1956 amounted to $2,343,367.

PLYMOUTH OIL COMPANY
Consolidated Balance Sheet
Noncurrent Liabilities:

Long-term debt (maturities within one year are classified as current liabilities)	$18,949,103

Note 4: Long-term debt maturing after one year—At December 31, 1956 long-term debt maturing after one year consisted of the following:

Notes, bank (interest at 4%) $500,000 due semiannually beginning June 1, 1958	$ 3,500,000
Notes, insurance company (interest at 4⅛% and 4¼%) $1,000,000 due annually beginning June 1, 1962	15,000,000
Notes, other	449,103
	$18,949,103

The notes held by the bank and insurance company were issued under a loan agreement dated June 11, 1956, which contained certain provisions with respect to maintenance of minimum net current assets and to limitations on payment of cash dividends and to acquisition or redemption of the company's own stock. At December 31, 1956, the company's net current assets were approximately $5,700,000 in excess of the minimum requirements. Unrestricted retained earnings were approximately $4,030,000.

PREFERRED STOCK

ABBOTT LABORATORIES
Consolidated Balance Sheet

Stockholders' Investment—Notes C and D:

Preferred Stock, 4% cumulative—$100 par value:	
Authorized and issued—106,818 shares:	
In treasury—15,844 shares in 1956; 6,981 shares in 1955	
Outstanding:	
90,974 shares	$ 9,097,400
Common Stock—$5 par value:	
Authorized 5,000,000 shares, issued—3,739,870 shares, including 900 shares in treasury, at stated capital amount	25,355,205
Earnings employed in the business	42,115,961

Note C: Preferred Stock Data—Each preferred share is convertible prior to January 1, 1962, into common shares of the Company at the rate of 1.7 common shares for each preferred share. At December 31, 1956, 181,591 shares of Common Stock were reserved for such conversion. The preferred shares are redeemable at the option of the Company at prices ranging from $106.50 per share in 1957, to $105.00 per share after 1959. Beginning in 1962, the Company is required to redeem annually 3% of the number of preferred shares outstanding on January 1, 1962.

The terms of the Preferred Stock provide, among other covenants, for certain limitations on the payment of cash dividends on Common Stock. It appears unlikely that such limitations will become operative.

Note D: Stock Option Incentive Plan—The Company has granted options to certain key employees to purchase shares of Common Stock at prices not less than 95% of the fair market value at the time the options were granted. At December 31, 1956, there were options outstanding for 100,670 shares at prices ranging from $39.50 to $43.70 per share. No options have been exercised since the plan was adopted.

The Company has reserved 200,000 shares of its authorized and unissued common shares for issuance under the stock option incentive plan. Under the plan, no more than that number of shares may be made subject to option.

THE CUDAHY PACKING COMPANY
Consolidated Balance Sheet

Capital Stock and Surplus:

4½% preferred stock, cumulative, par value $100 per share—	
Authorized and outstanding 100,000 shares (Dividends in arrears at October 15, 1956 —$6.75 per share, aggregating $675,000)	$10,000,000
Common stock, par value $5 per share—	
Authorized 2,000,000 shares; issued and outstanding 1,542,213 shares	7,711,065
Capital surplus	8,340,660
Earned surplus since October 30, 1954	7,715,085
	$33,766,810

Note 1: Under preferred stock provisions, cash dividends on common stock may not be paid unless all preferred dividend requirements have been met and $7,001,094 remains in earned surplus.

UNITED CAN & GLASS COMPANY
Balance Sheet

Capital Stock and Surplus:

Capital Stock:	
Preferred cumulative—authorized, 50,000 shares of $50.00 each; outstanding, 40,000 shares, Series A—4½% (Note 3)	$2,000,000
Common—authorized, 1,000,000 shares of $2.50 each; outstanding, 438,543 shares (including scrip certificates for 45 shares)	1,096,357
Total capital stock	$3,096,357
Surplus:	
Capital surplus (no change during year)	1,299,593
Earned surplus (Note 3)	7,495,850
Total capital stock and surplus	$11,891,800

Note 3: Preferred Stock—The Company, at its option, may redeem the Series A preferred stock at $50.75 per share, plus accrued dividends.

Under the terms of the preferred stock issue, approximately $1,630,000 of the earned surplus ($2,235,000 less amount credited to capital surplus in connection with dividends paid in common capital stock) is not available for dividends on common stock.

STATUTORY RESTRICTIONS

ANDERSON, CLAYTON & CO.
Consolidated Balance Sheet

Surplus:

Earned: Unappropriated (Notes 1 and 5)	$87,981,197.10

Note 1: The consolidated financial statements include the assets, liabilities and operations of Anderson, Clayton & Co. and all its domestic and foreign subsidiaries.

The accounts of foreign subsidiaries are stated in U. S. dollars at official or recognized free market rates of exchange, except that property, plant and equipment, capital stock, capital surplus and certain other items, are stated at fixed dollar values determined at official or free market rates at time of acquisition. Exchange adjustments resulting from the differences in the rates used at the beginning and end of the fiscal year are reflected in the statement of consolidatd income.

Note 5: Included in Earned Surplus as of July 31, 1956 are legal reserves, aggregating $1,515,945.95 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.

ART METAL CONSTRUCTION COMPANY
Consolidated Balance Sheet

Capital Stock and Surplus:

Earned surplus	$13,545,766

Notes to Financial Statements: Basis of Translation of Foreign Currency Amounts—All accounts of the branch in Great Britain have been translated into U. S. dollar equivalents at the rate of $2.80 per Pound Sterling. On this basis consolidated net assets at December 31, 1956 include $649,746 for net working assets and $431,505 for plants equipment and leasehold premises of such branch. Profit remittances received from the branch during 1956 exceeded its net income for the year by $19,729.

Great Britain has exchange controls and restrictions in effect and withdrawals of the investment in and profits of the branch are subject thereto.

CREDIT AGREEMENT

CONTINENTAL MOTORS CORPORATION
Consolidated Balance Sheet

Current Liabilities:	
Notes payable to banks including $9,000,000 under V-Loan Agreement (Note C)	$ 9,950,000
Stockholders' Investment:	
Earnings retained for use in the business (Notes C and D)	$35,055,697

Note C: Notes Payable to Banks Under V-Loan Agreement—The agreement provides, among other covenants, (1) that the Corporation will not declare cash dividends on or purchase shares of its capital stock subsequent to October 31, 1950, in an aggregate amount which will exceed 50% of the Corporation's net earnings subsequent to that date, plus $660,000, and (2) that it will not permit its net current assets to decline below $11,000,000, plus 20% of its net earnings subsequent to October 31, 1950 ($4,691,948), a total of $15,691,948 at October 31, 1956. At October 31, 1956, earnings retained for use in the business in the amount of $509,871 were free from the foregoing dividend restrictions.

Note D: Note Payable to Insurance Company—The note payable of Continental Motors Corporation to the insurance company, having an original principal amount of $5,000,000, matures October 1, 1961, but the Corporation has agreed to prepay $280,000 principal amount on April 1 of each year. The loan agreement provides, among other covenants, that the Corporation will not declare or pay dividends (other than in capital stock) or apply any of its assets to the purchase of its capital stock unless the aggregate of such dividends paid, and purchases of stock (less the net cash proceeds from sales of stock), subsequent to September 30, 1946, will not be in excess of the consolidated net earnings, after certain adjustments, of the Corporation and its subsidiaries (except Continental Aviation and Engineering Corporation) accrued subsequent to October 31, 1946, and the consolidated net working capital of the Corporation and such subsidiaries after such actions will not be less than $15,000,000. At October 31, 1956, consolidated net earnings retained for use in the business in the amount of $15,958,097 were free from such restrictions.

THE RYAN AERONAUTICAL CO.
Consolidated Balance Sheet
Current Liabilities:
Notes payable to bank (Note 1) $17,000,000

Stockholders' Equity:
Accumulated earnings retained for use in the business (after deducting cost of shares of capital stock held by the subsidiary company amounting to $206,885) (Note 1) .. $ 9,993,346

Note 1: Bank Loan—The Company has an agreement with the bank which provides, until December 31, 1957, a line of credit not to exceed $25,000,000 to be evidenced by ninety-day notes. The agreement provides, among other things, that without consent of the bank the Company may not, in any year (subsequent to October 31, 1956), purchase any of its own stock or declare cash dividends which exceed 50% of net income.

The notes payable to bank are secured by assignment of monies due and to become due under certain contracts. Practically all of the accounts receivable, unreimbursed costs and fees, and inventories included in the balance sheet at October 31, 1956 are applicable to these contracts.

THE WHITE MOTOR COMPANY
Consolidated Balance Sheet
Noncurrent Liabilities:
Notes payable to banks—Note A .... $ 8,000,000

Shareholders' Equity:
Income retained for use in business (less income transferred to capital accounts by reason of stock dividends)—Note C $27,775,139

Note A: The notes payable to banks, maturing January 7, 1959, were issued under and pursuant to the provisions of a Credit Agreement, dated May 24, 1951, as amended, which contains certain restrictive covenants as to the maintenance of net current assets and as to the payment of dividends (except stock dividends) and other distributions on stock of the Company, none of which at December 31, 1956, restricted the amount of income retained for use in the business to a greater extent than the restrictions contained in the terms of the Preferred Stock.

Note C: The Preferred Stock has voting privileges and is redeemable at $100 a share plus unpaid accrued dividends; and, on or before June 30, 1958, and on or before June 30th in each year thereafter, the Company, after accumulated dividends on the Preferred Stock are paid, or declared and funds set apart for the payment thereof, is required to purchase and retire or redeem and retire, out of any funds legally available for such purpose, at least 10% of the largest number of shares of the Preferred Stock at any one time theretofore outstanding. The shares purchased and retired up to December 31, 1956 were sufficient to satisfy these retirement provisions until June 30, 1961. The terms of the Preferred Stock include certain restrictions on the payment of dividends or other distributions on the Common Stock. At December 31, 1956, income retained for use in the business which was not restricted by the terms of the Preferred Stock amounted to $15,364,222.

TREASURY STOCK

CERTAIN-TEED PRODUCTS CORPORATION
Consolidated Balance Sheet
Stockholders' Equity:
Retained earnings $21,550,340

Note 4: Stockholders' Equity—Retained earnings are restricted by $415,371, representing the cost of 35,000 shares of Common Stock held in the treasury.

ARTICLES OF INCORPORATION

ALLIS-CHALMERS MANUFACTURING COMPANY
Consolidated Financial Position
Ownership of Net Assets:
Earnings retained—approximately $70,000,000 is restricted $124,129,773

Notes to Financial Statements: . . . The agreements relating to notes payable and the certificate of incorporation contain certain restrictions relating to the declaration of cash dividends. At December 31, 1956, the amount of earnings retained which was not available for the future declaration of cash dividends on the common stock was approximately $70,000,000.

SUNRAY MID-CONTINENT OIL COMPANY
Consolidated Balance Sheet
Shareholders' Equity:
Income retained for use in the business .. $226,097,862

Financial Comments: Restrictions on Dividend Distributions—The loan agreement relating to the promissory note, the indenture relative to the 2⅞% debentures and the certificate of incorporation all contain provisions restricting the payment of dividends in cash and the purchase of stock of the Company. The amount of retained income free from such restrictions at December 31, 1956 was $54,600,000.

STOCK DIVIDENDS AND STOCK SPLITS

Accounting Treatment of Stock Dividends and Stock Splits

Accounting Research Bulletin No. 43 provides the following comments concerning the accounting aspects of stock dividends and stock splits:

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.

Distributions designated by the survey companies as stock splits included a number of cases, as shown in Table 3, where charges were made to retained earnings. It is of interest to note that of the 40 stock splits disclosed in the 1956 reports only two distributed shares in a ratio of less than 1 for 1.

Table 3 summarizes the accounting treatment of the stock distributions disclosed in 136 annual reports of the 600 survey companies. The distributions of 92 companies represented dividends in stock of the declaring company; 4 represented dividends in stock of another company; 30 represented stock splits and the remaining 10 represented both stock dividends and splits. The classification of stock distributions as between stock dividends and stock splits, for the purpose of this survey, is based solely on the terminology employed in the company reports in describing such distributions.

TABLE 3: STOCK DIVIDENDS AND STOCK SPLITS

Distribution Recorded As:	Stock Dividends		Stock Splits	
	1956	1955	1956	1955
Debit retained earnings	36	21	7	4
Debit retained earnings and *credit* capital surplus	68	53	—	—
Debit capital surplus	1	1	10	15
Credit capital surplus	—	—	—	3
Debit retained earnings and debit capital surplus	1	1	9	9
Total Transactions	106	76	26	31
Increase in number of shares only —set forth in:				
Letter to stockholders	—	—	7	4
Accompanying footnotes	—	—	7	7
Total Transactions	106	76	40	42
Number of Companies Showing:				
Stock distributions	106	76	40	42
No stock distributions	494	524	560	558
	600	600	600	600

Note: Included in the total of 36 stock dividend distributions charged to retained earnings are 4 companies with dividends-in-kind (*Co. Nos. 61, 133, 240, 518). Ten companies disclosed stock dividends in addition to stock splits (*Co. Nos. 16, 40, 73, 74, 95, 98, 125, 153, 243, 375).

*Refer to Company Appendix Section.

1956 STOCK DIVIDENDS

Retained Earnings

AMERICAN CHAIN & CABLE COMPANY, INC.

DR.—$2,378,194—"*Earned Surplus*: Less, Dividends paid: In common stock, 4 per cent, 42,279 shares at $56.25 per share."

THE AMERICAN METAL COMPANY, LIMITED

DR.—$8,943,326—"*Earnings Retained for Use in the Business*: Dividends—In common stock, 5 per cent: 1956, 337,484 at $26.50 per share."

Financial Review: A 5% common stock dividend was paid in December 1956, as had been done in 1955, requiring transfers from retained earnings to capital of $8,943,000 in 1956 and $8,622,000 in 1955, equivalent to $26.50 and $27.00 per distributed share, respectively, after adjustment for the 1956 stock split.

BOEING AIRPLANE COMPANY

DR.—$6,895,454—"*Retained Earnings*: Stock dividend (2%)—Amount transferred to the capital stock account by the Board of Directors equal to the approximate market value on declaration date."

CHICAGO PNEUMATIC TOOL COMPANY

DR.—$6,312,519—"*Earned Surplus*: 10% Common stock dividend (117,991 shares at market closing price on record date, March 14, 1956)."

CONSOLIDATED CIGAR CORPORATION

DR.—$856,716—"*Earnings Employed in the Business*: Special dividend on Common Stock—5% distributed in Common Stock—22,785 shares issued at $37.50 per share."

CONSOLIDATED LAUNDRIES CORPORATION
DR.—$924,250—"*Earned Surplus*: Common stock distribution (one share for each two shares outstanding)."

THE FLINTKOTE COMPANY
DR.—$2,478,945—"*Earned Surplus*: Stock dividend on: Common stock, 5% paid in common stock (70,827 shares, 1956; 65,035 shares, 1955)."

INTERNATIONAL BUSINESS MACHINES CORPORATION
DR.—$37,897,000—"*Earned Surplus*: Dividends for the year: Stock dividend—102,424 shares, involving transfer from earned surplus to capital stock account."

To the Stockholders: Cash dividends totaling $19,937,158 were paid to stockholders during the year, representing four quarterly cash dividends of $1.00 per share. On January 27, 1956, a total of 102,424.33 shares of capital stock was issued in payment of the stock dividend of 2½% declared October 25, 1955, and $37,897,000, representing $370.00 for each share so issued, was transferred from Earned Surplus to Capital Stock account.

MASONITE CORPORATION
DR.—$2,549,595—"*Earned Surplus*: Payable in stock to be issued in September; recorded at approximate market value—1956—4% stock dividend, or 55,426 shares."

THE MEAD CORPORATION
DR.—$2,752,200—"*Retained Earnings*: Common Share Dividend—2½% (83,400 shares at $33 a share) paid on the Common Shares outstanding at November 2, 1956."

THE NATIONAL CASH REGISTER COMPANY
DR.—$15,135,395—"*Earnings retained for use in the business*: 5% Stock Dividend—328,011 shares at $45.00 per share (approximate market value) plus $374,899 cash paid in lieu of fractional shares."

To the Stockholders: . . . A stock dividend of 5% was paid November 28, 1956. The regular quarterly dividend was increased from 27½ cents per share to 30 cents per share effective the final quarter of 1956. Total amount of cash dividends declared was $7,627,000 compared with $7,256,000 in 1955.

NATIONAL DISTILLERS PRODUCTS CORPORATION
DR.—$4,236,388—"*Earned Surplus*: Dividends paid:—On common stock: In common stock, 2% (168,646 shares)."

Financial Review: Four quarterly dividends aggregating $1.00 per share were paid to common stockholders during the year. In August, a 2% stock dividend was declared payable October 22, 1956, to stockholders of record on September 7, 1956, which resulted in the distribution to common stockholders of 168,646 shares of common stock. This distribution had the effect of reducing the conversion price of the 4¼% convertible preferred stock from $38.46 to $37.71.

THE OHIO MATCH COMPANY
DR.—$1,775,413—"*Earned Surplus*: Stock payable in common stock (Note 5)."

Note 5: Appropriation for Stock Dividend Payable on Common Stock—On November 8, 1956, the Board of Directors declared a 5% stock dividend payable in common stock on December 31, 1956 to the common stockholders of record on December 17, 1956. The amount appropriated represents 109,661.1 shares at $16.19 a share, as determined by the Board of Directors.

POLAROID CORPORATION
DR.—$305,532—"*Accumulated Retained Earnings*: Common Dividends—Stock."

WILSON & CO., INC.
DR.—$958,537—"*Retained Earnings*: 3% stock dividend on common stock (market value of 64,766 shares)."

To the Stockholders: . . . A regular dividend of $4.25 was paid on the Company's preferred stock during the 1956 fiscal year. In 1956 a cash dividend of 50 cents per share and a common stock dividend of 3 percent were paid on the outstanding common stock.

Retained Earnings and Capital Surplus

ADDRESSOGRAPH-MULTIGRAPH CORPORATION
DR.—$3,002,156—"*Earned Surplus*: Dividend paid: Stock—3% (Note 5)."
CR.—$2,747,736—"Capital Surplus: (Note 5)."

Note 5: A 3% common stock dividend, amounting to 25,442 shares was declared and issued to shareholders of record at the close of business on October 28, 1955. As a result earned surplus was charged with $3,002,156 on the basis of $118 per share (the approximate market price of the common stock on August 26, 1955). Capital stock account was credited with $254,420, the par value of the shares issued, and the balance, $2,747,736, was credited to capital surplus.

ALAN WOOD STEEL COMPANY
DR.—$561,220—"*Retained Earnings*: Deduct Dividends declared—On Common Stock—In Common Stock: 3% at approximate market value."
CR.—$357,140—"Additional Paid-In Capital: Excess of approximate market value over par value of stock dividends."

To the Stockholders, employees and friends: Cash dividends on common stock in 1956 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 year end. The cash dividends together with market value of the stock dividend of 83¢ gave total dividends for the year on common stock a value of $2.23, which amounts to 54% of the Company's 1956 earnings, after dividends on Preferred Stock.

ALLIED CHEMICAL & DYE CORPORATION
DR.—$25,991,820—"*Earned Surplus*: Dividends paid in stock."
CR.—$20,793,456—"Capital Surplus: Increase as a result of stock dividends."

ALLIED LABORATORIES, INC.
DR.—$1,167,338—"*Earned Surplus*: Dividends paid on common stock—In common stock."
CR.—$1,089,515—"Capital Surplus: Excess of market value over declared value of 31,129 shares of common stock issued as a stock dividend."

BEAUNIT MILLS, INC.
DR.—$9,381,471—"*Earned Surplus*: Stock dividend paid on: Common Stock 20% paid in common stock 327,499 shares."
CR.—$8,562,723—"Capital Surplus: Excess of amount charged earned surplus for 327,499 shares of common stock issued as a stock dividend, over the par value of such shares."

To the Stockholders: . . . On March 25, 1956, we paid a 20% stock dividend on the total outstanding Common Stock resulting in an additional increase of 327,499 shares. As of March 31, 1956, there were 1,965,483 shares of Common Stock outstanding compared with 1,349,686 last year.

THE BLACK & DECKER MANUFACTURING COMPANY
DR.—$2,113,787—"*Earnings retained and used in the business*: Dividends: Paid by issuance of 46,203 shares of Common Stock with market value of $45.75 per share."
CR.—$2,067,584—"Capital in excess of par value of common stock: Excess of market value over par value of 46,203 shares of Common Stock issued as stock dividend."

BLISS & LAUGHLIN, INCORPORATED
DR.—$457,236—"*Paid in Surplus*: Par value of 274,057 shares of common stock issued as a split-up effected in the form of a dividend."

FEDERAL-MOGUL-BOWER BEARING, INC.

Explanation of Balance Sheet

DECEMBER 31, 1956

THIS IS CAPITAL WE HAVE TO WORK WITH:

Cash on hand and in banks	$5,330,826
Accounts and notes owed us by customers	8,213,046
Inventories of raw material and products for sale to customers at: Manufacturing Plants, Service Warehouses and Branches	25,338,057
Prepaid Insurance, Taxes and Miscellaneous	997,125
Total "current assets"	$39,879,054

LESS WHAT WE OWE FOR:

Raw Materials, Supplies and Services	$2,661,710
Wages, Salaries and Employee Benefits	2,424,167
Taxes, other than federal income taxes	474,139
Income Taxes	2,704,951
Total "current liabilities"	$ 8,264,967
The difference is "working capital"	$31,614,087

OUR OTHER ASSETS ARE:

Land, buildings and machinery	$17,881,692
Miscellaneous	278,712
The total of "working capital" and "other assets" is the "shareholders' equity" represented by 2,436,662 shares of stock	$49,774,491

FEDERAL-MOGUL-BOWER BEARING, INC.

Explanation of Earnings Statement

FOR THE YEAR 1956

WE RECEIVED FROM:

Sales of our products	$100,642,012
Miscellaneous other income	287,792
Total receipts	$100,929,804

OUR EXPENSES WERE FOR:

Raw materials	$ 16,842,844
Supplies and services	19,138,392
Wear and obsolescence of buildings and machinery	2,605,419
Income taxes	8,100,000
Other taxes such as real estate and personal property	1,407,719
Total of such expenses	$ 48,094,374
There remained for the employees, shareholders, and the business	$ 52,835,430
We paid for wages, salaries and employee benefits	43,951,030
The earnings for the year were	$ 8,884,400
We paid dividends to the shareholders from these earnings	5,271,689

THE BALANCE was retained in the business for replacements, improvements, expansion and a safeguard for future operations	$ 3,612,711

DR.—$227,907—*"Earned Surplus*: Par value of 274,057 shares of common stock issued as a split-up effected in the form of a dividend."

Letter to the Stockholders: At a special meeting of the Board of Directors held October 2, 1956, a stock split in the form of a dividend was declared, equal to one-half share for each outstanding share of Common Stock. The distribution was made November 28, 1956, to stockholders of record on October 20, 1956.

BOOTH FISHERIES CORPORATION

DR.—$448,157—*"Earned Surplus*: 10% stock dividend (27,161 shares) paid on May 1, 1956, to stockholders of record on April 16, 1956; recorded at value determined by Board of Directors, $448,157; of this amount $135,805 representing the par value of the shares issued was added to common stock and $312,352 to paid-in surplus."

CR.—$312,352—"Paid-in Surplus: Credit arising from stock dividend, as described above."

To Our Shareholders: Regular quarterly dividends were paid on the Common stock at the rate of $1.00 per share per annum, and the May 1, 1956 dividend was the 42nd consecutive quarterly cash dividend. In addition a 10% stock dividend was paid on the Common stock on May 1, 1956. As a result of the three-for-one split of the Common stock in 1946 and stock dividends of 10% in 1952, 20% in 1955, and 10% in 1956, there are now 298,767 shares of Common stock outstanding.

CARNATION COMPANY

DR.—$1,402,898—*"Accumulated earnings retained in the business*: Dividend declared:—Two per cent in common stock paid December 28, 1956: 39,209 shares at $35.78 per share, approximate market at declaration date of which $5.50 transferred to capital stock and $30.28 to other capital."

DR.—$35,837—*"Accumulated earnings retained in the business*: Dividend declared: Two per cent in common stock paid December 28, 1956: Cash paid in lieu of issuing fractional share interests aggregating 1002 shares."

CR.—$1,187,249—"Other Capital: (Transferred from accumulated earnings in connection with stock dividend)."

CITIES SERVICE COMPANY

DR.—$12,941,184—*"Earnings Retained*: 2% in common stock—1956, at assigned value of $64 per share (declared in November 1956 and distributed January 24, 1957)."

CR.—$10,919,124—"Capital Surplus: Excess of amount assigned to common stock declared as a dividend over par value thereof."

EASTMAN KODAK COMPANY

DR.—$78,592,218—*"Retained Earnings."*

CR.—$69,453,588—"Additional retained earnings transferred to capital."

Notes to Financial Statements: Common Stock and Retained Earnings—On April 24, 1956, the share owners approved an increase in the number of common shares authorized from 20 million to 40 million. On November 20, 1956, the directors declared a dividend payable January 21, 1957, in common stock at the rate of one share for each 20 shares held by common share owners of record on December 5, 1956. This dividend has been given effect to in the 1956 accounts of the company, and the amount shown for common shares in the Statement of Financial Condition at December 30, 1956, included 18,277,260 shares issued and outstanding at that date and the 913,863 shares issued as a dividend on January 21, 1957. Retained earnings have been charged at the rate of $86 per share for these additional 913,863 shares, a total of $78,592,218. This figure was determined by the Board of Directors and was an approximation of the market value of the stock prior to the stock dividend declaration, after taking into consideration the dilution resulting from the 5 percent stock dividend. Of the amount charged to retained earnings, $9,138,630 was added to the common stock account, representing the par value ($10 per share) of the new shares. The remainder of $69,453,588 ($76 per share) was classified as retained earnings transferred to capital.

The changes in retained earnings used in the business were as follows:

Balance at December 25, 1955		$116,718,271
Net earnings		94,162,004
		$210,880,275
Less:		
Cash dividends	$ 48,802,216	
Amount transferred to capital—stock dividend	78,592,218	
		$127,394,434
Balance at December 30, 1956		$ 83,485,841

GENERAL BOX COMPANY

DR.—$228,217.50—*"Earned Surplus*: Stock dividend—4%, 79,380 shares, (Note 2)."

CR.—$148,837.50—"Capital Surplus, Paid in: (Note 2)."

Note 2: A stock dividend of 4% was paid to shareholders on December 31, 1956. Capital stock has been credited with $79,380, the par value of the shares issued and $148,837.50, representing the excess of the fair market value over the par value, has been credited to capital surplus. Cash was paid in lieu of fractional shares in the amount of $3,595.02.

INTERCHEMICAL CORPORATION

DR.—$4,864,339—*"Earned Surplus*: 15% common stock dividend (Note 2): Amount transferred to capital in respect of 102,972 shares at $46.50 per share $4,788,198, Cash paid in lieu of fractional shares $76,141."

CR.—$4,273,338—"Capital Surplus: (Note 2)."

Note 2: Pursuant to the declaration, on January 3, 1956, of a 15% stock dividend on the common shares, 102,972 common shares were issued on February 1, 1956, in payment of such dividend and $76,141 was paid in cash in lieu of issuing fractional shares. This resulted in the increase of "Common Shares-Outstanding" and "Capital Surplus" by $514,860 and $4,273,338, respectively (on the basis of $46.50 per common share). These amounts and the cash paid for fractional share interests, totaling $4,864,339, were charged to earned surplus.

LOCKHEED AIRCRAFT CORPORATION

DR.—$4,550,100—*"Retained Earnings for use in the Business*: Stock Dividend—three shares for one hundred at fair value assigned to stock issued."

CR.—$4,464,250—"Additional Capital: Excess of value assigned to stock dividend over par value of stock transferred from earnings retained for use in the business."

Results of a Busy 1956: Dividends $2.40 a Share—We paid four quarterly cash dividends of 60 cents each during 1956, totaling $6,813,000. In addition we declared a 3 per cent stock dividend in November, paid to stockholders of record November 16. We distributed share certificates in January 1957.

MACK TRUCKS, INC.

DR.—$3,096,996—*"Accumulated earnings retained in the business*: 5% dividend in stock—paid June 18, 1956 (Note 8)."

CR.—$2,648,156—"Paid-in surplus: (Note 7)."

Note 7: During the year 1956 paid-in surplus was increased by $2,648,156 (excess over par value of approximate market value of 89,768 shares of common stock issued as 5% stock dividend), $344,665 (excess over par value of proceeds received on 36,317 shares of common stock issued on exercise of stock options), $925,758 (net proceeds from sale of warrants—see Note 3) and $8,255 (excess over par value of proceeds received on 235 shares of common stock issued on exercise of warrants) and was reduced by $3,186,700 (par value of 637,340 shares of common stock distributed to shareholders on December 10, 1956 at the rate of one share for each three shares held).

Note 8: $25,100,000 of the accumulated earnings retained in the business at December 31, 1956 were restricted under the indenture relating to the subordinated debentures which limits the payment of cash dividends and acquisition of the Company's capital stock for a consideration to 50% of consolidated net income (as defined) subsequent to December 31, 1955 plus the aggregate net proceeds (but not in excess of the remaining 50% of such consolidated net income) from sales of the Company's capital stock subsequent to that date. The agreement with banks referred to in Note 2 is less restrictive in the foregoing respects.

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 split-ups. Such transfers aggregated $13,751,855 to December 31, 1956, including $3,096,996 in respect of the 5% stock dividend paid in 1956.

THE W. L. MAXSON CORPORATION

DR.—$216,624—"*Earned Surplus*: Dividends paid: 2% stock dividend—14,346 shares—at value based on average market price during preceding twelve months."

CR.—$173,586—"Paid-in Surplus: Dividends paid: Excess of amount charged to earned surplus over par value of shares issued as 2% stock dividend."

NATIONAL GYPSUM COMPANY

DR.—$3,337,900—"*Earned Surplus*: Common Stock dividend declared (2% of outstanding shares of Common Stock), at approximate market value when declared: $44.50 a share in 1956 and $48.50 a share in 1955."

CR.—$3,530,149—"Capital Surplus: Surplus resulting from issuance of Common Stock in connection with exercise of stock options by employees and payment of stock dividend."

PITTSBURGH STEEL COMPANY

DR.—$1,800,260—"*Accumulated Earnings*: Stock Dividends—on common shares: In 1956—Four Quarterly Dividends of 1%."

CR.—$1,210,280—"Other Capital: Excess of assigned value over par value of 58,998 and 42,094 shares, respectively, of common stock issued as dividends to common shareholders."

To the Shareholders: Dividends—Regular quarterly dividends were paid in 1956 on the preferred stocks. These amounted to $1,082,640, or $5.50 per share, on the Prior Preferred Stock, First Series, 5½%, and $225,510, or $5.00 per share, on the Class A 5% Preferred Stock.

Because of the heavy capital expenditures required to maintain and improve our competitive position in the industry, your Company has continued its policy of conserving cash by paying dividends on the Common Stock in both cash and stock. In 1956, four quarterly dividends—each for 25 cents in cash and 1% in stock—were paid on the Common Stock. Total payments amounted to $1,474,915 in cash and 58,998 shares of stock, the latter having an aggregate market value at the time of declaration of $1,800,260.

PLYMOUTH OIL COMPANY

DR.—$81,003—"*Earnings Retained in the business*: Cash in lieu of fraction shares."

DR.—$1,559,660—"*Earnings retained in the business*: Approximate market value of capital shares issued."

CR.—$1,326,875—"Capital Surplus: (Note 6)."

Note 6: Capital Surplus—Capital surplus additions in 1956 consisted of retained earnings of $1,326,875 capitalized in connection with a 2% stock dividend paid out of unissued capital stock and $180,286 representing the excess of the proceeds over the par value of capital stock issued in connection with the Stock Option Plan.

1956 Financial Review: During 1956 Plymouth Oil Company paid cash dividends to shareholders in the amount of $3,887,860, or $1.60 per share. In addition, during 1956 the Company paid a 2% stock dividend, resulting in the issuance of 46,168 shares of authorized but previously unissued stock and in connection with this stock dividend paid to shareholders $81,003 in cash, in lieu of the issuance of fractional shares.

SEARS, ROEBUCK AND CO.

DR.—$26,686,266—"*Accumulated Income used in the Business*: Dividends Paid—Stock—1% (731,732 shares at $36.47 per share—approximate market price at date of declaration)."

CR.—$24,491,070—"Capital in Excess of Par Value: Excess of market price over par value of common stock issued as stock dividend."

SHELL OIL COMPANY

DR.—$232,654,526—"*Earnings Employed in the Business*: Dividends paid: Stock—10% (Note 5)."

CR.—$212,004,716—"Amount in excess of par value: (Note 5)."

Note 5: Stock Dividend—A 10% stock dividend was paid October 16, 1956 by issuance of 2,753,308 shares of Common Stock (the approximate market value on the date of declaration was $84.50 a share), which resulted in a charge of $232,654,526 to Earnings Employed in the Business. Of this amount $20,649,810 representing the aggregate par value of the shares issued was credited to Capital Stock, and the balance of $212,004,716 was credited to Amount in Excess of Par Value.

Capital Surplus

THE EASTERN MALLEABLE IRON COMPANY

DR.—$98,625—"*Capital Surplus*: Decrease —par value of 3,945 shares of common capital stock issued December 21, 1956 as stock dividend—credited to capital stock account."

Note 2: On November 27, 1956 the directors authorized the sale of twenty shares of treasury stock at market price. On the same date the directors declared a dividend payable December 21, 1956 in capital stock of the corporation totalling 3,945 shares on the basis of one share for each twenty-five shares of capital stock as of November 30, 1956 and voted the transfer (at par value) of such stock totalling $98,625.00 from Capital Surplus to Capital Stock account.

1956 DIVIDENDS-IN-KIND

ARGO OIL CORPORATION

DR.—$74,440.18—"*Earnings Retained in the Business*: Extra dividend paid in capital stock of Standard Oil Company (N.J.): 8,230 shares at cost to Argo Oil Corporation (one share of Standard Oil Company for each 200 shares of Argo Oil Corporation held) (market value on distribution date per share of Argo Oil Corporation $.296250)."

DR.—$95,630.84—"*Earnings Retained in the Business*: Cash to holders of less than 200 shares of Argo Oil Corporation."

To the Stockholders: . . . Dividends paid, including the market value of Standard Oil Company (New Jersey) stock distributed as an extra dividend, amounted to $1.30 per share, the same amount per share as in 1955.

FOREMOST DAIRIES, INC.

DR.—$12,269—"*Earned Surplus*: Dividends—Dividend paid in shares of Foremost Finance and Equipment Co."

To our Stockholders and Employees: On January 16, 1957, stockholders of record at the close of business December 14, 1956, received as a special dividend one share of common stock in the newly organized Foremost Finance & Equipment Co. (whose financial statements were enclosed with the certificates) for each 10 shares of Foremost common owned. In some instances it has been advantageous for your company to lease rather than own equipment. This has been accomplished in the past through the companies which now have been consolidated to form the new enterprise. Formation of the new company will concentrate the aforementioned activity in a separate corporate entity.

STANDARD OIL COMPANY (INDIANA)

DR.—$7,115,504—"*Earnings retained and invested in the business*: Dividends paid by Standard Oil Company (Indiana)—Special dividend paid in capital stock of Standard Oil Company (New Jersey)—479,070 shares at cost—together with equalizing cash payments in lieu of fractional shares. Market value on date of distribution was equivalent to $0.907 per share of Standard Oil (Indiana) stock."

SPIN-OFF

CERTAIN-TEED PRODUCTS CORPORATION

DR.—$18,528,934—"*Retained Earnings*: Deduct: Book equity of the common stock of Bestwall Gypsum Company distributed to Stockholders as at June 30, 1956."

Note 1: Transfer of Gypsum and Paper Net Assets to Bestwall Gypsum Company—On June 30, 1956, the Company transferred the net assets of its gypsum and paper division to Bestwall Gypsum Company in exchange for 715,145 shares of its common stock, which common stock was in turn distributed to the Company's stockholders. Since the Company, as presently constituted, is no longer in the gypsum and paper business, detailed income and expense information has been presented for those operations in which the Company is now engaged, and the net income from gypsum and paper operations for the six months preceding the transfer is reported in total only. Income and expenses applicable to these respective operations for the six months ended June 30, 1956 were determined by direct identification of the items of income and expense where possible or by appropriate allocations.

Since July 1, 1956, the products of Certain-teed Products Corporation and Bestwall Gypsum Company have been sold through Bestwall-Certain-teed Sales Corporation which is owned equally by each of the companies. The expenses of such sales corporation have been charged to each of the companies serviced on an appropriate basis.

1956 STOCK SPLITS

Retained Earnings

BOEING AIRPLANE COMPANY

DR.—$16,339,924—"*Retained Earnings*: Amount transferred to the capital stock account by the Board of Directors in connection with the two-for-one stock split."

Financial Review: On April 24, 1956, the stockholders approved an increase in the authorized number of capital shares from 5,000,000 to 10,000,000.

On July 2, 1956, the Board of Directors provided for a two-for-one stock split. One additional share for each share previously held was issued to stockholders of record at the close of business on July 13, 1956. At the same time, the Board adopted a new dividend policy which provides for a quarterly cash dividend of 25 cents per share, and the distribution of a small stock dividend annually. The purpose of this change in the dividend policy is to permit greater accumulation of capital funds over the next few years. It is expected that the new policy will be continued during the period of the company's requirements for substantial additional capital.

Cash dividends of $8,162,577 were paid during the year. The payments amounted to $1.25 per share on the basis of the shares outstanding after the stock split. In addition, a 2% stock dividend was issued and distributed to stockholders of record on November 19, 1956, in accordance with the new dividend policy.

In connection with the stock split and the 2% stock dividend, the sums of $16,339,924 and $6,895,454 were transferred at the Board's direction from the Retained Earnings account to the Capital Stock account. The stated value of the capital stock of the company at December 31 was $84,943,535.

At its February, 1957, meeting, the Board of Directors declared the established 25-cent quarterly cash dividend.

BRIGGS & STRATTON CORPORATION

DR.—$5,099,928—"*Earned Surplus*: Amount transferred to capital stock account in connection with recapitalization."

To the Stockholders: . . . On March 21, 1956, the stockholders of the Corporation voted to amend the Corporation's Certificate of Incorporation changing the shares of capital stock from non-par to $3.00 par, increasing the authorized shares from 750,000 to 5,000,000, and reclassifying and changing each of the non-par shares then issued and outstanding into 3 shares of $3.00 par. These changes, which became effective April 17, 1956, resulted in the number of issued and outstanding shares being increased to 1,799,976 and required the transfer of $5,099,928 from the earned surplus to the capital stock account.

BROWN SHOE COMPANY, INC.

DR.—$13,514,655—"*Retained Earnings*: Amount transferred to Common Stock representing the aggregate par value of 900,977 shares of Common Stock issued to effect the two-for-one stock split."

78th Annual Message to the Stockholders: . . . On June 5 the Board of Directors voted to split the Company's common stock two shares for one, and on the effective date, September 14, distribution of the additional shares was made to stockholders. The dividend payment rate was increased with the declaration of the quarterly dividend, payable December 1, of 55¢ per share, which is at the rate of $2.20 per year. Dividends distributed to stockholders during the fiscal year, including an extra dividend paid on January 3, 1956, amounted to $2.00 (adjusted) per share on the common stock. The amounts paid per share in the last fiscal years, adjusted to reflect the stock split, have been: 1952 and 1953, $1.70; 1954, $1.80; 1955 and 1956, $2.00.

GENERAL RAILWAY SIGNAL COMPANY

DR.—$3,376—"*Earned Surplus*: Transferred to capital stock in connection with stock split (Note 4)."

Note 4: In October 1956, the authorized common stock was increased from 700,000 shares without par value (stated value $20 per share) to 2,100,000 shares of $6.67 par value, and the shares outstanding were trebled by a three for one stock split.

To the Shareholders: Stock Split—At a Special Meeting on October 24, our shareholders voted to increase the number of authorized shares from 700,000 to 2,100,000 and to change from a no par value to a par value of $6.67. This increased the issued shares from 337,587 to 1,012,761.

LEHIGH PORTLAND CEMENT COMPANY

DR.—$9,507,800—"*Earned Surplus*: Transferred to common capital stock in connection with two-for-one stock split and change in par value."

OSCAR MAYER & CO., INC.

DR.—$2,211,950—"*Accumulated earnings in use in the business*: Transfer to common stock due to stock split, 221,195 shares at $10 par value."

To the Stockholders: . . . On October 8, 1956, the directors voted a split-up of the common shares of the Company to take effect on October 26 in the amount of one additional share for each four shares outstanding. This split-up was made possible by an action of the shareholders at the annual meeting held on February 14, 1956, which increased the authorized capitalization from 1,000,000 to 2,000,000 common shares.

Retained Earnings and Capital Surplus

ANDERSON-PRICHARD OIL CORPORATION

DR.—$5,886,839—"*Earnings reinvested in the business*: Deduct: Transfer to common stock—stock split (Note 10)."

DR.—$2,256,491—"*Paid-in capital*: (Note 11)."

Note 10: Capital Stock—On April 19, 1956 the stockholders approved an amendment to the Company's certificate of incorporation to: (1) increase the number of authorized shares of $10 par value common stock from 1,000,000 to 3,000,000, and (2) authorized 400,000 shares of $50 par value cumulative preferred stock. The Directors of the Company then adopted a resolution directing a 2-for-1 split of the Company's common stock by the issuance of one additional $10 par value share to each shareholder as of April 30, 1956. The stock split was recorded in the accounts by a credit to common stock outstanding of $8,143,330 and by charges of $2,256,491 to paid-in capital and $5,886,839 to earnings reinvested in the business.

On April 27, 1956, the Company issued 200,000 shares designated as "Cumulative Preferred Stock, 4¼% Series" for $10,100,000. The preferred stock is convertible into common stock on or before May 31, 1966, at a conversion price of $37.50 per share. An annual 4% sinking fund provision will commence on May 31, 1966, with respect to preferred shares then outstanding. Redemption of the stock through the sinking fund will be at the initial public offering price of $50.50 and redemption for other purposes is $52.00 currently with a reduction of 50 cents every five years until a minimum of $50.50 is reached.

Note 11: Paid-in Capital Changes—

Amount at December 31, 1955	$2,221,245
Add (Deduct): (Notes 7 & 10)	
Premium on stock issued:	
Preferred stock	100,000
Common stock—stock plan	232,822
Transfer to common stock—stock split	(2,256,491)
Expenses of preferred stock issue and common stock split less deferred charges of $40,538	(297,576)
Amount at December 31, 1956	$ —

McGRAW-HILL PUBLISHING COMPANY, INC.

DR.—$1,671,394—"*Income retained in the business*: Three for one stock split (Note)."

DR.—$2,689,614—"*Capital Surplus*: (Note)."

Notes to Financial Statements: As of July 24, 1956 the company increased the authorized capital stock from 1,200,000 shares to 3,600,000 shares and reduced the par value from $5 per share to $3 per share. Three shares of the new $3 par value stock were issued to stockholders for each share of the $5 par value stock held. This resulted in an increase of $4,361,008 in the par value of the outstanding capital stock. Capital surplus was charged with $2,689,614, thereby eliminating capital surplus, and income retained in the business was charged with the remainder of $1,671,394.

NORTH AMERICAN AVIATION, INC.

DR.—$325,095—"*Earnings retained for use in the business*: Less—Transfer to capital stock in connection with two-for-one stock split."

DR.—$3,109,938—"*Paid-in surplus*: (Note)."

Notes to Financial Statements: In connection with a two-for-one split of the capital stock in August 1956 (without change in the par value) the paid-in surplus of $3,109,938 and $325,095 of earnings retained for use in the business were transferred to capital stock. During September 1956, 1,145,011 additional shares of capital stock were sold and $41,246,508, representing the excess of the net proceeds over the par value, was credited to paid-in surplus.

SQUARE D COMPANY

DR.—$16,815,085—"*Earnings retained for use in the business*: Deduct: Par value of 3,408,674 shares of Common Stock issued as a three-for-one split, less $228,285 charged to additional paid-in capital."

DR.—$228,285—"*Additional Paid-in Capital*: Less amount transferred to Common Stock account in connection with three-for-one split."

Letter to our Stockholders: . . . Dividends of $5,271,735 were paid to shareowners, a 33% increase over the $3,970,112 paid the previous year. The regular quarterly dividend was increased to 25 cents with the December 31st payment and an extra year-end dividend of 25 cents was paid at that time. This brought total payments per share for the year to $3.10, compared to the $2.50 paid in 1955, based on the number of shares outstanding prior to the three-for-one stock split which became effective on September 14, 1956.

The stock split had the effect of materially broadening the company's ownership base. Interestingly enough, the additional one-thousand individuals who invested in Square D to become new shareowners during the year, matched almost exactly the number of new jobs created in the same period.

THE TEXAS COMPANY

DR.—$688,219,950—"*Retained earnings used in the business*: Deduct: Amount transferred to capital stock account in connection with two-for-one split in 1956."

DR.—$2,411,250—"*Excess of value assigned to properties acquired over par value of capital stock issued therefor*: (Balance at December 31, 1955 transferred to capital stock account in connection with two-for-one split in 1956)."

Capital Surplus

ALLEGHENY LUDLUM STEEL CORPORATION

DR.—$1,861,383—"*Capital surplus*: (Note 6)."

Note 6: Capital Surplus— . . . Par value of 1,861,383 additional shares of common stock resulting from 2 for 1 split of outstanding shares . . .

THE BLACK & DECKER MANUFACTURING COMPANY

DR.—$450,229—"*Capital in Excess of par value of common stock*: Transfer to Common Stock account representing par value of 450,229 shares issued as the result of a two-for-one stock split."

The Chairman's Annual Report: . . . Consolidated net sales for the Company were $49,847,934 for the fiscal year ending September 30, 1956, while earnings before taxes amounted to $10,306,253. This resulted in net earnings after taxes of $5,020,185, an increase of $1,324,409, or 35.8% over the previous year. These record earnings equal $5.17 per share of Common Stock on the 970,274 shares outstanding as compared to the $4.10 per share on the 900,458 shares, outstanding last year, adjusted to give effect to the two for one stock split of October 1, 1955.

CUMMINS ENGINE CO., INC.

DR.—$1,081,275—"*Capital Surplus*: Deduction: Transfer to common stock in connection with stock splits of one additional share for each four shares outstanding (216,255 shares in 1956 at $5 par value)."

To the Shareholders: Earnings and Dividends— . . . On December 21, 1956, certificates for 216,255 shares of additional Common Stock were issued in connection with the stock split, amounting to 1 additional share for each 4 shares held, authorized by the Board of Directors on November 27, 1956, which increased the total number of Common Shares outstanding from 865,020 before the stock split to 1,081,275 after the stock split.

GENERAL DYNAMICS CORPORATION

DR.—$2,553,355—"*Capital Surplus*: Deduct—Capital surplus transferred to common stock in connection with issuance of 2,553,355 additional shares to effect 3-for-2 stock split."

To the Share Owners: . . . Cash dividends declared in 1956 amounted to $1.73 per share of common stock as compared with $1.47 per share in 1955, adjusted to give effect to the 3-for-2 stock split in 1956 and the 2-for-1 stock split in 1955. Total cash dividends declared in 1956 were $13,255,617, an increase of about twenty-three percent over the $10,807,177 cash dividends declared in 1955, although conservatively only forty-one percent of net earnings for 1956. It was the 21st consecutive year in which cash dividends were distributed. Earnings retained for use in the business totaled $18,691,378 in 1956, an increase of seventy-nine percent over the previous year's figure of $10,447,209.

GENERAL SHOE CORPORATION

DR.—$1,234,977—"*Additional Paid-In Capital*: Less par value of common shares issued in two-for-one split."

Annual Report: . . . During the year we paid out our 97th consecutive quarterly dividend on common stock. In March of this year we split our common stock two shares for one and raised the adjusted dividend rate. The old rate was $2.50 per year, the same it has been for nine years, and after the two for one split would have been $1.25. We raised the rate to $1.50 on the new stock. Dividends on the common stock have averaged approximately 60% of the earnings during the past five years. Dividends on the preferred issues have been paid in accordance with the terms of the issues.

JOY MANUFACTURING COMPANY

DR.—$893,954—"*Additional paid-in capital*: (Note 4)."

Note 4: Stock Distribution—Effective December 20, 1955, the issued and outstanding common stock was increased to 1,787,908 shares as a result of a 100% stock distribution and $893,954, representing the par value of the new shares, was transferred from additional paid-in capital to the common stock account.

THE PROCTER & GAMBLE COMPANY

DR.—$12,938,270—"*Additional Paid-In Capital*: (Notes 3 and 4)."

Note 3: There were 22,500 shares of 8% (cumulative) preferred stock of $100 par value each authorized and outstanding at June 30, 1956 and 1955; also, at those dates, 457,500 shares of $100 par value preferred stock were undesignated and unissued.

The authorized common stock of the Company was increased effective on June 1, 1956, to 25,000,000 shares of the par value of $2 each from 15,000,000 shares without par value, and each of the shares then outstanding (9,703,703) was changed into two shares of the par value of $2 each. There were 19,411,806 shares of common stock outstanding at June 30, 1956.

Note 4: Additional paid-in capital decreased during the year, in the net amount of $10,630,142. By reason of the change in capitalization mentioned above, $12,938,270 was transferred from additional paid-in capital to the common stock account. The excess, $2,308,128, of proceeds from sales during the year of shares of common stock under the Stock Option Plan over the stated value (or par value on and after June 1, 1956) of the shares issued to optionees was credited to additional paid-in capital.

Letter to Stockholders: . . . Consolidated net sales for the year were $1,038,290,374. After deducting all costs, including depreciation, taxes, marketing and other expenses, the consolidated net earnings of all the Companies for the year amounted to $59,316,471. This was equivalent to $3.05 per share on the Common Stock outstanding at the year-end after the stock split effective June 1, 1956, in which the number of common stock shares outstanding were doubled.

Increase in Number of Shares Only

ALLIED LABORATORIES, INC.

Notes to Financial Statements: Note 1—The number of authorized shares of common stock was increased to 1,250,000 by action of the stockholders on March 13, 1956. As of April 16, 1956, the outstanding shares of common stock were split two for one by the issuance to stockholders of one additional share for each share owned and by the concurrent reduction in the declared value of common stock from $5.00 per share to $2.50 per share. A five per cent stock dividend was paid as of October 1, 1956, by the issuance of 31,129 shares of common stock; this dividend was charged to earned surplus at the approximate market value of the dividend shares. Data relative to the number of shares of common stock at the dates of the two accompanying balance sheets were:

	December 31 1956	1955
Shares authorized	1,250,000	750,000
Unissued shares reserved for employees' stock options	28,200	12,000
Shares issued and outstanding	653,859	311,290
Declared value of shares	$2.50	$5.00

AVON PRODUCTS, INC.

Notes to Financial Statements: During 1956, the Stockholders approved a reduction in the par value of the Common Stock from $5 to $2.50 per share and a 2 for 1 stock split under which 1,401,183 additional shares were issued.

THE BABCOCK & WILCOX COMPANY

1956 in Review: . . . A three-for-one split-up and change from no par value to par value of $9.00 per share of issued and outstanding capital stock of the Company, together with a change in the authorized capital stock to 9,000,000 shares with the par value of $9.00 per share, were approved at the annual meeting of stockholders held on April 4, 1956. Those changes became effective shortly thereafter so that on December 31, 1956 there were 5,145,654 shares of $9 par value capital stock issued, not including 205,826 shares declared in 1956 as a 4% stock dividend payable January 1957.

CARNATION COMPANY

To the Stockholders: . . . At the annual meeting held on March 28, 1956, the stockholders voted to split the common stock on a three-for-one basis, to increase the authorized number of common shares from 800,000 shares to 2,500,000 shares, and to establish the par value of the common shares at $5.50 each; heretofore, the common shares had no par value but had a stated value of $16.50 each. The stock split became effective on April 13, 1956 and two additional shares were sent to stockholders for each share previously outstanding; the old certificates already issued continued to be valid.

LONE STAR CEMENT CORPORATION

President's Letter: Capital Stock Split-Up—The shareholders, at a special meeting on December 11, 1956, approved splitting the capital stock on a 2½ for 1 basis and authorized a reduction in par value from $10 per share to $4 per share. The authorized number of shares was increased from 4,000,000 shares to 10,000,000 shares. The split-up and change became effective December 13, 1956.

As of March 1, 1957, shareholders numbered 15,085, the largest in the company's history, and an increase of 37 percent since 1950. The recent stock split is expected to result in a still broader stock distribution.

PHILLIPS PETROLEUM COMPANY

Notes to Financial Statements: Note 2: Common Stock—In April 1956, the authorized Common Stock of the Company was changed from 20,000,000 shares without par value to 40,000,000 shares at $10 par value. Effective June 18, 1956, the Common Stock was split on a two-for-one basis into shares of $5 par value.

OTHER CHARGES AND CREDITS TO RETAINED EARNINGS AND CAPITAL SURPLUS ACCOUNTS

Table 4 summarizes and classifies all the various charges and credits to the retained earnings and capital surplus accounts as disclosed in the annual reports of the 600 survey companies for the year 1956. Approximately 40 per cent of the companies disclosed charges and credits to the retained earnings account in addition to those entries which recorded cash dividend distributions or presented the net income or loss for the year. In addition to such charges and credits to the retained earnings account, 320 of the 1956 annual reports also reported various charges and credits to the capital surplus or unclassified surplus accounts. In the 1956 annual reports 482 companies presented capital surplus or unclassified surplus accounts.

1956 CHARGES AND CREDITS

Illustrative examples of all the various retained earnings and capital surplus charges or credits, except those which merely present the net loss or income for the year, are as follows:

REVISION IN CAPITAL STRUCTURE

Retained Earnings

ADAMS-MILLIS CORPORATION

DR.—$4,065,995.79—"*Earnings Retained*: Amount transferred to Common Stock account in accordance with resolution of the Board of Directors."

NEPTUNE METER COMPANY

CR.—$23,455—"Accumulated Earnings: Adjustment resulting from reinstatement of treasury stock at par value."

Retained Earnings and Capital Surplus

CLARK EQUIPMENT COMPANY

DR.—$2,781,632—"*Earnings retained and used in the business*: Deduct: Amount transferred to capital stock account in connection with issuance of 2,273,010 shares of common stock of a par value of $15 per share in exchange for 1,136,505 shares of common stock of a par value of $20 per share, $11,365,050, less, amount transferred from capital in excess of par value of shares $8,583,418."

DR.—$8,583,418—"*Capital in excess of par value of shares*: (In 1956 increased by $539,648 excess of proceeds over cost of treasury shares sold to officers and key employees; balance of $8,583,418 transferred to common capital stock account)."

CUTLER-HAMMER, INC.

DR.—$3,078,009—"*Paid-in Surplus*: Deduct amount transferred to Common Stock account (See Note 2)."

DR.—$6,821,961—"*Earned Surplus*: Deduct—Amount transferred to common stock account (See Note 2)."

Note 2: In 1956 the common shares were split on a 2 for 1 basis and changed from no par value shares to $10 par value shares. In order to state the aggregate par value of the resulting shares the

TABLE 4: RETAINED EARNINGS AND CAPITAL SURPLUS

	Retained Earnings Account				Capital Surplus Account			
	1956		1955		1956		1955	
Nature of Transaction Presented	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Revision in capital structure	5	1	4	—	4	5	5	12
Premium and discount on initial issue of capital stock	—	—	—	—	—	30	1	37
Conversion from preferred stock or debentures to common stock (or preferred)	—	1	—	—	3	55	2	58
Redemption, retirement of capital stock, warrants, script, etc.	23	8	36	4	18	57	24	47
Treasury stock transactions	4	2	3	1	5	18	8	22
Capital stock issued in acquisition of subsidiary companies or business properties	6	4	6	—	4	67	3	51
Mergers, liquidations, dissolutions	5	2	8	15	6	8	10	15
Adjustments arising in consolidation	8	6	3	7	4	16	1	5
Subsidiary or affiliate income or earnings	3	4	5	—	—	3	—	1
Goodwill, intangible assets	4	—	7	—	—	1	—	1
Employee benefit plan involving sale or issue of capital stock	—	—	1	—	1	165	3	136
Appropriation or reserve—transfers thereto and transfers therefrom	16	24	17	29	—	3	1	3
Financing expenses	3	1	7	1	7	—	12	—
Extraordinary losses or gains	4	6	8	6	1	—	—	—
Foreign exchange adjustments	—	—	1	—	—	—	—	1
Prior year adjustments:								
Fixed assets and depreciation	—	1	—	5	—	2	1	2
Tax adjustments	8	8	5	10	—	1	—	1
Various other adjustments	2	4	1	4	—	1	1	1
Adjustments re: Section 462, 1954 Internal Revenue Code	1	—	11	4	—	—	—	—
Miscellaneous transactions	7	4	2	7	6	6	6	5
Dollar changes—not described	1	—	1	—	2	15	1	10
Total	100	76	126	93	61	453	79	408
Stock dividends and stock split-ups (Table 3)*	115	—	87	—	19	77	26	54
Cash dividend declaration (Table 1)	580	—	584	—	—	—	—	—
Net loss or income for the year	22	578	21	579	—	—	—	—
Total Charges or Credits	817	654	818	672	80	530	105	462

*Includes dividends-in-kind for 4 companies, see Table 3.

common stock account was increased $9,889,970 by transfers of $3,078,009 from the paid-in surplus account and $6,821,961 from the earned surplus account.

STUDEBAKER PACKARD CORPORATION

DR.—$2,345,720—*"Capital Surplus*: Reclassification of cost of Common Stock in treasury."

CR.—$58,879,683—"Capital Surplus: Reduction in par value of issued Common Stock from $10 to $1 a share."

Note A: Quasi-reorganization—The Corporation effected a quasi-reorganization on November 2, 1956, on which date the shareholders approved a reduction in the par value of the common stock from $10 to $1 a share. By authority of the Board of Directors, capital surplus resulting from the decrease in par value of Common Stock was used, for the most part, to absorb the accumulated deficit of $48,260,412 existing at the aforementioned date (loss for the year to that date, $104,214,183, less earned surplus at beginning of year, $55,953,771).

Capital Surplus

ALLIED CHEMICAL & DYE CORPORATION

DR.—$125,073,390—*"Capital Surplus*: Decrease as result of change in capital stock from stock without par value, basis $5 per share, to stock having par value of $18 per share."

CONTINENTAL CAN COMPANY, INC.

CR.—$2,100,000—"Capital Surplus: Surplus arising from reduction in Par Value from $20 to $10 per share applicable to 210,000 shares of Common Stock issued in exchange for White Cap Company Capital Stock."

CR.—$38,747,000—"Capital Surplus: Reduction in amount appropriated in 1955 for 100% Stock Distribution resulting from above reduction in Par Value of Common Stock."

GENERAL DYNAMICS CORPORATION

CR.—$8,765,882—"Capital Surplus: Transfer from capital stock to reduce stated value of shares outstanding to par value thereof."

PREMIUM ON INITIAL ISSUE OF CAPITAL STOCK

Capital Surplus

ACME STEEL COMPANY

CR.—$8,425,305—"Statement of Consolidated Additional Paid-In Capital: Add excess of proceeds (less expenses) from sale of 400,000 shares of Common Stock over the par value thereof."

Report of Management: . . . The acquisition of the business of the Newport Steel Corporation at Newport, Kentucky, on September 14, 1956, assures the Company of adequate steel supplies until the new plant is completed. To help finance this program, 400,000 shares of common stock were sold to the public, increasing our family of shareholders to over 21,000.

ALCO PRODUCTS, INCORPORATED

CR.—$963—"Amount paid the company for capital stock in excess of par value: (Capital Surplus) (Note 5)."

Note 5: "Amount paid the Company for capital stock in excess of par value (capital surplus)," has been credited with $963 representing the excess of the award value over the carrying value of common stock delivered in payment of contingent awards made in prior years under the Incentive Compensation Plan.

AMERICAN BOX BOARD COMPANY

CR.—$1,472,069—"Paid-In Capital in Excess of Par Value: Excess of proceeds over par value of 43,665 shares of common stock sold during the year."

To Our Stockholders: 43,165 shares of common stock of the Company were sold for cash to the employees' Stock Bonus Plan in June. This transaction followed completion of amendment of the plan changing it to a Stock Bonus Plan which is ultimately to be 100% invested in common stock of the Company.

ANDERSON-PRICHARD OIL CORPORATION

CR.—$100,000—"Paid-in Capital: (Note 11)."

Note 11: Paid-in Capital Changes—

Amount at December 31, 1955	$2,221,245
Add (Deduct): (Notes 7 & 10)	
Premium on stock issued:	
Preferred stock	100,000
Common stock—stock plan	232,822
Transfer to common stock—stock split	(2,256,491)
Expenses of preferred stock issue and common stock split less deferred charges of $40,538	(297,576)
Amount at December 31, 1956	$ ——

ARDEN FARMS CO.

CR.—$718,524.94—"Capital Surplus: Excess of sales price of common stock issued over par value thereof; less issue expenses of $20,521.06."

BUCYRUS-ERIE COMPANY

CR.—$11,045,808—"Additional Paid-In Capital: Excess of proceeds from sale of 311,040 shares of common stock over par value thereof, less $462,672 expenses of issuance."

To the Stockholders: Financial—In October 1956 the Company offered its shareholders the right to subscribe to 311,040 shares of additional common stock at the rate of one share for each five shares of common stock held of record, at a price of $42 per share, which was approximately 15% below the then market price. The offering was well received. Holders of subscription warrants subscribed for 302,461 shares and the underwriters purchased the remaining 8,579 shares. The proceeds from this offering, amounting to $12,601,008, were added to the Company's general funds and are now being used to finance construction of plants, for working capital and for other corporate purposes.

THE BUDD COMPANY

CR.—$5,248,091—"Capital Surplus: Excess of net proceeds from sale of 395,096 common shares over $5 par value."

CATERPILLAR TRACTOR CO.

CR.—$28,175,000—"Capital in Excess of Par Value: Amount received for shares issued for $66.35 per share less par value of those shares."

To the Shareholders: To strengthen the Company's financial position, 500,000 shares of common stock were sold in April for $33,175,000. With this additional equity capital, and with retained profits and depreciation and amortization for the next few years, it is presently estimated that required outside funds for growth can be satisfactorily obtained from term bank loans.

CHERRY-BURRELL CORPORATION

CR.—$5,065—"Capital Contributed in Excess of Stated Value of Capital Stock: Premium on sale of common stock."

CROWN ZELLERBACH CORPORATION

CR.—$2,779,000—"Other Capital: Proceeds, in excess of book value and related expenses, from sale of ordinary shares by Crown Zellerbach Canada Limited."

FAIRCHILD ENGINE AND AIRPLANE CORPORATION

CR.—$70,448—"Additional Capital Paid-In: ($70,448 added in 1956 upon issuance of 6,126 shares)."

NATIONAL GYPSUM COMPANY

CR.—$19,225,373—"Capital Surplus: Excess of proceeds over par value of Common Stock sold for cash under subscription rights to stockholders."

Report to the Stockholders: At year end there were 24,602 holders of Common Stock and 1,141 holders of Preferred. There were 3,828,237 shares of Common Stock outstanding as of December 31, 1956. This is an increase of 507,102 shares over the number outstanding a year ago. Of this increase 416,666 shares were sold for cash at $47 per share in the offering made to stockholders last June. There were 15,427 shares sold under the employees' Option Plan. 75,009 shares were issued as a 2% stock dividend.

UNIVERSAL MATCH CORPORATION

CR.—$262,500—"Capital in Excess of Par Value (Capital Surplus): Premium on 15,000 shares of Common Stock sold."

CONVERSION OF DEBENTURES INTO COMMON STOCK

Capital Surplus

AMERICAN MACHINE & FOUNDRY COMPANY

CR.—$348,679—"Capital Surplus: Excess of conversion price over par value of common stock issued upon conversion of 4¼% subordinated debentures."

BEAUNIT MILLS, INC.

CR.—$5,259,361—"Capital Surplus: Excess of stated conversion amount of 288,298 shares of common stock, over par value of such shares exchanged for 5% Convertible Subordinate Debentures during year."

To the Stockholders: The $5,995,000 5% Convertible Subordinate Debentures outstanding on March 31, 1955 were converted into 288,298 shares of Common Stock by March 1, 1956.

THE COLORADO FUEL AND IRON CORPORATION

CR.—$10,832,806—"Capital Surplus: Excess of face value of 4¾% Debentures, converted or redeemed, plus unamortized premium—net, over stated value of Common Stock issued in connection therewith."

EASTERN STAINLESS STEEL CORPORATION

CR.—$652,866—"Paid-in Surplus: Excess of principal amount ($754,500) of 4½% convertible subordinate debentures over the par value of 19,954 shares of common stock issued upon conversion, less cash paid in lieu of fractional shares."

Note 2: The notes payable to banks are due March 18, 1957, but will be extended under the terms of the loan agreement to mature in eleven scheduled semi-annual installments, with the initial installment of $300,000 due September 18, 1957 and the final installment due September 18, 1962.

The Corporation has agreed under the terms of the indenture and loan agreements in connection with the issuance of the convertible debentures and the unsecured notes to maintain a minimum of $7,000,000 of consolidated net working capital.

The 4½% convertible subordinate debentures are convertible into common stock at the conversion price of $37.74 per share.

EVANS PRODUCTS COMPANY

CR.—$2,481,486—"Additional Paid-In Capital: Excess of principal amount ($3,164,000) of debentures (reduced by unamortized financing costs) and cash received ($379,-680) over par value of Common Capital Stock issued upon conversion."

To the Shareholders: Early in July, 1956, the company called for redemption on August 6, 1956, all of its outstanding 4½% Convertible Subordinate Debentures at 102.85% plus accrued interest. Almost all of the outstanding debentures were converted into common stock on or prior to the redemption date, thereby increasing the company's outstanding shares to 1,012,942.

LOCKHEED AIRCRAFT CORPORATION

CR.—$1,707,787—"Additional Capital: Excess of conversion price over par value of capital stock issued upon conversion of debentures (after deducting unamortized debenture expenses)."

Note 5: Under the 4.50% Debenture Indenture the Company is required to provide for annual sinking fund redemptions of $1,875,000 from 1961 through 1975. Outstanding debentures may also be called for redemption at any time at prices progressively decreasing from 106% of principal amount currently to 100% thereof for the year preceding maturity.

Under the 3.75% Subordinated Debenture Indenture the Company is required to provide for sinking fund redemptions in 1965 of 5% of the principal amount of debentures outstanding on March 10, 1965 and annually from 1966 to 1979 of 5% of the principal amount of debentures outstanding at May 1, 1965. Outstanding debentures may also be called for redemption at any time at prices progressively decreasing from 102.875% of principal amount currently to 100% thereof for the year preceding maturity.

Prior to May 1, 1965, the principal amount of outstanding 3.75% Subordinated Debentures may be converted into shares of capital stock of the Company at the current conversion price of $48.54 per share. This amount is subject to adjustment in the event of certain changes in the capital structure of the Company.

The payment of principal of and interest on the 3.75% Subordinated Debentures is subordinated to the 4.50% Debentures and to all other indebtedness representing money borrowed.

Both the indentures contain certain restrictions on the payment of cash dividends and on the amount of funded debt. As of December 30, 1956, earnings retained for use in the business amounting to $56,800,000 were restricted.

NORTHROP AIRCRAFT, INC.

CR.—$195,075—"Paid-In Surplus: Conversion of 4% Convertible Subordinated Debentures into 7740 shares (less applicable portion of debenture issuance expense)."

Note E: Long-Term Debt— . . . Prior to December 1, 1975, the debentures may be surrendered at principal amount for conversion into common stock of the company. The initial conversion price is $27.25 a share and is subject to adjustment in the event of certain changes in the capital structure of the company. At July 31, 1956, 359,233 shares of common stock were reserved for conversion of debentures.

RADIO CORPORATION OF AMERICA

CR.—$3,808—"Capital Surplus: Excess paid in over stated value of common stock issued upon conversion of debentures."

WALWORTH COMPANY

CR.—$1,535,262—"Balance of Paid-In Capital: Excess of Proceeds of issuance of Walworth Company common stock over par value of such common stock carried to the capital stock account: 107,342 shares issued in 1956 on conversion of Walworth Company convertible 3¼% debentures."

WHEELING STEEL CORPORATION

CR.—$1,244,315—"Additional Paid-In Capital: Conversion of $1,309,900 principal amount of 3¾% Debentures into 26,198 shares of common stock."

Financial Review: There were $17,787,900 principal amount of 3¾% Debentures due November 15, 1975 outstanding at December 31, 1956. Holders of the debentures have the right to convert their holdings into common stock until November 15, 1967. The conversion price per share is $57.50 through November 15, 1959, payable by surrender of $50 principal amount of debentures and payment of $7.50 in cash. The conversion price and the cash payable increase $5 per share on November 16, 1959 and an additional $5 on November 16, 1963. In the event of certain changes in the number of outstanding shares of common stock, such as those resulting from stock dividends and splits, the conversion price is subject to adjustment. During the year $1,309,900 principal amount of debentures were converted into 26,198 shares of common stock.

Annual sinking fund requirements do not commence until November 15, 1959. On or before that date and annually thereafter through 1974 the Corporation will be required to purchase or redeem an aggregate of $750,000 principal amount of debentures. Converted debentures, to the extent available, may be applied in satisfaction of sinking fund requirements.

CONVERSION OF PREFERRED STOCK INTO COMMON

Retained Earnings and Capital Surplus

SAFEWAY STORES, INCORPORATED

DR.—$407,893—*"Additional Paid-In Capital."*

CR.—$11,988,400—"Additional Paid-In Capital."

CR.—$407,893—"Net income retained in the business: Transfer to additional paid-in capital of issue expense of 4.30% preferred stock converted into common stock."

Notes to Financial Statements: Additional Paid-In Capital— Changes in the consolidated Additional Paid-In Capital during the year consist of discount on preferred stock acquired, $87,850, excess of proceeds over par value of common stock issued under options exercised, $1,414,814, excess of par value of preferred stock over par value of common stock issued on conversion, $11,988,400, less pro-rata share of original issue expense, $407,893.

Capital Surplus

ACF INDUSTRIES, INCORPORATED

CR.—$7,249,834—"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."

Note 2: Capital Stock— . . . In May 1956, the company called 41,537 shares of 5% preferred stock for redemption on July 16, 1956, but holders of such shares have the option of converting into common shares to and including that date. Pursuant to the recapitalization plan adopted by the stockholders on November 23, 1954, the company is required to continue calling preferred shares until 41,537 shares are redeemed, or until all outstanding preferred shares are retired through conversion or redemption.

ALLEGHENY LUDLUM STEEL CORPORATION

CR.—$3,940,196—"Capital Surplus: (Note 6)."

Note 6: . . . Excess of stated value of $4.375 cumulative preferred stock over par value of common stock issued upon conversion, less $17,044 paid in lieu of fractional shares.

AMERICAN AIR FILTER COMPANY, INC.

CR.—$49,396—"Other Capital in Excess of Par Value of Shares: Excess in par value of 3,556 shares of 5% cumulative convertible preference stock retired in exchange for common stock."

AMERICAN CYANAMID COMPANY

CR.—$28,391,687—"Capital Surplus: Excess of par value of shares of Cumulative Preferred Stock converted over par value of shares of Common Stock issued upon conversion."

Note 6: The Cumulative Preferred Stock outstanding December 31, 1956 was comprised of 131,212 shares Series C, 3¾%, Convertible Prior to July 1, 1964 and 2,185 shares Series D, 3½%, Convertible Prior to July 1, 1965. Of the authorized Common Stock, 290,484 shares were reserved for issuance upon conversion of such outstanding shares of Cumulative Preferred Stock and 11,845 shares of Series D Cumulative Preferred Stock subscribed for at December 31, 1956. The Series C Cumulative Preferred Stock has been called for redemption on March 29, 1957 at $103 plus accrued dividends subject to conversion rights exercisable on or before March 27, 1957.

AMERICAN METAL PRODUCTS COMPANY

CR.—$126,398—"Additional Paid-In Capital: Excess of par value of 7,116 shares of Preferred Stock over par value of 7,891 shares of Common Stock issued in conversion, less $139.85 paid in cash in lieu of issuing fractional shares."

Note B: Preferred Stock Redemption and Conversion—On and after January 1, 1959, the Preferred Stock may be redeemed at the option of the Company at par value plus accrued dividends. The Company is required to set aside on March 31, 1959, and each year thereafter as a fund for the redemption of the Preferred Stock the lower of: (a) an amount equal to the net earnings of the preceding year less all dividends paid on or set apart for the Preferred Stock during such year, or (b) $84,035; provided, however, that if less than such latter amount is set aside in any year the deficiency is to be made up in the earliest succeeding years in which the computation under (a) exceeds $84,035.

The Preferred Stock is convertible, at the option of the holders, into Common Stock at the rate of 1.11 Common shares for each share of Preferred.

BEATRICE FOODS CO.

CR.—$513,645—"Capital Surplus: Excess of conversion price over par value of 20,536 shares of common stock issued in exchange for 3⅜% cumulative convertible stock."

ELLIOTT COMPANY

CR.—$104,725—"Additional Capital from premium 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."

THE GENERAL TIRE & RUBBER COMPANY

CR.—$453,233—"Capital Surplus: Excess of par value of 4,750 shares of 4½% cumulative preference stock over par value of 8,700 common shares issued in conversion."

P. R. MALLORY & CO., INC.

CR.—$222,694—"Additional Paid-In Capital: Excess of par value of 4600 shares of preferred stock over 6886 shares of common stock issued in conversion thereof (less $420 cash payments in lieu of fractional shares)."

Note 6: Preferred and Preference Stock—In January 1957 all the outstanding shares of 4½% cumulative convertible preferred stock were called for redemption on February 28, 1957 at the redemption price per share of $52.50 plus an amount of 18 cents equal to dividends accrued from February 1 through February 28, 1957. Each share of preferred stock was convertible until February 25, 1957 into common stock of the Company at the conversion price of $33.35 per share of common stock, each share of preferred stock being taken at $50 for purposes of such conversion. Since December 31, 1956, 125,807 shares of preferred stock have been presented for conversion, and 188,088 shares of common stock have been issued as a result thereof ($22,266 cash being paid in lieu of issuing fractional shares); 310 shares of preferred stock have been redeemed pursuant to such call.

THE MENGEL COMPANY

CR.—$642,443—"Shareholders' Investment in excess of par value (paid-in surplus): Excess of par value of shares of convertible first preferred stock over par value of shares of common stock issued in conversion."

To the Stockholders: . . . In February 1956, all of the outstanding Convertible First Preferred Stock of the Company was called for redemption on April 18, 1956. The holders of all such shares exercised their rights to convert their shares of Mengel preferred into Mengel common stock at the rate of three shares of common for each share of preferred. As a result, during the year 1956, the 13,669 shares of preferred outstanding at the end of 1955 were retired and the common stock outstanding was increased by 41,007 shares to a total of 666,541.

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

CR.—$15,490,584—"Paid-In and Other Capital Surplus: Excess of par value of 3.30% preference stock converted into common stock over the par value of such common stock and the related cash adjustments, less expenses in connection with the conversion."

THE MURRAY CORPORATION OF AMERICA

CR.—$300,690—"Capital Paid-In Excess of Par Value of Capital Stock: Credit arising from conversion of preferred stock (10,023 shares) into common stock (20,046 shares)."

PENN-TEXAS CORP.

CR.—$5,224,032—"Capital Surplus: Surplus arising from conversion of preferred stock into common stock."

PIPER AIRCRAFT CORPORATION

CR.—$184,578—"Paid-in Surplus: Excess of par value of 44,974 shares of convertible preferred stock over par value of 40,003 shares of common stock into which converted and cash paid in settlement of fractional shares."

Financial Data: . . . On July 15, 1956 the Company called for redemption all of the outstanding Convertible Preferred Stock. During the year, 1,750 shares were purchased for cash and 44,974 shares were converted by the holders into 40,003 shares of Common Stock at the rate of 89/100 shares of Common for each share of Preferred. The Company's capital structure now consists of 100,000 authorized shares of Preferred Stock, none of which are issued and outstanding, and 1,500,000 authorized shares of Common Stock of which 883,067 shares are issued and outstanding.

THE PITTSTON COMPANY

CR.—$2,759,040—"Capital Surplus: Excess of par value of 28,740 shares of 5½% Cumulative Preferred Stock over par value of 114,960 shares of common stock issued therefor upon exercise of conversion privilege."

Note 4: The Company may redeem the whole or any part of the outstanding Preferred Stock at any time and from time to time after December 31, 1957 at the redemption price of $80 per share plus unpaid dividends accrued to the date of redemption.

The Preferred Stock is convertible into Common Stock of the Company at any time prior to the close of business on December 31, 1981 at the rate of 1 1/3 shares of Common Stock for each share of Preferred Stock, such rate being subject to adjustment in the event of split-ups or combinations of the Common Stock or dividends upon Common Stock paid in such Common Stock. Since the Company paid a 5% stock dividend on January 28, 1957 (see Note 5) the present conversion rate is 1 2/5 shares of Common Stock for each share of Preferred Stock.

CAPITAL STOCK ACQUIRED FOR RETIREMENT OR REDEMPTION

Retained Earnings

ABBOTT LABORATORIES

DR.—$86,753—*"Consolidated Earnings Employed in the Business*: Cost over par value of reacquired Preferred Stock."

ALCO PRODUCTS, INCORPORATED

DR.—$784,500—*"Income Retained in the Business (Earned Surplus)*: Premium on redemption of 7% preferred stock (1956—50,000 shares; 1955—102,700 shares) (Note 4)."

Note 4: On February 6, 1956, 50,000 shares of 7% cumulative preferred stock were redeemed at a cost of $5,784,500 from current working funds.

ALLEGHENY LUDLUM STEEL CORPORATION
DR.—$330—"*Earned Surplus*: Dividends paid in cash: On $4.375 cumulative preferred stock (including $330 premium on redemption of 165 shares in 1956)."

AMERICAN BANK NOTE COMPANY
DR.—$35,545—"*Income and Earned Surplus*: Excess of purchase price over par value of preferred stock purchased and retired."

To the Stockholders: We purchased on the market and retired 2,150 additional shares of our Preferred Stock, and have similarly acquired for retirement 390 shares since the year end. Purchases during the past four years total 34,534 shares, the average price of which has been $61.49 per share. An annual dividend of $103,602, representing approximately 16¢ per share of our Common Stock, was formerly paid on the shares so purchased.

AMERICAN CYANAMID COMPANY
DR.—$390—"*Earnings Employed in the Business*: Premium plus accrued dividends on 102 shares of Cumulative Preferred Stock, Series B, called for redemption as of May 4, 1956."

BEECH-NUT LIFE SAVERS, INC.
DR.—$24,697.86—"*Earned Surplus*: Excess of cost over par value of Beech-Nut Packing Company and Life Savers Corp. treasury stock retired."

BROWN SHOE COMPANY, INC.
DR.—$3,244,444—"*Retained Earnings*: Excess of redemption price over stated value of $5 Prior Preferred Stock of G. R. Kinney Co., Inc."

CRANE CO.
CR.—$8,560—"Earned Surplus: Excess of par value over cost of 3¾% cumulative preferred shares cancelled in connection with sinking fund requirement."

Note 6: 3¾% Cumulative Preferred Shares—These shares are redeemable at the option of the Company at $104.50 per share, an aggregate amount of $12,816,193.

Under the sinking fund provisions the Company is required to pay over to the sinking fund agent for the redemption or purchase of such shares a determinable amount of cash, but not in excess of $320,000 with respect to any fiscal year. Against its obligation to make a cash sinking fund payment in any year the Company may, at its election, take credit for shares purchased by it otherwise than through the sinking fund.

At December 31, 1956 the Company held 4,752 reacquired shares with a cost of $443,795. A sufficient number of these reacquired shares will be deposited on or before April 30, 1957 with the sinking fund agent in satisfaction of the sinking fund requirements.

THE CUNEO PRESS, INC.
DR.—$400—"*Retained Earnings*: Deduct: Premium paid on redemption of preferred shares in excess of capital applicable thereto."

THE DIAMOND MATCH COMPANY
DR.—$1,387,000—"*Earnings Retained*: Premium on redemption of 150,000 shares of preferred stock, plus accrued dividends."

THE FIRESTONE TIRE & RUBBER COMPANY
DR.—$35,100—"*Income invested in the Business*: Premium on Preferred Stock Retired."

THE FLINTKOTE COMPANY
CR.—$6,002.83—"Earned Surplus: Excess of paid-in amount over cost of $4 cumulative preferred stock retired."

McCORMICK & COMPANY, INCORPORATED
DR.—$109,369—"*Retained Earnings*: Excess of cost of common stock retired over amount charged to capital stock account."

NEPTUNE METER COMPANY
DR.—$38,550—"*Accumulated Earnings*: Net charge resulting from operations of preferred stock purchase fund."

Note 4: The $2.40 cumulative preferred stock is redeemable on any dividend date at $50.25 a share to November 15, 1957, and at $50.00 a share thereafter; and in the event of liquidation is entitled to a preferential amount equivalent to $52.50 a share plus accrued dividends. On or before April 30 of each year an amount determined in accordance with the company's charter, but not in excess of $75,000, is reserved in a purchase fund for the purchase and retirement of the $2.40 cumulative preferred stock. The unused portion of the reserve is returned to accumulated earnings on April 30 of the succeeding year. Dividends on the common stock are subject to the dividend and purchase fund requirements of the $2.40 cumulative preferred stock.

O'SULLIVAN RUBBER CORPORATION
CR.—$460—"Retained Earnings: Unredeemed preferred stock script certificates expired."

THE SHERWIN-WILLIAMS COMPANY
DR.—$25,292—"*Earned Surplus*: Premium on Preferred Stock redeemed."

SIMMONS COMPANY
DR.—$175,000—"*Earned Surplus*: Premium on 70,000 shares of preferred stock retired (Note 5)."

Note 5: During 1956, 70,000 shares of the Company's 4⅛% cumulative preferred stock were redeemed at $102.50 per share and the remaining 45,000 shares were repurchased at par.

Retained Earnings and Capital Surplus

GRANITE CITY STEEL COMPANY
DR.—$26,295—"*Earnings Reinvested in the Business (Unappropriated Earned Surplus)*: Premium on redemption of 3,287 shares of Series B 5½% Preferred Stock."
DR.—$332—"*Earnings Reinvested in the Business (Unappropriated Earned Surplus)*: Premium on redemption of 92 shares of 5½% Cumulative Preferred Stock."
CR.—$1,552—"Capital in Excess of Par Value (Capital Surplus): Receipts arising from expiration of redemption rights under scrip certificates."

Note 4: 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. In 1957 and in each subsequent year, the sinking fund will require, if permitted by the Company's 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.

SAFEWAY STORES, INCORPORATED
CR.—$87,850—"Additional Paid-In Capital."
CR.—$2,776—"Net income retained in the business: Gain on acquisition of preferred stock of a subsidiary."

Notes to Financial Statements: . . . Changes in the consolidated Additional Paid-In Capital during the year consist of discount on preferred stock acquired $87,850. . . .

Capital Surplus

ALAN WOOD STEEL COMPANY
CR.—$14,108—"Additional Paid-In Capital."

Note 5: Preferred Stock—On April 30 of each year, the Company is required to set aside for the redemption of 5% Cumulative Preferred Stock the sum of $150,000 or a sum equal to the excess of its consolidated net income for the preceding fiscal year over the amount paid during such year as dividends on such stock if such sum is less than $150,000. This sum may be reduced by the aggregate Special Redemption Price ($101 per share until July 1, 1957 and $100 per share thereafter) of any 5% Cumulative Preferred Stock purchased from the general funds of the Company and retired within 30 days prior to April 30.

Note 6: Additional Paid-In Capital—

At January 1, 1956	$3,593,346
Excess of par value over cost of shares of 5% Cumulative Preferred Stock retired	14,108
Excess of approximate market value over par value of stock dividends	357,140
At December 31, 1956	$3,964,594

AMERICAN MACHINE & FOUNDRY COMPANY

CR.—$18,392—"Capital Surplus: Excess of par value over cost of preferred stock retired."

ANCHOR HOCKING GLASS CORPORATION

CR.—$6,116—"Capital Surplus: Discount on purchase of $4 cumulative preferred stock."

To the Stockholders: There was no change during the year in the number of shares of capital stock authorized and/or issued.

The terms of the preferred stock require that $140,000 annually be placed in a fund for the purchase or redemption of preferred shares. A credit is allowed against the fund for any shares of preferred stock purchased or redeemed and retired otherwise than through the retirement fund, equal to the cost of the shares purchased or redeemed.

In the year 1953 we purchased and retired 7,000 shares of preferred stock, fulfilling the sinking fund requirement for the years to and including 1957. We have additionally purchased, and are holding in our Treasury, 2,750 shares of preferred stock, to be used against future sinking fund requirements.

AVON PRODUCTS, INC.

CR.—$2,557—"Capital Surplus: Add—Excess of par value over cost of 4% Cumulative Preferred Stock retired."

Notes to Financial Statements: The 4% Cumulative Preferred Stock is redeemable in whole or in part, at the option of the Board of Directors, at a price of $52 per share (and at $ 51.50 per share for the sinking fund) until May 1, 1961 and at decreasing prices thereafter. The annual sinking fund instalment is limited to a maximum of $76,500.

BARKER BROS. CORPORATION

CR.—$3,430—"Capital Surplus."

Note B: Stockholders Equity—On August 30, 1956 the stockholders amended the charter to effect the reduction of authorized preferred stock from 65,000 to 59,000 shares, the change of authorized common stock from 420,000 shares of $10 par value to 1,260,000 shares of $5 par value and the change of each of the 356,400 shares of $10 common stock outstanding into two shares each or 712,800 shares of $5 common stock outstanding.

The increase during 1956 in consolidated capital surplus consisted of $3,430 excess of par value over the cost of 522 shares of preferred stock purchased for retirement and the $224,342 arising from the acquisition of Suniland Furniture Company.

Of the $7,522,409 retained earnings at December 31, 1956 approximately $750,000 was restricted as to cash dividends on common stock under the preferred stock provisions of the company's charter.

BEAUNIT MILLS, INC.

CR.—$28,383—"Capital Surplus: Excess of stated amount or of par over cost of parent and subsidiary companies preferred stock acquired during year, less, in 1956 $140,095 premium on subsidiary company's preferred stock called for redemption."

BORG-WARNER CORPORATION

CR.—$7,843—"Capital in excess of par value: Excess of par value of 4,068 shares of preferred stock retired over cost thereof."

Note 3: The preferred stock may be redeemed in whole or in part at $103 per share. As long as any shares are outstanding, the corporation is required to pay annually (either in cash or reacquired shares) into a sinking fund for the retirement of preferred stock the lower of $400,000 or 5% of the amount of the consolidated net earnings for the preceding year in excess of the preferred dividend requirements for such year.

CHESAPEAKE INDUSTRIES, INC.

DR.—$67,802—*"Capital Surplus*: Excess of cost over par value of preferred stock retired (Note 5)."

Note 5: Preferred Stock—The Articles of Incorporation provide that on the 1st of March of each year, if all preferred dividends have been paid in full there shall be deposited to the credit of a sinking fund for the purchase of preferred stock, the lesser of (1) 15% of the net earnings of the company for the preceding year, less dividends payable during such year on the outstanding preferred stock, or (2) the difference between $250,000 and the amount, if any, on deposit in the sinking fund. $80,000 was paid into the fund on March 1, 1956 under these provisions and was subsequently utilized to repurchase preferred stock on the open market. Approximately $132,000 will be due to the sinking fund on March 1, 1957 under the above provisions.

CITY STORES COMPANY

CR.—$5,038,400—"Capital Surplus: Excess of par value over cost of preferred stock reacquired."

THE COLORADO FUEL AND IRON CORPORATION

CR.—$23,015—"Capital Surplus: Excess of par value over cost of 5,000 shares of Series A Preferred Stock purchased and cancelled."

FOOD MACHINERY AND CHEMICAL CORPORATION

CR.—$11,598—"Capital in Excess of Par Value of Capital Stocks: Discount on 7,557 shares of 3¾% preferred stock purchased for retirement."

THE GENERAL TIRE & RUBBER COMPANY

CR.—$21,590—"Capital Surplus: Excess of par value over cost of 516 shares of preferred and 3,257 shares of preference stocks retired."

KUHLMAN ELECTRIC COMPANY

DR.—$2,877—*"Capital Surplus*: Premiums on purchase of cumulative preferred stocks."

P. R. MALLORY & CO., INC.

DR.—$1,175—*"Additional Paid-In Capital*: Excess of cost over par value of 465 shares of preference stock acquired in anticipation of sinking fund requirements."

DR.—$2,815—*"Additional Paid-In Capital*: Excess of cost over par value of 7,124 shares of preferred stock acquired for sinking fund requirements, less excess of proceeds over par value of 2,000 shares reissued from treasury, $17,500."

Note 6: Preferred and Preference Stock—In January 1957 all the outstanding shares of 4½% cumulative convertible preferred stock were called for redemption on February 28, 1957 at the redemption price per share of $52.50 plus an amount of 18 cents equal to dividends accrued from February 1 through February 28, 1957. Each share of preferred stock was convertible until February 25, 1957 into common stock of the Company at the conversion price of $33.35 per share of common stock, each share of preferred stock being taken at $50 for purposes of such conversion. Since December 31, 1956, 125,807 shares of preferred stock have been presented for conversion, and 188,088 shares of common stock have been issued as a result thereof ($22,266 cash being paid in lieu of issuing fractional shares); 310 shares of preferred stock have been redeemed pursuant to such call.

As authorized by a charter amendment in 1956 (see note 8), there were issued 90,465 shares of preference stock designated as Cumulative Convertible Preference Stock, 5%, Series A, having a par value of $50 per share. The terms of this series provide, among other things, that the shares have the power to vote with the common shares of the Company, share and share alike, on matters presented to the common stockholders for action, and have other voting powers in certain events; are entitled to annual dividends of 5%; are redeemable after 1958 at par value of $50 per share with an initial premium of 6% (such premium reducing periodically), plus accrued dividends; are entitled to a sinking fund commencing December 31, 1958, designed to retire 3% of the outstanding shares annually; are convertible, at the option of the holders, into shares of common stock of the Company at the conversion price of $45 per share of the common stock; are entitled upon involuntary liquidation to par value plus accrued dividends, and upon voluntary liquidation prior to January 1, 1959 to $53 plus accrued dividends to date of distribution and thereafter to an amount equal per share to the optional redemption price thereof, before any distribution is made to the common stock.

SUMMARY OF CHANGES IN WORKING CAPITAL

The National Supply Company and Subsidiary Corporations

YEAR 1956 AND TEN YEARS ENDED DECEMBER 31, 1956

	Year 1956	Ten Years Ended Dec. 31, 1956
Retained earnings invested in the business:		
Net income	$ 15,187,364	$101,079,858
Less — Dividends on Common and Preferred Stocks	5,040,107	36,361,200
Total retained earnings invested in the business	$ 10,147,257	$ 64,718,658
Deduct:		
Fixed asset changes:		
Cost of additions	$ 5,862,010	$ 48,934,918
Provisions for depreciation and amortization	*4,050,424*	*27,924,574*
Other changes	*484,973*	*6,048,178*
Net Changes	$ 1,326,613	$ 14,962,166
Retirement of long-term debt and capital stock issues (net)	4,380,646	6,592,315
Miscellaneous (net)	27,462	2,425,772
	$ 5,734,721	$ 23,980,253
Increase in working capital (see below)	$ 4,412,536	$ 40,738,405

Increase—*Decrease* in Working Capital

	Increase-*Decrease*	
	Year 1956	Ten Years Ended Dec. 31, 1956
CURRENT ASSETS:		
Cash	$ 2,452,233	$ 5,883,529
Notes and accounts receivable (net)	*166,538*	35,029,170
Inventories (net)	11,641,500	25,892,466
Total Current Assets	$ 13,927,195	$ 66,805,165
CURRENT LIABILITIES:		
Accounts payable	$ 872,816	$ 8,787,756
Accrued taxes, wages, pensions, interest, etc.	67,048	3,085,992
Accrual for taxes on income, less U. S. Government securities	8,574,795	14,193,012
Total Current Liabilities	$ 9,514,659	$ 26,066,760
Working Capital Increase	$ 4,412,536	$ 40,738,405

MERCK & CO., INC.
DR.—$143,664—"*Other Paid-in Capital*: Premium on redemption of $4.25 series, second preferred stock."

MIDWEST RUBBER RECLAIMING COMPANY
CR.—$103,920—"Common Stockholders: Difference between aggregate par value ($540,000) and cost ($436,-080) of 10,800 shares of preferred stock retired through sinking fund."

MOORE DROP FORGING COMPANY
CR.—$5,654—"Capital Surplus: Par value in excess of cost of preferred stock retired under sinking fund provision."

MUNSINGWEAR, INC.
CR.—$1,618—"Capital in Excess of Par Value: Excess of par value over cost of 5¼% cumulative preferred stock purchased for retirement."

THE MURRAY CORPORATION OF AMERICA
DR.—$4,815—"*Capital Paid-In By Shareholders in Excess of Par Value of Capital Stock*: Premium paid on 3,210 shares of preferred stock called for redemption."

CHAS. PFIZER & CO., INC.
CR.—$104,168—"Paid-in Surplus: (Note 7)."

Note 7: Paid-in Surplus— . . . Excess of par value over the cost of 16,453 shares of 3½% Preferred and 8,614 shares of 4% Second Preferred Stock reacquired.

PIPER AIRCRAFT CORPORATION
DR.—$12,257—"*Conversion to Another Class of Stock*: Excess of cost over the par value of Convertible Preferred Stock purchased and retired (1956—1,750 shares; 1955—50,068 shares)."

REYNOLDS METALS COMPANY
CR.—$57,067—"Capital Surplus: (Note K)."

Note K: Capital Surplus—Capital surplus increased in 1956 by $57,067, the excess of par value over cost of 16,000 shares of Preferred Stock purchased for retirement.

RHEEM MANUFACTURING COMPANY
CR.—$21,142—"Capital in excess of Par value of shares outstanding: Excess of par value over cost of 2,157 shares of cumulative preferred stock purchased and retired."

JACOB RUPPERT
DR.—$21,928—"*Capital surplus*: (from redemption of preferred stock)."

Note 3: The Company is required to redeem or retire 1,050 shares of the outstanding $100 par value 4½% cumulative preferred stock on or before July 1 of each year. At December 31, 1956 the Company had acquired and retired 1,090 shares in anticipation of future requirements.

SCOVILL MANUFACTURING COMPANY
CR.—$22,529—"Additional Capital: Excess of par value over cost of 1,760 shares of 3.65% Cumulative Preferred Stock purchased and retired."

Message to Stockholders: The Sinking Fund requirement of $200,000 due in April, 1956 for the 3.65% Cumulative Preferred Stock was satisfied by a credit for stock purchased on the open market and retired. Sufficient shares have also been purchased and retired to satisfy the requirement due in April, 1957. Up to December 31, 1956 the Company had purchased and retired 22,415 shares leaving $7,758,500 par value outstanding of the original issue of $10,000,000.

SIGNODE STEEL STRAPPING COMPANY
DR.—$852—"*Capital Surplus.*"

Notes to Financial Statements: . . . The net increase in capital surplus in 1956 of $1,057,703 resulted from $1,058,555 excess of market over par value of 37,471 shares of common stock distributed as a 3% stock dividend, less $852 excess of cost over par value of 1,063 shares of preferred stock retired.

TREASURY STOCK TRANSACTIONS

Retained Earnings

AMERICAN WINDOW GLASS COMPANY
DR.—$1,994—"*Earnings retained for use in the business*: Excess of cost over proceeds from sale of 825 shares of common stock held in treasury."

BROWN & SHARPE MANUFACTURING COMPANY
DR.—$288,254—"*Earnings Employed in the Business*: Excess of cost of shares in treasury over capital value."

CARNATION COMPANY
CR.—$90,090—"Accumulated earnings retained in the business: Discount (Premium) on Preferred Stock Purchased for Treasury."

Retained Earnings and Capital Surplus

THE DAYTON RUBBER COMPANY
CR.—$9,012.50—"Earned Surplus: Proceeds from sale of 200 Class 'A' and 337 common shares of treasury stock."
CR.—$7,203.28—"Paid-In Surplus: Proceeds from sale of 200 Class 'A' and 337 common shares of treasury stock (cost of $9,012.50 previously charged to earned surplus)."

Capital Surplus

ARMCO STEEL CORPORATION
CR.—$548—"Capital Contributed in Excess of Par Value of Common Stock: Treasury stock transactions, etc."

THE BUDD COMPANY
CR.—$18,667—"Capital Surplus: Discount on preferred shares purchased."

CLARK EQUIPMENT COMPANY
CR.—$539,648—"Capital in excess of par value of shares: (In 1956, increased by $539,648 excess of proceeds over cost of treasury shares sold to officers and key employees . . .)."

THE EASTERN MALLEABLE IRON COMPANY
CR.—$289.70—"Capital Surplus: Increase—gain from sale of treasury stock."

FEDERATED DEPARTMENT STORES, INC.
DR.—$1,032,796—"*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.—$5,414,523—"Investment in excess of par value of common stock: (Note 8)."

Note 8: Investment in excess of par value of common stock represented profits realized on the disposition of Treasury stock and the premiums received on original sales of common stock.

THE MAY DEPARTMENT STORES COMPANY
CR.—$185,000—"Additional Paid-In Capital: Excess of quoted market price over par value of treasury common stock contributed to the May Stores Foundation, Inc."

PENN-TEXAS CORP.
DR.—$52,385—"*Capital Surplus*: Net loss on sale of treasury stock."

RADIO CORPORATION OF AMERICA
CR.—$921—"*Capital Surplus*: Excess of award value over cost of treasury stock distributed under RCA Incentive Plan."

REXALL DRUG COMPANY
CR.—$7,038—"*Other paid-in capital*: (Increase in 1956 on sale of treasury stock)."

FINANCING EXPENSES

Retained Earnings

NATIONAL GYPSUM COMPANY
DR.—$601,147—"*Earned Surplus*: Underwriting commissions and expense in connection with sale of common stock."

PENN-TEXAS CORP.
DR.—$110,373—"*Capital Surplus*: Documentary, transfer and Pennsylvania excise taxes on stock dividends, increased authorization of capital and sale of treasury stock."

REYNOLDS METALS COMPANY
DR.—$1,586,860—"*Earned Surplus*: Commissions and expenses in connection with issuance of Cumulative Preferred Stock, 4¾% Series A."

SAFEWAY STORES, INCORPORATED
DR.—$407,893—"*Additional Paid-In Capital*: Pro-rata share of original issue expense."

UNION OIL COMPANY OF CALIFORNIA
DR.—$269,372—"*Credits in Excess of Par Value of Shares Issued*: Unamortized issuance expense for debentures converted."

UNITED AIRCRAFT CORPORATION
DR.—$918,136—"*Earnings employed in the business (Earned Surplus)*: Expenses in connection with issuance of Preference Stock, 4% Series of 1956."

Capital Surplus

ANDERSON-PRICHARD OIL CORPORATION
DR.—$297,576—"*Paid-in Capital*: (Note 11)."

Note 11: Paid-in Capital Changes— . . . Expenses of preferred stock issue and common stock split less deferred charges of $40,538 . . .

CAPITAL STOCK ISSUED IN ACQUISITIONS OF SUBSIDIARIES OR BUSINESS PROPERTIES

Retained Earnings and Capital Surplus

GULF OIL CORPORATION
CR.—$47,862,328—"*Earnings Retained in the Business*: Exchange of 1,531,298 shares for outstanding capital stock of Warren Petroleum Corporation, and related adjustments."

THE PITTSTON COMPANY
DR.—$21,766,979—"*Capital Surplus*: Par value of 346,634 shares of $3.50 Cumulative Preferred Stock issuable to former minority stockholders of Clinchfield Coal Corporation."
DR.—$4,230,571—"*Earned Surplus*: Excess of par value of 346,634 shares of $3.50 cumulative preferred stock issuance to former minority stockholders of Clinchfield Coal Corporation over amount charged to capital surplus."
CR.—$3,871,231—"*Earned Surplus*: Interest of former minority stockholders in earned surplus of Clinchfield Coal Corporation."

Capital Surplus

ACF INDUSTRIES, INCORPORATED
CR.—$960,338—"*Capital Surplus*: Additional capital surplus resulting from issuance of common stock at amounts in excess of par: Upon acquisition of net assets of other companies."

ALLEGHENY LUDLUM STEEL CORPORATION
CR.—$327,845—"*Capital Surplus*: (Note 6)."

Note 6: . . . Excess of the net assets acquired over the par value of 8,120 shares of common stock issued therefor . . .

ALLIED CHEMICAL & DYE CORPORATION
CR.—$3,939,975—"*Capital Surplus*: Excess of value of assets received over stated or par value of common stock issued therefor."

Notes to Financial Statements: Property—Gross additions to the Property account in 1956 were $79,517,340, including $2,774,528 representing value of the fixed assets of Newark Plaster Company acquired for Allied Chemical common stock. In connection with the acquisition $1,000,000 representing accumulated depreciation was added to the Company's depreciation reserve. The increase in Other Assets on the balance sheet represents Goodwill acquired in this transaction. Property retirements during 1956 totaled $7,306,492.

AMERICAN CAN COMPANY
CR.—$5,365,375—"*Capital paid in for common stock in excess of par value*: (Note 4)."

Note 4: The increase during 1956 in capital paid in for common stock in excess of par value resulted from the following:

Excess of market value over par value of 191,000 shares of common stock issued for businesses purchased	$5,365,375
Excess of option price over par value of 32,374 shares of common stock issued for options exercised under the Incentive Stock Option Plan	775,034
	$6,140,409

There were no changes in paid-in capital during 1955.

AMERICAN MACHINE & FOUNDRY COMPANY
CR.—$897,033—"*Capital Surplus*: Excess of market value over par value of common stock issued for stock of subsidiaries."

ARDEN FARMS CO.
CR.—$396,949.65—"*Capital Surplus*: Excess of market value of stock issued in acquisitions over (1) par value of common stock issued, and (2) stated value of preferred stock issued."

To the Stockholders: The Company acquired all of the capital stock of The Milky Way Dairy, Inc. of Pullman, Washington. A distribution plant was acquired in Lewiston, Idaho. The Company acquired certain assets and related business of a company known as "Cecil's Foods" in Bellingham, Washington, which sold and distributed frozen foods in that territory.

ATLAS POWDER COMPANY
CR.—$785,000—"*Additional paid-in capital.*"

Notes to Financial Statements: During 1956 additional paid-in capital was increased as follows: Excess of . . . Assigned value over par value of 20,000 shares of common stock issued in exchange for all the oustanding capital stock of Aquaness Corporation.

BEATRICE FOODS CO.

CR.—$921,830—"Capital Surplus: Excess of fair value over par value of 28,364 shares of common stock issued in connection with acquisition of capital stock and net assets of other companies."

THE BORDEN COMPANY

CR.—$331,903—"Capital Surplus: (Note 4)."

Note 4: Capital Surplus—Capital surplus increased during 1956 by $814,015 representing: the excess of consideration received over the par value of capital stock issued from the treasury for the acquisition of new businesses less the excess of cost over par value of capital stock acquired, $331,903; the excess of the option price over the par value of the shares issued pursuant to options exercised, $337,286; and proceeds from disposals of properties previously written off against capital surplus, $144,826.

BORG-WARNER CORPORATION

CR.—$607,644—"Capital in excess of par value: Excess of net assets of company acquired over cost of common treasury stock of corporation exchanged therefor."

CATERPILLAR TRACTOR CO.

CR.—$817,849—"Capital in Excess of Par Value: Excess of net assets of Englehart Manufacturing Company over par value of common stock issued."

CITY PRODUCTS CORPORATION

CR.—$123,871—"Capital Surplus: Excess of market value over cost of treasury shares exchanged for balance of minority interests of certain subsidiaries."

THE GENERAL TIRE & RUBBER COMPANY

CR.—$99,363—"Capital Surplus: Excess of value of assets acquired by a subsidiary over par value of stock given therefor, etc."

HOOKER ELECTROCHEMICAL COMPANY

DR.—$1,250,000—*"Capital Surplus*: Excess of par value of 450,000 shares of common stock of consolidated corporation over the par value of the shares of capital stock of Oldbury Electro-Chemical Company exchanged therefor."

HUDSON PULP & PAPER CORP.

CR.—$2,937,500—"Capital Surplus: Excess of fair market price over par value of 117,500 shares of Common Stock, Class A, issued to Hammond Bag & Paper Company in exchange for substantially all of its assets."

KELSEY-HAYES WHEEL COMPANY

CR.—$4,882,500—"Additional Paid-in Capital: Excess of market value over par value of 157,500 shares of Common Stock issued in connection with the acquisition of the business of The Steel Products Engineering Company."

LINK-BELT COMPANY

CR.—$1,108,696—"Additional Paid-in Capital: Excess of amount recorded for shares of stock exchanged for stock of subsidiaries over par value thereof (20,020 shares for Detroit Power Screwdriver Co. and 211 shares for additional Syntron Company stock)."

Review of Operations: The consolidated figures include the newly acquired Detroit Power Screwdriver Company for the two-month period from November 1, 1956 to December 31, 1956. The acquisition was consummated in November by the issuance of 20,020 shares of Link-Belt Company common stock par value $5 per share in exchange for all of the 8,008 shares of the outstanding capital stock of Detroit Power Screwdriver Company on the basis of 2.5 shares for 1. The investment in Detroit Power Screwdriver Company, taking into consideration the market value of the Link-Belt shares on the date the exchange ratio was determined, over the book value on November 1, 1956 was $290,857. This amount has been written off in reduction of earnings for the year.

P. R. MALLORY & CO., INC.

CR.—$1,462,640—"Additional Paid-In Capital: Excess of assigned value over par value in respect of 45,233 shares of common stock issued in connection with the acquisition of the net assets of General Dry Batteries, Inc., less 20 shares reacquired and held in treasury (Note 2)."

Note 2: General Dry Batteries, Inc.—On April 26, 1956, the Company acquired substantially all the assets and assumed the liabilities of General Dry Batteries, Inc., in exchange for 45,233 shares of common stock and 90,465 shares of the new class of preference stock (note 6). The consolidated statement of income does not include the operations of General Dry Batteries, Inc. for the period prior to acquisition. For the entire year 1956, combined sales of Mallory and General (including General's wholly-owned Canadian subsidiary which is now a subsidiary of Mallory) amounted to $73,149,129.

The assigned value of Mallory's shares issued in acquisition of General's net assets exceeded the book value of such underlying net assets by $290,894; the Board of Directors has authorized the amortization of such amount over a 36-month period from date of acquisition and accordingly $64,643 was charged to income in 1956. The unamortized balance $226,251, is carried as goodwill in the balance sheet, together with the unamortized balance, $48,928, relating to the acquisition in 1955 of the remaining 20% interest in Electronic-Timers Corporation.

NATIONAL CYLINDER GAS COMPANY

CR.—$760,000—"Investment in excess of par value of common stock."

Note 5: Investment in Excess of Par Value of Common Stock—The increase ($760,000) in this account represents the excess of market value over par value of 40,000 shares of the company's common stock issued in exchange for capital stock of a company acquired.

To Our Shareholders and Employees: The number of shares of common stock outstanding was increased from 2,314,543 to 2,354,543 by issuance of 40,000 shares for the acquisition of The Denver Oxygen Company. This acquisition was discussed in the annual report for 1955.

THE OHIO MATCH COMPANY

CR.—$6,528,190—"Capital Surplus: (Note 6)."

Note 6: Capital Surplus—The increase in capital surplus during the eleven months ended November 30, 1956, $6,528,190, consists of the Company's equity in the capital surplus of Hunt Foods, Inc. and its subsidiary companies, $8,817,825, less $2,289,635 representing the excess of the par value of the capital stock of the Company issued in exchange for the capital stock of Hunt Foods, Inc. over the par value of the capital stock so acquired.

OUTBOARD MARINE CORPORATION

CR.—$2,166,666—"Capital in Excess of Par Value of Capital Stock: Excess of market value over par value of 40,000 shares of capital stock issued in connection with acquisition of Industrial Engineering Limited."

PENN-TEXAS CORP.

CR.—$2,202,161—"Capital Surplus: Excess of the approximate value of common stock issued in exchange for the net assets of the Hallicrafters Co. and Lowell Insulated Wire Corporation over the par value of such common stock, $2,117,363 and $84,798 respectively."

PITTSBURGH SCREW AND BOLT CORPORATION

CR.—$791—"Other Capital Contributed Upon Issuance of Shares: Issuance of 109,000 shares of capital stock for purchase of assets."

PUROLATOR PRODUCTS, INC.

CR.—$2,310,000—"Capital Surplus: Excess of approximate market value over par value of common stock issued: In connection with acquisition of Industrial Wire Cloth Products Corporation (Note 2)."

CR.—$735,426.35—"Capital Surplus: Excess of net worth of Industrial Wire Cloth Products Corporation over cost of investment therein (Note 2)."

Note 2: On January 31, 1956, pursuant to the terms of a Reorganization Agreement and Plan, the company issued 70,000 shares of its common capital stock having a market value of approximately $2,380,000 to the stockholders of Industrial Wire Cloth Products Corporation (a Michigan corporation), and all the assets, properties and business (except certain retained cash) of that company having a book value of $3,115,426.35 were transferred to a Delaware corporation of the same name, a newly organized and wholly-owned subsidiary of Purolator Products, Inc. The statement of consolidated net earnings for the year ended December 31, 1956 includes net sales amounting to $5,764,518.54 and a net loss of $520,877.80 applicable to the operations of Industrial Wire Cloth Products Corporation and subsidiaries for the eleven months ended December 31, 1956. The net assets of Industrial Wire Cloth Products Corporation and subsidiaries were $2,594,548.55 at December 31, 1956, including net current assets of $750,445.80.

STANDARD OIL COMPANY (INDIANA)
CR.—$6,411,780—"Capital in excess of par value: Capital stock issued: 191,238 shares acquired by the minority interest in Utah Oil Refining Company."

STANDARD OIL COMPANY (NEW JERSEY)
CR.—$30,193,656—"Capital Amount in Excess of Par Value: Stock issued."

Financial Review: Capital Stock—At a special meeting held on January 30, 1956, the shareholders approved a three-for-one split of the company's outstanding shares and an increase in authorized shares to 250,000,000 of $7 par value. These changes became effective February 10, 1956, at which time the 65,435,474 outstanding shares of $15 par value became 196,306,422 shares of $7 par value. In recording the stock split, $392,612,844 was added to the parent's capital stock account, equal to $2 for each of the resulting $7 par value shares, by transfer of $364,828,659 from capital surplus and $27,784,185 from earnings reinvested and employed in the business.

There were 196,939,278 shares issued at December 31, 1956. This total included 632,856 shares issued during the year for additional stock of Humble Oil & Refining Company and certain Midwest marketing properties referred to under Corporate Changes.

Corporate Changes—During 1956 the company acquired through exchange for 265,000 shares of its own capital stock a 100 per cent interest in three oil companies—Pate Oil Company, which markets in Milwaukee and vicinity, Perfect Power Corporation, and Oklahoma Oil Company, the latter two operating in the Chicago area. Jersey purchased for cash 39,035 additional shares of Creole Petroleum Corporation. It also acquired 193,028 shares of Humble Oil & Refining Company, of which 9,100 shares were purchased for cash and 183,928 shares were acquired through exchange of 367,856 shares of its own capital stock. These transactions slightly increased Jersey's ownership percentage in the two affiliates.

TEXTRON, INC.
CR.—$10,271,044—"Paid-in Surplus: Excess of value of assets acquired over par value of common stock issued in exchange therefor."
CR.—$61,818—"Paid-in Surplus: Excess of value of assets acquired over cost of 4% preferred stock—Series B exchanged therefor."

Note A: General— . . . During the year the Company acquired the net assets of Campbell, Wyant and Cannon Foundry Company, Hall-Mack Company, Myrtle Point Veneer Company, The Federal Leather Company and Bandon Veneer and Plywood Association. The Company also acquired all the outstanding capital stock of Benada Aluminum Products Company, General Cement Mfg. Company, Carolina Bagging Company and Peat Manufacturing Corp. In acquiring these businesses the Company has paid or is committed to pay $35,824,822 cash and has issued 300,000 shares of its common stock and 6,355 shares of its 4% preferred stock—Series B. In addition, the Company has agreed to make further payments contingent upon the future earnings of the Benada Aluminum Products Co. and General Cement Manufacturing Company Divisions. All businesses acquired during the year are being operated as divisions of the Company or have been integrated with existing divisions and the results of their operations have been included from date of acquisition.

WALWORTH COMPANY
CR.—$3,820,657—"Balance of Paid-in Capital: Excess of proceeds of issuance of Walworth Company common stock over par value of such common stock carried to capital stock account: Shares issued for property, at value determined by the Board of Directors; in 1956—262,037 shares, in 1955—483,039 shares."

WORTHINGTON CORPORATION
CR.—$618,896—"Additional Paid-in Capital."

Supplementary Financial Information: Additional Paid-In Capital increased during the year:

Capital arising from conversion of preferred stock	$148,382
Amount paid in excess of par value of common stock issued to officers and key employees under stock option plan (1956—2,910 shares; 1955—13,220 shares)	79,593
Amount in excess of stated value of 13,154 shares of common stock issued for certain assets of Royal Jet Incorporated	618,896
	$846,871

EXCESS OF NET ASSETS ACQUIRED OVER COST OF INVESTMENT IN SUBSIDIARY

Retained Earnings and Capital Surplus

ANDERSON, CLAYTON & CO.
CR.—$14,449.50—"Capital Surplus: (Note 10)."
CR.—$5,249.60—"Earned Surplus, Unappropriated: Excess of equity over cost applicable to change in ownership of securities of consolidated subsidiaries."

Note 10: The consolidated capital surplus was increased during the year by $14,449.50 as a result of the excess of equity over cost of stock acquired in subsidiaries.

Capital Surplus

BARKER BROS. CORPORATION
CR.—$224,342—"Capital Surplus."

Note A: Acquisition of Suniland Furniture Company—All of the capital stock of Suniland Furniture Company, which operates a furniture and home furnishings business in Houston, Texas, was acquired on May 2, 1956 for cash and $1,000,040 of 5% promissory notes, due in five equal annual instalments beginning May 1, 1957. The purchase was deemed to have been consummated January 1, 1956 inasmuch as the purchase price was based on a formula relating to Suniland's balance sheet as of that date. The excess ($224,342) of the net assets of Suniland at date of acquisition over the investment in its capital stock has been added to consolidated capital surplus. Earnings of the subsidiary for the year 1956 have been included in the consolidated statement of earnings.

The consolidated accounts for 1956 and 1955 include the other wholly owned subsidiary, Sunland Investment Co.

BURLINGTON INDUSTRIES, INC.
CR.—$736,316—"Capital in excess of par value: Excess of value of net assets of subsidiary companies as of dates of acquisition over cost of investments therein."

CORN PRODUCTS REFINING COMPANY
CR.—$540,624—"Capital Surplus: (Note 8)."

Note 8: Capital Surplus— . . . (2) the excess of net assets over cost of acquisition in 1955 of minority interests in subsidiaries, applied against goodwill in 1955, amounting to $540,624.

THE DRACKETT COMPANY
CR.—$28,447.20—"Capital Surplus."

Notes to Financial Statements: The increase of $28,447.20 in capital surplus during the year is due to the discount on the purchase and retirement of 18,000 shares of preferred stock—6% cumulative—Series B and the excess of recorded value of net assets of subsidiary company at date of acquisition over cost thereof.

JOHNSON & JOHNSON
CR.—$630,304—"Earnings capitalized and other additions to capital: (Note 6)."

Note 6: The increase in 1956 resulted from . . . and excess as at acquisition date of book value over purchase price of capital stock of companies acquired, $630,304.

P. R. MALLORY & CO., INC.

CR.—$27,429—"Additional Paid-In Capital: Excess of book value of the underlying net assets over cost in respect of the acquisition of remaining 50% of the common stock of P. R. Mallory (Huntville) Inc. (Note 3)."

Note 3: In January 1956 the company acquired the remaining 50% of the common stock of P. R. Mallory (Huntville) Inc. for $49,000 cash and 1,500 shares of the company's common stock. The book value of the underlying net assets exceeded the amount of cash paid and the assigned value of the common stock issued therefor by $27,429, which amount has been added to consolidated additional paid-in capital.

H. K. PORTER COMPANY, INC.

CR.—$14,899.83—"Capital Surplus: Excess of book value of subsidiaries acquired over costs of investments to company."

J. P. STEVENS & CO., INC.

CR.—$6,981,450—"Capital Surplus: Excess of adjusted underlying book equities of subsidiary companies acquired over cost of investments—Note A."

Note A: . . . The underlying book equity applicable to the Company's investments in Rosemary Manufacturing Company and Roanoke Mills Company, including merged companies, exceeded by $6,981,450, as at date of acquisition, the cost of the investment in these companies and this amount has been added to Consolidated Capital Surplus . . . .

ST. REGIS PAPER COMPANY

CR.—$98,939—"Capital Surplus: Excess of book value of subsidiary's stock acquired over cost of parent company's investment therein."

TIME INCORPORATED

CR.—$89,247—"Capital Surplus: Excess of parent company's equity over cost of its investment in East Texas Pulp and Paper Company at date of acquisition."

UNITED INDUSTRIAL CORPORATION

CR.—$304,667—"Capital Surplus: Excess of capital stock and surplus of Detroit Stoker Company at date of acquisition over cost of the Corporation's investment in the capital stock of that company."

UNITED MERCHANTS AND MANUFACTURERS INC.

CR.—$226,602—"Capital Surplus: Excess of underlying book equity over cost of investment in subsidiary company at date of acquisition."

UNITED STATES RUBBER COMPANY

CR.—$1,062,559—"Capital Surplus: Excess of equity in net assets over cost of investment in The North British Rubber Co., Ltd., consolidated as of October 1, 1956."

WESSON OIL & SNOWDRIFT CO., INC.

CR.—$15,527—"Capital Surplus: Add—Excess of recorded net worth of subsidiary acquired over cost of investment."

GOODWILL—INTANGIBLE ASSETS

Retained Earnings

CHICAGO RAILWAY EQUIPMENT COMPANY

DR.—$369,757—*"Earnings employed in the business*: Write-off of goodwill."

Report to Stockholders: . . . The remaining goodwill in the amount of $369,757 was written off during the year.

McCALL CORPORATION

DR.—$8,662,228—*"Earnings retained in business*: Write-down of intangible assets (Note 2)."

Note 2: Write-down of Intangible Assets—The Board of Directors in 1956 authorized the write-down to $1 of intangible assets formerly carried in deferred charges and in subscription lists, advertising and pattern contracts, patents on printed pattern, processes, trademarks and goodwill. Although during 1956 the publication of the Bluebook and Better Living magazines was discontinued, the write-down did not represent a valuation of the remaining intangibles, which are considered by the Board of Directors to be worth substantially their book values, but rather a decision to carry these in the balance sheet in the future at the nominal value of $1. The write-down resulted in a charge to income of $809,381, the amount equivalent to the reduction in Federal income taxes through carry-over of operating losses of Mass Market Publications, Inc. which previously published the Better Living magazine, and a charge to earnings retained in business of $8,662,228.

PITTSBURGH BREWING COMPANY

DR.—$100,000—*"Earned Surplus*: Amortization of trade names and goodwill."

POLAROID CORPORATION

DR.—$293,980—*"Accumulated retained earnings*: Write-off of unamortized patent costs (Note B)."

Note B: Adopting currently preferred accounting practice, the unamortized balance of patent and trademark costs of $293,980 on December 31, 1956 was written down to $1, as at that date, and charged to accumulated retained earnings without affecting net earnings for 1956.

Capital Surplus

THE HALOID COMPANY

CR.—$2,257,500—"Paid-in Surplus: Excess of market value over par value of common stock issued to The Battelle Development Corporation in payment for patents and patent licenses: Issued: 35,000 shares @ $69.50 per share, $2,432,500—Less: 35,000 shares @ $5.00 par value per share, $175,000—Net, $2,257,500."

Note 11: Under an agreement executed December 28, 1955, 55,000 shares of unissued capital stock have been reserved for issuance to The Battelle Development Corporation in payment for patents and other rights in xerography. This includes an estimated 35,000 shares (number not presently determinable) expected to be issued over the period 1959 to 1965 inclusive. Reference is made to Note 12.

Note 12: An agreement effective January 1, 1956 between The Haloid Company and The Battelle Development Corporation, among other provisions, provides in substance as follows:

(1) Battelle agreed to sell the basic Carlson xerography patents owned by Battelle, and in consideration therefor, Haloid agreed to issue to Battelle 50,000 shares of Haloid common stock as follows:

20,000 shares on or about January 2, 1956. (These shares were issued as of January 3, 1956.)
10,000 shares after December 15 but before December 31, 1956. (These shares were issued as of December 19, 1956.)
10,000 shares after December 15 but before December 31, 1957.
10,000 shares after December 15 but before December 31, 1958.

In the event of a change in capitalization of The Haloid Company, the stock to be issued thereafter as provided for therein shall be modified to represent the same equivalent in terms of the modified capital structure.

The fair market value of the 50,000 shares to be issued pursuant to the above-named provision was fixed at $69.50 per share.

The excess of market value of $69.50 per share over par value of $5.00 per share on the 30,000 shares issued in 1956 aggregated $1,935,000.00 and was credited to Paid-In Surplus.

The stock to be issued in 1957 and 1958, namely 20,000 shares, is set forth in the accompanying Balance Sheet under the caption "Patent Purchase Liability Payable in Common Stock" at $69.50 per share aggregating $1,390,000.00.

The total consideration (50,000 shares at $69.50 per share) aggregating $3,475,000.00 was charged to cost of patents.

(2) Battelle agreed that the present exclusive license which Haloid has covering xerography improvement patents owned by

Battelle shall be considered fully paid up for the three year period January 1, 1956 through December 31, 1958, and in consideration therefor Haloid agreed to issue to Battelle 5,000 shares of Haloid common stock on or about January 2, 1956. These shares were issued as of January 3, 1956.

The fair market value of the 5,000 shares issued pursuant to the above-named provision was fixed at $69.50 per share.

The excess of market value of $69.50 per share over par value of $5.00 per share on the 5,000 shares issued aggregated $322,500.00 and was credited to Paid-In Surplus.

The total consideration (5,000 shares at $69.50 per share) aggregating $347,500.00 was charged to cost of patent licenses.

(3) Battelle and its affiliates agreed to sell to Haloid on or about January 1, 1959 all of their right and interest in any patents and patent applications relating to xerography, together with any other information or know-how which they may have relating to xerography. In consideration therefor, with respect to each of the years 1959 through 1965, Haloid agreed to pay to Battelle certain royalties on domestic xerographic net sales and royalties. Haloid further agreed that 50% of such payments shall be in common stock of Haloid computed at $60.00 per share, except that in no year shall Haloid be obligated to issue more than 5,000 shares. In the event of change in capitalization of The Haloid Company, the stock to be issued thereafter as provided for therein shall be modified to represent the same equivalent in terms of the modified capital structure.

Battelle further agreed that it and its affiliates will convey to Haloid all of their full right, title and interest in and to any and all patents, patent applications, data, inventions, information, know-how, reports, records, or any other material which it or its affiliates may have at any time in the future relating to xerography and any and all license rights in xerography of every name and nature and will, upon Haloid's request, execute or have executed such instruments of transfer, assignment or conveyance as may be required to vest all of their full right, title and interest therein in Haloid throughout the world; provided, however, that Battelle's obligation as therein set forth shall continue only so long as Haloid maintains at Battelle Memorial Institute a research program in xerography in the sum of at least $25,000.00 per year, exclusive of government research. In the event Haloid shall cease to sponsor such a xerography research program at Battelle Memorial Institute, then Battelle shall be relieved of the obligations imposed by this paragraph three years from the date of discontinuance by Haloid of such research program at Battelle Memorial Institute.

ADJUSTMENTS ARISING IN CONSOLIDATION

Retained Earnings

BURROUGHS CORPORATION

DR.—$7,198,010—"*Income invested in the business*: Transfer by subsidiary company from income invested in the business to additional capital."

Note 1: Principles of Consolidation and Subsidiary Companies—All subsidiary companies are wholly-owned and are included in the financial statements. Net income for 1956 of subsidiary companies operating in foreign countries other than Canada was $6,611,513, and the dividends paid to the Company by these subsidiaries during 1956 were $3,621,271. All intercompany items and transactions have been eliminated from the financial statements. Inventories acquired from the U. S. and property accounts of the subsidiary companies operating outside the U. S. and Canada are included substantially at the U. S. dollar equivalent at the time of acquisition. Other net assets and the net income are converted into U. S. dollars at appropriate free rates of exchange prevailing at the year end.

In the 1955 financial statements the transactions which resulted in the Company receiving the net assets of The Todd Company, Inc., and all of the outstanding stock of the Charles R. Hadley Company were treated as purchases. In 1956, Todd became the sole stockholder of Hadley; Hadley's net assets were then transferred to Todd; and Hadley was dissolved. In view of this event and because of the further integration of the operations and management of Todd and Hadley with those of the Company, it became evident that the pooling of interests method of accounting was more appropriate in the case of the Todd and Hadley transactions; and the figures for 1955 given in the accompanying financial statements have been restated to conform with this basis. By order of Todd's Board of Directors in 1956, the amount by which income invested in the business was increased by the retroactive application of the pooling of interests method of accounting was capitalized; and, accordingly, the amount of $7,198,010 was transferred from income invested in the business to additional capital account.

The receipt in June, 1956, of the net assets of Electro-Data Corporation in exchange for 475,465 shares of the Company's common stock was also deemed to be a pooling of interests. The financial statements include the net assets and operations of Electro-Data for 1956 and 1955.

CARNATION COMPANY

DR.—$2,899,587—"*Accumulated earnings retained in the business*: Excess of investment in affiliated company over the net tangible assets at the date in 1956 when it became a wholly owned subsidiary including the elimination of intercompany profit in inventories. (No intangible assets were involved in the adjustment)."

CELANESE CORPORATION OF AMERICA

CR.—$545,003—"Earned Surplus: Earned surplus since acquisition applicable to stock (40% interest) in associated company which became a totally-held subsidiary in 1956."

GULF OIL CORPORATION

CR.—$8,092,776—"Earnings retained in the business: Excess of equity over cost of investment—subsidiaries acquired in 1956 and subsidiaries previously not consolidated."

Notes to Financial Statements: Principles of Consolidation—The amount of $8,092,776 credited direct to earnings retained in business represents Gulf's equity in the accumulated earnings of majority owned subsidiaries to January 1, 1956.

SPRAGUE ELECTRIC COMPANY

DR.—$40,531—"*Retained Earnings—Unappropriated*: Adjustments (in consolidation) in connection with acquisition of Dynacor, Inc."

UNIVERSAL LEAF TOBACCO CO., INC.

CR.—$139,982.54—"Earned Surplus: Increase due to inclusion in consolidated statements of the assets and liabilities of affiliated company previously not wholly owned (Note 1)."

Note 1: Charles T. W. Argue Co., Inc. (Investment therein previously carried as Investment in Affiliates) became a wholly owned subsidiary during the year under review, and its assets, liabilities and operations are now included in the consolidated financial statements.

THE YOUNGSTOWN SHEET AND TUBE COMPANY

CR.—$5,529,151—"Earned Surplus: Equity in undistributed earnings (net) from dates of acquisition to December 31, 1955 (less $2,858,388 for intercompany inventory profit, etc.) of subsidiary companies not previously consolidated (Note 1)."

Note 1: Companies Not Previously Included in Consolidation—The 1956 financial statements include the accounts of Emsco Manufacturing Company, a subsidiary which was liquidated as of October 31, 1956 and thereafter became a division of the Company and five other majority owned small subsidiaries, none of which previously had been included in the consolidation; the resulting increase in 1956 consolidated net income was not material in relation to the total for that year.

Retained Earnings and Capital Surplus

UNIVERSAL MATCH CORPORATION

DR.—$350,582—"*Retained Earnings (Earned Surplus)*: Transfer on merger of subsidiary (Note 1)."

CR.—$350,582—"Capital in Excess of Par Value (Capital Surplus): Transfer on merger of subsidiary (Note 1)."

Note 1: Principles of Consolidation—The consolidated financial statements (in which all significant intercompany items have been eliminated) include the accounts of all wholly-owned or majority-owned subsidiaries.

As of February 1, 1956, a new wholly-owned subsidiary purchased for cash all of the operating assets and the goodwill of National Vendors, Inc. The accompanying financial statements include the accounts of this subsidiary subsequent to that date. Goodwill, representing the excess ($1,383,109) of cost over fair value of net assets acquired, is being amortized over a period of 20 years from February 1, 1956. $63,393 was charged against income in the eleven months ended December 31, 1956.

On July 23, 1956, Ferguson Machine and Tool Company, Incorporated (a wholly-owned subsidiary) merged with Hicks Body and Chemical Products Company. Hicks was the surviving corporation of the merger and changed its name to Ferguson Machine Corporation of Indiana. In the merger Universal received all of the 7200 shares of the common stock issued by Ferguson Machine, and the shareholders of Hicks received cash and 1800 shares of voting preferred stock. The merger has been accounted for as a purchase. The earned surplus of Ferguson Machine and Tool Company, Incorporated ($350,582) as of the merger date has been capitalized as common stock and in consolidation transferred from earned to capital surplus.

Capital Surplus

ARDEN FARMS CO.

CR.—$605.35—"Capital Surplus: Capital surplus arising in consolidation."

BURROUGHS CORPORATION

CR.—$7,198,010—"Additional Capital: Note 1."

Note 1: . . . The amount by which income invested in the business was increased by the retroactive application of the pooling of interests method of accounting was capitalized; and accordingly the amount of $7,198,010 was transferred from income invested in the business to additional capital account.

SPERRY RAND CORPORATION

DR.—$5,443,028—*"Capital Surplus*: Transfer to common stock account of excess of par value of Sperry Rand Corporation over par value of common stock of predecessor companies upon consolidation."

CORPORATE MERGERS—BUSINESS COMBINATIONS

Retained Earnings

BEECH-NUT LIFE SAVERS, INC.

DR.—$9,937,840—*"Earned Surplus*: Amount transferred to capital stock account in connection with merger on August 1, 1956."

Note 1: Effective August 1, 1956 Life Savers Corporation was merged into Beech-Nut Packing Company and the name of the latter corporation was changed to Beech-Nut Life Savers, Inc. In accordance with the agreement of merger each outstanding share of Beech-Nut Packing Company common stock was exchanged for one and two-tenths shares of the $10 par value common stock of Beech-Nut Life Savers, Inc. and each outstanding share of Life Savers Corporation capital stock was exchanged for one share of the $10 par value common stock of Beech-Nut Life Savers, Inc. The accompanying consolidated statements of income and earned surplus include the operations of Life Savers Corporation and its subsidiaries for the seven months ended August 1, 1956.

KIMBERLY-CLARK CORPORATION

CR.—$31,904,683—"Earnings Retained in the Business: International Cellucotton Products Company and subsidiaries (including English company)—Note 1."

Note 1: Merger—On September 30, 1955 Kimberly-Clark Corporation issued 2,408,784 shares of its $5 par common stock to International Cellucotton Products Company, on a share-for-share basis, in exchange for the net assets of that company thereby effecting the merger of the two companies.

The summary of consolidated earnings for the year ended April 30, 1956 includes the operating results of International Cellucotton Products Company and its subsidiaries for the five months ended September 30, 1955.

For comparative purposes the consolidated balance sheet of International Cellucotton Products Company and its subsidiaries as of April 30, 1955 and the summary of their consolidated earnings for the year then ended have been combined with the respective financial statements of Kimberly-Clark Corporation and its subsidiaries at that date and for that year. Appropriate eliminations have been made of intercompany accounts and transactions except that no adjustments have been made for any intercompany profit remaining in the beginning or ending inventories of International Cellucotton Products Company and its subsidiaries for the year 1955.

Intercompany profit of approximately $1,000,000, included in the inventories of International Cellucotton Products Company and its subsidiaries at the date of merger, has been written off by charges to income during the seven months ended April 30, 1956.

Kimberly-Clark Limited became 66 2/3% owned as a result of the merger. The accounts of this English subsidiary, not previously consolidated in 1955, have been included in the consolidated statements for 1956 and the combined statements for 1955. The accounts of all subsidiaries, 66 2/3% or more owned, are included in the consolidated statements.

UNION BAG-CAMP PAPER CORPORATION

DR.—$1,849,960—*"Earnings retained and in use in the business*: Excess of par value of capital stock issued in connection with merger over aggregate of par value of capital stock and paid-in capital of Union and Camp at date of merger, plus merger expenses."

Note 1: In connection with the merger in 1956 of Union Bag & Paper Corporation and Camp Manufacturing Company, Incorporated, the stockholders of Union received 5,313,619 shares of $6 2/3 par value capital stock of Union Bag-Camp Paper Corporation on the basis of a share-for-share exchange, and the stockholders of Camp received 1,821,059 shares of such stock on the basis of 1.75 shares for each share of Camp stock held. The excess of the total par value of the shares issued over the total par value of the shares of Union and Camp previously outstanding was charged to capital surplus to the extent thereof ($5,275,870 as to Union and $80,500 as to Camp) and the remainder to earnings retained and in use in the business. As the merger of the two companies was a pooling of interests, the accompanying statements of income and earnings retained and in use in the business include the results of operations of both companies for the entire year 1956, and, for comparative purposes, their income statements for the year 1955 have been combined.

Retained Earnings and Capital Surplus

BORG-WARNER CORPORATION

DR.—$585,735—*"Capital in Excess of Par Value*: Excess of par value or cost of common stock of Corporation over par value of capital stock of merged companies exchanged therefor (net)."

DR.—$2,894,072—*"Retained earnings*: Cash payment made in connection with the exchange of common stock of corporation for assets and liabilities of merged company."

DR.—$123,694—*"Retained earnings*: Premium on preferred stock of merged company redeemed prior to merger."

CR.—$4,438,977—"Capital in excess of par value: Excess of par value of preferred stock of merged company over par value of common stock of merged company into which preferred stock was converted prior to merger."

OWENS-ILLINOIS GLASS COMPANY

DR.—$54,146,372—*"Paid-In Surplus*: Charges arising from merger (Note 1)."

DR.—$28,459,291—*"Earned Surplus*: Charges arising from merger (Note 1)."

Note 1: Merger—Effective October 4, 1956, National Container Corporation was merged into Owens-Illinois Glass Company. The capital shares of Owens-Illinois issued to shareholders of National, and the adjustments arising from the merger to the combined surplus accounts were as follows:

Par value of shares issued by Owens-Illinois to shareholders of National—		
Preferred, $100 par value 822,991 shares ..		$82,299,100
Common, $6.25 par value, 1,028,739 shares		6,429,619
		88,728,719
Cost of 7,725 shares of preferred and 28,865.8 shares of common stock of National held by Owens-Illinois on October 4, 1956, canceled in merger		1,147,307
Costs of merger		714,824
		90,590,850
Deduct:		
Par value of capital stock of National outstanding immediately prior to merger—		
Preferred, $25 par value, 164,706 shares ..	$4,117,650	

Common, $1.00 par value, 3,867,536.82 shares	3,867,537	
		7,985,187
Net charges arising from merger		82,605,663
Less: Amount charged to paid-in surplus		54,146,372
Charged to earned surplus		$28,459,291

The surplus accounts reported by National at December 31, 1955 entitled "Equity in surplus of subsidiary not consolidated" and "Surplus from revaluation of assets" were extinguished as follows:

	Revaluation Surplus	Equity in Surplus of Subsidiary
Balance at December 31, 1955	$272,285	1,535,770
Transferred to earned and paid-in surplus and to revaluation surplus in consolidation upon acquisition by National of 45% minority interest in Northeastern Container Corporation as at January 1, 1956	4,971	(1,535,770)
Write-off of unamortized balance of appreciation of fixed assets as at January 1, 1956	(277,256)	
Balance at December 31, 1956	$ —	—

Capital Surplus

CONTINENTAL CAN COMPANY, INC.
DR.—$958,000—*"Capital Surplus*: Less—Expenses in connection with mergers."

Note 1: During 1956, the Company acquired, on a merger basis, all the outstanding stock of White Cap Company and the net assets of Hazel-Atlas Glass Company and Robert Gair Company, Inc. The accompanying statements of income and earnings retained in the business include the results of the 1956 operations of the merged companies for the entire year, with comparative 1955 combined figures. The combined balance sheet as at December 31, 1955 has been compiled for comparative purposes as if the mergers had taken place at that date. Earnings per share are expressed in terms of the number of shares outstanding (as restated in 1955) at the respective year-ends.

INTERNATIONAL PAPER COMPANY
CR.—$2,753,860—"Capital Surplus: Credit from conversion of the capital stocks of the Long-Bell companies into 849,997 International Paper Company common shares, less expenses ($639,145) related to the merger."

Note 1: On November 5, 1956 The Long-Bell Lumber Corporation and The Long-Bell Lumber Company were merged into International Paper Company and the merger was reflected in the accounts of the Company in accordance with the pooling of interests principle of accounting.

The operating results of the Long-Bell properties for the years 1956 and 1955 are included in the above statement. The balance sheet at December 31, 1955 on pages 26 and 27 represents a combination of the balance sheets of the merged companies at that date, giving effect retroactively to the conversion of Long-Bell stocks involved in the merger. In combining the financial statements, certain changes in the figures of the Long-Bell companies were made to conform to the accounting policies of International Paper Company and subsidiaries. . . .

RHEEM MANUFACTURING COMPANY
DR.—$9,737—*"Capital in Excess of Par Value of Shares Outstanding*: Excess of cost over par value of shares redeemed in the merger."

CR.—$849,292—"Capital in Excess of Par Value of Shares Outstanding: Excess of par value of Richmond Common Stock over par value of Rheem common stock exchanged therefor in merger."

Note 1: Principles of Consolidation—Richmond Radiator Company was merged into Rheem on March 30, 1956, on the basis of an exchange of 282,851 shares of Rheem common stock for 1,131,404 shares of Richmond common stock. Since this merger was considered a pooling of business interests, the consolidated statement of earnings includes the operations of Richmond and its wholly-owned subsidiary for the entire year 1956. For comparative purposes the financial statements included herein for the year 1955 have been revised to show the combined financial position and results of operations of Rheem and Richmond and their domestic subsidiaries and to give effect retroactively to the Rheem shares issued in the merger.

The Company has acquired all of the outstanding stock of Standard Enameling Company, and the accounts of this subsidiary from October 1, 1956, are included in the consolidated financial statements. The Company's remaining obligation under this transaction will be settled by issuing Rheem common shares to the former stockholders of Standard in the years 1958 to 1962. As the number of shares required will depend on the market value of Rheem's common stock and other factors, this obligation is being carried as a separate item in the capital section of the balance sheet until the shares are issued.

Other subsidiaries of the Company operate in foreign countries. Their accounts are not included in the consolidated statements.

SUBSIDIARY OR AFFILIATE INCOME OR EARNINGS

Retained Earnings

BARBER OIL CORPORATION
CR.—$2,598,592—"Earned Surplus: Equity in prior years' undistributed earnings of a corporation which became 52 percent owned in January, 1956."

THE GENERAL TIRE & RUBBER COMPANY
CR.—$6,268,201—"Earned Surplus: Equity in undistributed earnings to November 30, 1955 of General Teleradio, Inc. (now RKO Teleradio Pictures, Inc.) and consolidated subsidiaries, not previously included in the consolidation. (See Note A)."

Note A: In July 1955, General Teleradio, Inc. purchased the entire capital stock of RKO Radio Pictures, Inc. and of five other corporations. On December 30, 1955, General Teleradio, Inc. was merged into RKO Radio Pictures, Inc. and the name of the surviving company changed to RKO Teleradio Pictures, Inc.

At November 30, 1955 the investment in General Teleradio was carried at cost ($3,938,267) which exceeded by $1,982,003 the underlying book amount of net assets at dates of acquisition. In 1956 the basis of accounting for the investment was changed so that it is now shown at cost adjusted to include General's equity in the RKO undistributed earnings ($7,905,036 at September 30, 1956), and the RKO 1956 net profit (to September 30) is included in consolidated income.

THE HOBART MANUFACTURING COMPANY
CR.—$2,634,287—"Earnings Retained in the Business: Companies restored to consolidation in 1956 (See Note 1)."

Note 1: The consolidated financial statements include the accounts of all subsidiary companies. Companies in Continental Europe and Brazil were restored to the consolidation in 1956; as a result of this change in practice, consolidated net income for the year was increased by $330,165. The consolidated financial statements include net assets and net income of subsidiaries outside the United States based upon applicable rates of exchange as follows: net assets, $7,640,069; net income, $1,123,142. Dividends of $432,655 were remitted by these companies to the Parent Company during the year.

Retained Earnings and Capital Surplus

ARDEN FARMS CO.
DR.—$169,794—*"Earned Surplus*: Reduction due to common stock dividend declared by subsidiary."

CR.—$169,794—"Capital Surplus: Arising through common stock dividend declared by subsidiary."

EMPLOYEE STOCK PLANS

Stock Options

Capital Surplus

ALLEGHENY LUDLUM STEEL CORPORATION
CR.—$976,141—"Capital Surplus: Note 6."

Note 6: . . . Excess of the option price over the par value of 50,691 shares of common stock issued under employees stock option plan.

ALLIED LABORATORIES, INC.

CR.—$71,690—"Capital Surplus: Credits arising from employees' stock option plan (Note 3)."

Note 3: Options granted to employees to purchase 25,200 shares of the company's unissued common stock became exercisable in 1956. The element of compensation in such options (measured by the excess of the market value at the date of granting over the option price) has been recognized by a charge against income in 1956 of $68,400 with a corresponding credit to capital surplus. An option for 150 shares was exercised during the year and the excess of the option price over the declared value of such shares, $3,290, was credited to capital surplus.

ALUMINUM COMPANY OF AMERICA

CR.—$3,260,766—"Additional Capital: Excess of amounts received over the aggregate par value of common stock issued under Employees' Stock Option Plan."

THE AMERICAN HARDWARE CORPORATION

CR.—$1,193—"Capital Surplus: Note 5."

Note 5: Consolidated capital surplus was increased during the year by $1,193 representing the excess of proceeds of sales of previously unissued common stock (under the stock option plan) over the par value thereof.

AMERICAN MACHINE & FOUNDRY COMPANY

CR.—$79,774—"Capital Surplus: Excess of proceeds over par value of common stock issued under stock option plan."

Notes to Financial Statements: At December 31, 1956, 128,380 shares of the Company's common stock (including shares held in treasury) were reserved under an approved stock option plan for officers, executives and key managerial employees, against which options were outstanding as follows:

Option Shares	Average Option Price*	Expiration Dates of Options
1,304	$19.79	January 3, 1959
2,080	27.64	April 30, 1959
1,379	26.66	May 15, 1960
5,304	28.22	June 23, 1960
1,060	21.97	November 2, 1960
780	23.53	January 3, 1961
75,660	27.64	April 30, 1961
4,160	31.06	October 1, 1961
500	35.51	December 28, 1961
92,227		

*95% of the market price of the shares on the dates the options were granted.

At December 31, 1955, 37,070 shares of the Company's common stock were reserved under the plan (including shares held in treasury) against which options for 22,076 shares were outstanding. At the annual meeting in April, 1956 the stockholders approved an increase of 100,000 shares in the number of shares of common stock available for stock option. During 1956 options for 80,500 shares were granted, options for 736 shares were cancelled, and the Company received $171,755 for 13,140 shares issued on exercise of options. Options were exercisable with respect to 4,778 shares at December 31, 1955 and 1,873 shares at December 31, 1956.

The foregoing shares and option prices reflect, to the extent applicable, the effect of the stock dividend paid during the year.

AMERICAN VISCOSE CORPORATION

CR.—$6,000—"Capital in Excess of Par Value."

Note 4: Stock Options—Pursuant to a plan approved by the shareholders in 1950, stock options for 100,000 common shares were granted prior to 1956 to officers, executives and key managerial employees. In accordance with the terms of the stock option agreement the number of shares covered by unexercised options was adjusted to 117,136 when the 25 per cent stock dividend was distributed in November 1955.

The options were granted at prices ranging from $28.60 to $48.40, representing the market price of the stock on the date of grant of the options.

At December 31, 1956 options to purchase 114,032 shares were outstanding, of which 70,460 shares were exercisable at that date. In 1956, options for 1,754 shares were exercised at $28.60 per share and options for 1,250 shares expired.

One-seventh of the shares under each option is exercisable on and after each anniversary date of the option and all options not exercised expire seven years after the date of the grant.

ARMCO STEEL CORPORATION

CR.—$1,952,323—"Capital contributed in excess of par value of common stock."

Notes to Financial Statements: . . . In January 1957, the Company offered to holders of its outstanding common stock the right to subscribe to 1,088,179 shares of common stock at the subscription price of $56 a share.

At December 31, 1956 and 1955, there were 261,230 shares and 297,826 shares, respectively, of common stock reserved under the Stock Option Plan (for key employees), and 387,501 shares and 596,603 shares, respectively, of common stock reserved under the Employee Stock Option Plan (other than key employees). Option prices and other information with respect to these plans are set forth below:

	Stock Option Plan		Employee Stock Option Plan
Option Price	$20.75	$17.625	$17.625
Options granted but not exercised at December 31 (shares):			
1955	45,540	26,686	223,096
1956	20,300	15,330	13,787*
Options exercised during 1956 (shares)	25,240	11,356	209,102

*After reduction of 207 shares for options terminated during the year.

Option prices are the market quotation values of the shares on dates of grants (Stock Option Plan) or 95% thereof on date of grants (Employee Stock Option Plan). The $4,409,303 received from optionees for options exercised during the year was $1,952,323 more than the par value of shares issued to them; this latter amount was credited to capital contributed in excess of par value of common stock.

AUTOMATIC CANTEEN COMPANY OF AMERICA

CR.—$146,221—"Investment in excess of par value of common stock: (Note 4)."

Note 4: The increase of $146,221 during the current fiscal year represents the excess of amounts paid in for common stock sold under stock options over the par value of such shares.

AVCO MANUFACTURING CORPORATION

CR.—$781—"Additional Paid-In Capital: Excess over par value, of proceeds received on common stock issued on exercise of options."

Note 6: At November 30, 1956 there were outstanding options on 415,400 shares of common stock of which options on 178,500 shares were exercisable at that date. The option prices, which were in excess of the market value of the stock when the options were granted, range from $5.75 to $7.75 per share and the options expire at various dates from August 27, 1959 to November 14, 1961. At November 30, 1956, 302,244 shares were reserved for options not then granted, of which options on 140,000 shares at $6.125 per share were granted in December 1956.

AVON PRODUCTS, INC.

CR.—$68,900—"Capital Surplus: Excess of option price over par value of common stock issued pursuant to stock option plan."

Notes to Financial Statements: Under stock option plans approved by the stockholders, 34,720 shares of common stock have not yet been issued. At December 31, 1956, options for 24,720 of these shares have been granted.

BARBER OIL CORPORATION

CR.—$24,430—"Capital Surplus: Excess over par value of proceeds received for 801 shares of capital stock issued under stock option plan."

Notes to Financial Statements: . . . Under the stock option plan of the corporation, the Board of Directors may grant options from time to time to selected executives to purchase not more than 50,000 shares in the aggregate of the corporation's authorized and unissued capital stock. During 1956, options with respect to 801 shares were exercised at $40.50 per share, and options with respect to 3,900 shares were granted at $69 per share. At December 31, 1956, 12,549 shares were under option, 6,149 shares at $40.50, 2,500 shares at $58 and 3,900 shares at $69 (the prices per share being the market values at the respective dates of the option grants). Of the shares under option at December 31, 1956, 5,209 had become exercisable by that date, and 7,340 are exercisable at various times through December 31, 1965.

BENDIX AVIATION CORPORATION

CR.—$275,897—"Capital Surplus: Excess of sales price over par value of common stock sold to employees under stock option plan."

Notes to Financial Statements: . . . Under a stock option plan, approved by the stockholders on February 27, 1952, at September 30, 1956 there were 169,774 shares of common stock reserved for allotment and sale to eligible employees, of which 70,317 shares were under option as follows . . . During the year ended September 30, 1956 options were exercised before the stock dividend paid during the year for 756 shares at $26.43 per share and after the stock dividend for 12,869 shares at $25.18 per share.

BLAW-KNOX COMPANY

CR.—$308,775—"Other Capital."

Notes to Financial Statements: Stockholders' Equity—During 1956, other capital was increased by $2,155,005, the excess of assigned value over par of 79,815 shares of capital stock issued as dividends to stockholders, and $308,775, the excess of amounts received over the par value of 26,850 shares of capital stock sold to officers and key employees under the company's stock option plan.

Stock Option Plan—A summary of changes for the year in the unissued stock of the company reserved for sale to officers and key employees under the stock option plan approved by the stockholders is as follows:

	Total shares Reserved	Options Granted	Shares not Optioned
Balances, December 31, 1955	100,000	58,100	41,900
Options granted at $35.50 per share (85% of market price)		8,000	(8,000)
Adjustment for 5% stock dividend	1,697	1,697	
Options canceled		(5,300)	5,300
Options exercised at $21.50 per share	(26,850)	(26,850)	
Balances, December 31, 1956	74,847	35,647	39,200

At December 31, 1956, after adjustment for stock dividend, options were held to purchase 27,247 shares at $20.48 per share (granted in 1955) and 8,400 shares at $33.81 (granted in 1956).

BLISS & LAUGHLIN, INCORPORATED

CR.—$103,125—"Paid in Surplus: Premium on 5,500 shares of common stock sold pursuant to option agreement."

Note 7: On January 1, 1956, 5,500 shares of the company's common stock were issuable under outstanding options at $21.25 per share. These options were due to expire on April 2, 1956, but were exercised prior to that date. On April 3, 1956, the stockholders approved the granting of additional options to purchase not to exceed 35,000 shares at prices at least 95% of the fair market value of the shares at the time the options are granted. On May 3, 1956, options were granted to purchase 6,620 shares at $35.15 per share. None of these options was exercisable in 1956. On November 28, 1956, the company issued one-half of a share for each share of common stock previously outstanding as a split-up effected in the form of a dividend. At December 31, 1956, therefore, 9,930 shares were issuable at $23.43 1/3 per share under outstanding options, and 42,570 unoptioned shares were available for the granting of options.

THE BORDEN COMPANY

CR.—$337,286—"Capital Surplus."

Notes to Financial Statements: . . . the excess of the option price over the par value of the shares issued pursuant to options exercised; . . .

BROWN SHOE COMPANY, INC.

CR.—$136,080—"Additional Capital: Excess of option price over the par value of 6,600 shares of common stock issued under stock option plan."

Note B: Ten year options to purchase in annual installments, commencing eleven months after granting, an aggregate of 108,970 shares (after the stock split) of Common Stock of the Company were held at October 31, 1956 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 $91.25 a share. These prices have since been adjusted, in accordance with the provisions of the plans, to reflect the two for one split on September 14, 1956. At October 31, 1955 outstanding options aggregated 55,935 shares and during the year prior to the stock split options for 6,700 shares were granted at prices ranging from $91.25 to $100.125 a share, options for 6,600 shares were exercised at prices ranging from $26.00 to $80.00 a share, and options for 1,550 shares were terminated which contained prices ranging from $26.00 to $100.125 a share. At October 31, 1955 and 1956 there were 21,650 shares and 16,500 shares, respectively, of unoptioned Common Stock available for granting under the option plans.

THE BRUNSWICK-BALKE-COLLENDER COMPANY

CR.—$36,760—"Capital Surplus: Common stock sold under the stock option plan (5,929 shares)."

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. At December 31, 1956, options on 26,423 shares had been granted to officers and employees at a price of 85% of the market value at date of grant, and options on 19,894 had not yet been exercised. On December 4, 1956, the Board of Directors, subject to approval of stockholders, authorized 8,000 shares of common stock for sale to B. E. Bensinger, President of the Company, at a price of 110% of the market value at date of grant.

CANADA DRY GINGER ALE, INCORPORATED

CR.—$66,073.43—"Capital (paid-in) Surplus."

Note E: . . . During the year options in respect of 10,300 shares were exercised. Authorized and unissued stock and treasury stock were used for the options exercised, the difference between the proceeds from issuance or sale of such stock and the par value or cost thereof, amounting to $66,073.43, being credited to capital surplus. At September 30, 1956, there were 51,000 shares under option or subject to reallocation under the plan.

COLGATE-PALMOLIVE COMPANY

CR.—$318,503—"Capital Surplus: Excess of option price over stated value of shares of common stock issued under stock option plan."

Notes to Financial Statements: . . . At December 31, 1956, 68,689 shares of common stock were reserved for issuance under the stock option plan approved by the stockholders in 1952. Options to purchase 55,544 of such shares were held and exercisable by officers and key employees at prices ranging from $39.11 to $62.38 per share (representing market price at date of grant). Options to purchase 11,026 shares were exercised in 1956 at an aggregate price of $456,328.

COLUMBIA BROADCASTING SYSTEM, INC.

CR.—$187,235—"Capital Surplus: Excess of proceeds from sale of capital stock, under option agreements, over par value of shares sold."

CONTINENTAL CAN COMPANY, INC.

CR.—$437,000—"Capital Surplus: Excess of consideration received over par value of common stock sold under the employees' stock purchase plans."

Notes to Financial Statements: . . . On March 14, 1956, options to purchase 16,200 shares of Common stock at a price of $40.25 per share were granted to nine key employees under the existing plan approved by the Shareholders in 1951. During the year, a total of 31,444 shares of the authorized but unissued Common stock was sold to 68 employees upon exercise of purchase options under the plan, including shares issued to cover the adjustment for the 100 per cent stock distribution of February 15, 1956.

At December 31, 1956, 101 key employees held options to purchase a total of 228,160 shares of Common stock under the plan after giving effect to the 100 per cent stock distribution of February 15, 1956, where applicable. Of this total, 42,556 shares were granted in June, 1951, at a price of $17.50 per share, 16,164 shares in December, 1951, at a price of $21.375 per share, 65,728 shares in June, 1953, at a price of $24.125 per share, 88,336 shares in December, 1955, at a price of $38.75 per share, and 15,376 shares in March, 1956, at a price of $40.25 per share. All of these options are exercisable in equal annual instalments from the date granted and expire on June 21, 1961. The price of the shares in each case is approximately 95 per cent of the market price on the date the option was granted after adjustment for the 100 per cent stock distribution mentioned above, where applicable.

FEDERATED DEPARTMENT STORES, INC.

CR.—$633,298—"Capital in excess of par value of common stock: Excess of proceeds over par value of stock issued upon exercise of options to purchase common stock at $21.11 per share."

Note 4: Stock Options—Stock options for issuance to certain executives of the Company were approved by the shareholders in June 1951 for up to 300,000 shares of common stock. At January 28, 1956 options for 171,000 shares had been granted at from $21.11 to $26.01 per share (representing 95% of the market price at date of grant). At January 28, 1956 options for 111,898 shares were outstanding, of which options as to 14,246 shares were exercisable. All of the foregoing figures give effect to the 2 for 1 stock split on January 27, 1956.

THE GENERAL TIRE & RUBBER COMPANY

CR.—$58,038—"Capital Surplus: Excess of option price over par value of 2,470 shares of common stock sold under options."

Note H: The number of shares of common stock issuable under outstanding options and available for the granting of options (both at prices not less than 95% of market) is as follows:

	November 30, 1955	Changes during year: Granted	Changes during year: Exercised	November 30, 1956
Issuable under outstanding options				
Employees' Stock Option Plan	10,670	3,250	1,150	12,770
Treasury Stock Options	6,270	2,500	1,320	7,450
Unoptioned shares available for options	55,330	3,250		52,080

LIBBEY-OWENS-FORD GLASS COMPANY

CR.—$245,584.15—"Additional paid-in capital: Add credits resulting from transactions under employee stock plan during the year."

Note B: Employee Stock Options—At January 1, 1956 and December 31, 1956, respectively, there were 65,916 and 74,775 shares of the Company's unissued Common Stock subject to outstanding employe stock options, and 96,921 and 76,087 of the unissued shares remained reserved for but not allotted to employes at the same respective dates. During the year 1956, there were 11,975 shares of Common Stock issued to participants upon exercise of options under the stock option plans; options were canceled for 228 shares; and, options for 21,062 shares were granted during the year to employes for purchase under the 1954 Plan at a price which was not less than 95% of the market price on the date the options were granted.

LOCKHEED AIRCRAFT CORPORATION

CR.—$30,528—"Additional Capital: Excess of amount realized over par value of capital stock issued upon exercise of employees' stock options."

THE MAY DEPARTMENT STORES COMPANY

CR.—$365,585—"Additional paid-in capital: Excess of net proceeds received over par value of treasury common stock sold to employees under stock option plan."

Note G: Common Stock—Under the Company's Stock Purchase Plan which was approved by the stockholders in 1951, 400,000 shares of the treasury common stock may be optioned and sold to management employees of the Company and its subsidiaries. To January 31, 1956, options for 234,750 shares had been granted at prices ranging from $28.625 to $42.875 a share (representing the market prices at the respective dates of grant). During the year ended January 31, 1956 options for 15,500 shares were exercised at an aggregate price of $443,687. At January 31, 1956, options for 219,250 shares were outstanding of which options for 25,500 shares were exercisable.

McKESSON & ROBBINS, INCORPORATED

CR.—$77,393—"Capital Surplus."

Note 6: Executive Stock Purchase Plan—Pursuant to an Executive Stock Purchase Plan approved by the stockholders on October 23, 1951, 100,000 shares of Common Stock of the Company were reserved for options to be granted to eligible executive employees. Options to purchase 75,061 shares are outstanding at option prices of $40.00 per share for 21,462 shares, at $35.50 per share for 24,444 shares, at $37.00 per share for 12,555 shares, and at $39.00 per share for 16,600 shares. During the year ended March 31, 1956, 4,078 shares were issued under the plan resulting in an increase of $77,393 in Capital Surplus over the amount shown as at March 31, 1955. No additional options shall be granted after November 1, 1956.

MONSANTO CHEMICAL COMPANY

CR.—$744,693—"Paid in Surplus: Excess of amounts received over the par value of common capital stock issued under stock option plan."

Financial Review: . . . Monsanto has two stock option plans: the Stock Option Plan originally authorized by shareowners in 1951 for key employes and the Employes' Stock Plan, authorized by shareowners in 1956 for all hourly and salaried employes, excepting participants of the preceding plan. The status of each on January 1 and December 31, and the changes occurring during the year, were:

	Stock Option Plan	Employes' Stock Plan
Shares issuable under options outstanding January 1	503,947	—0—
Unoptioned shares available January 1	261,925	—0—
Shares optioned during year	55,410	305,400
Shares exercised during year	27,000	—0—
Shares in unexercised options which expired	7,650	2,554
Shares issuable under options outstanding December 31	535,168*	302,846
Unoptioned shares available December 31	218,479*	—0—

*Adjusted to reflect the 1956 two per cent stock dividend.

Under the Stock Option Plan 114 options are outstanding, at prices ranging from $27.71 to $45.96 a share, the prices having been adjusted for the 1955 three-for-one split and the 1955 and 1956 stock dividends of two per cent each. Under the 1956 Employes' Stock Plan, 400,000 Monsanto shares were allotted employes at $38.50 a share, being 95 per cent of the New York Stock Exchange average price on September 7, the date on which the Plan became effective. No officers, directors or others participating in the 1951 Plan were eligible for the Employes' Stock Plan. Subscriptions by 7,872 employes covered 305,400 shares. Payments over three years are made by payroll deductions on which the company credits interest at three and a half per cent. Sixty-four per cent of the eligible salaried employes and 25 per cent of the eligible hourly employes subscribed, a gratifying response when compared with the experiences of other companies' initial offers under similar plans, and particularly so when one considers that during the subscription period the market price of Monsanto shares declined substantially below the option price.

NATIONAL STEEL CORPORATION

CR.—$1,220,251—"Capital in excess of par value of capital stock."

Note E: Stock Options—The Corporation has granted options to certain officers and employees which gave those individuals the right to purchase shares of its capital stock, at prices which were not less than 85% of market prices at dates granted, as summarized below:

Year Granted	Year of Expiration	Option Price Per Share	Number of Shares Under Option: At January 1, 1956	Sold in 1956	Options Cancelled in 1956	At Dec. 31, 1956	Exercisable at Dec. 31, 1956
1951	1958	$42.00	7,450	3,560	—0—	3,890	3,890
1954	1958	40.50	6,600	—0—	—0—	6,600	6,600
1955	1962	62.50	326,800	21,073	5,665	300,062	112,952
			340,850	24,633	5,665	310,552	123,442

The 1955 options are generally exercisable at the progressive rate of 20% of the total shares involved during each of the first four years until 1959, when any remaining unexercised balance may be purchased. The 1951 and 1954 options became fully exercisable at the dates they were granted.

At December 31, 1956, 383,637 unissued shares of capital stock were reserved for issuance to officers and employees, including the shares subject to outstanding options. Unissued shares available for the granting of options, under a plan approved by the shareholders in 1955, aggregated 73,085 shares at December 31, 1956, and 67,420 shares at December 31, 1955.

Note F: Capital in Excess of Par Value of Capital Stock—The excess of proceeds from sale of capital stock under stock options in 1956, over the par value thereof, in the amount of $1,220,251, has been credited to this account.

NATIONAL DAIRY PRODUCTS CORPORATION

CR.—$537,313—"Capital Surplus: Excess of consideration received over par value of shares issued."

Notes to Financial Statements: Under the employees' stock option plan approved in 1952, there were 536,094 shares of the authorized and unissued common stock of the company reserved at December

MOTOROLA INC. AND CONSOLIDATED SUBSIDIARIES

statement of consolidated income and retained earnings

	Year Ended December 31,	
	1956	1955
Sales	$227,562,168	$226,653,953
Other income	1,420,685	1,774,110
Total income	$228,982,853	$228,428,063
Manufacturing and other costs of sales	$180,683,026	$179,293,927
Selling, service and administrative expenses	23,925,552	24,133,615
Depreciation and amortization of leasehold improvements	2,245,173	1,840,911
Contribution to employees' profit-sharing fund	2,872,056	3,362,514
Interest and other expenses	2,369,212	1,056,670
Total costs and other expenses	$212,095,019	$209,687,637
Net income before provision for taxes on income	$ 16,887,834	$ 18,740,426
Provision for federal, state and Canadian income taxes	8,921,017	10,249,887
Earnings..(per common share—1956, $4.12; 1955, $4.39)	$ 7,966,817	$ 8,490,539
Retained earnings, beginning of year	41,362,691	35,774,848
Total	$ 49,329,508	$ 44,265,387
Deduct dividends—$1.50 per share	2,902,696	2,902,696
Retained earnings, end of year	$ 46,426,812	$ 41,362,691

See the accompanying notes to financial statements.

31, 1956, for sale to officers and other key employees. At that date 1,751 employees held options to purchase a total of 516,568 shares at prices ranging from $25.975 to $38.60 per share, with an aggregate purchase price of $16,207,178 and 19,526 shares remained available for future grants. Options become exercisable in cumulative periodic installments extending over the terms of such options (generally ten years or to earlier retirement date) commencing not earlier than one year from the date of grant. As of December 31, 1956, options were exercisable for the purchase of 82,801 shares. No options may be granted under the plan after April 17, 1957.

On February 2, 1956, options were granted to purchase 45,290 shares at $36.50 per share and on November 1, 1956, options were granted to purchase 112,650 shares at $36.25 per share. Options became exercisable during 1956 with respect to 44,329 shares having an aggregate purchase price of $1,282,656. During the year, 24,003 shares of common stock were issued under the plan and the proceeds of $657,328 were credited to the common stock and capital surplus accounts.

THE NATIONAL SUPPLY COMPANY

CR.—$463,573—"Capital Surplus: Premium on sale of 20,180 shares of optioned common stock."

Note 3: Current year transactions with respect to the Employee Stock Option Plan are summarized below:

Option prices per share	$27.55	$34.09	$63.00	Total Shares
Shares under option at January 1, 1956	3,450	23,270	—	26,720
Changes during 1956:				
Options granted	—	—	9,500	9,500
Options exercised	3,450	16,730	—	20,180
Options lapsed	—	300	—	300
Shares under option at December 31, 1956	—	6,240	9,500	15,740
Shares under option exercisable at December 31, 1956		1,940	—	1,940

Unissued shares reserved for the granting of options numbered 13,100 at January 1, 1956 and 3,900 at December 31, 1956.

NEPTUNE METER COMPANY

CR.—$37,350—"Paid in Surplus."

Note 5: Under the provisions of a stock option plan approved by the stockholders on April 15, 1954, the Board of Directors may grant to selected key employees of the company and its subsidiaries options for not more than ten years to purchase not more than an aggregate of 60,000 shares (limited to 20,000 shares to any one employee) of common stock of the company at prices of not less than 95% of the market value at the time the option is granted.

In 1956 options covering 4,000 and 500 shares granted in prior years under the plan, became exercisable at $12.825 and $17.10 a share, respectively, and all such shares were purchased by the optionees. Paid-in surplus was credited with $37,350 for the difference between the option price and the par value of the stock issued. At December 31, 1956 ten-year options granted in 1954 and 1955 covering 22,750 shares are outstanding at prices ranging from $12.825 to $28.30 a share. These options after two years from the date granted may be exercised 20% each year (cumulative until termination of the options.)

NORTHROP AIRCRAFT, INC.

CR.—$79,596—"Paid in Surplus: Issuance of $1.00 par value common stock to officers and employees under stock option agreements—16,216 shares."

Note F: Stock Options—The company's stock option plan provides that options may be granted to officers and key employees to purchase shares of the company's unissued common stock during the five-year period beginning with the date of the grant of each option, at a price equal to the market price on the date of grant. At August 1, 1955, there were options for 51,196 shares of stock outstanding. During the year ended July 31, 1956, options for 12,000 shares were granted, 16,216 shares were sold for $95,812 to officers and employees exercising their options, and options for 1,744 shares were cancelled. At July 31, 1956, options for 45,236 shares were outstanding at prices as follows: 1,950 shares at $5.78; 9,566 shares at $5.90; 1,320 shares at $6.21; 3,300 shares at $7.08; 11,600 shares at $16.91; 12,000 shares at $22.63; and 5,500 shares at $35.42. At August 1, 1955 and July 31, 1956, 30,234 shares and 19,978 shares, respectively, were reserved for grants of options prior to December 1, 1957. There were no changes during the year in the exercise price of outstanding options.

CHAS. PFIZER & CO., INC.

CR.—$3,366,750—"Paid in Surplus."

Note 6: Stock Options—Pursuant to the Employee Stock Option Plan, approved by the shareholders on June 21, 1951, 250,000 shares of Common Stock were reserved for options to be granted at prices not less than 85% of the market price of the stock on the date options were granted. At December 31, 1956, the final date options could be granted, options for 149,383 shares had been exercised, options covering 91,421 shares exercisable to March 31, 1957, were outstanding and options for the remaining 9,196 shares had not been granted. All options were granted at a price of $34.50 per share.

Note 7: Paid In Surplus— . . . Excess of proceeds from sale of 100,500 shares of Common Stock under Employee Stock Option Plan over par value of shares sold—$3,366,750.

PHILLIPS PETROLEUM COMPANY

CR.—$574,222—"Capital in excess of par value of stock."

Note 2: Common Stock—In April 1956, the authorized Common Stock of the Company was changed from 20,000,000 shares without par value to 40,000,000 shares of $10 par value. Effective June 18, 1956, the Common Stock was split on a two-for-one basis into shares of $5 par value.

Capital in excess of par value of stock at December 31, 1956, consists of $1,431,827 which in 1955 was designated as "Excess of net assets of a subsidiary over cost," $284,409,962 representing excess of the capital stock account at December 31, 1955, over the par value of shares as established on April 24, 1956, after an adjustment of $300 applicable to stock issued in 1955, and $574,222 representing the excess of the amount received from sale of stock under the Key Executive Employees' Stock Option Plan during 1956 over the par value of the shares.

At January 1, 1956, under provisions of the Company's Key Executive Employees' Stock Option Plan, options covering 72,938 shares of the Company's common stock were outstanding and 7,200 shares were available for the granting of options. In 1956, options for 57,711 shares of the Company's common stock were exercised for an aggregate consideration of $862,777 and options were granted for the 7,200 shares available for option at $48.25 per share, this price being more than 95% of market on the date granted. At December 31, 1956, options were outstanding and exercisable for 22,427 shares at prices averaging $31.97 per share. The number of shares and prices per share stated herein have been adjusted where applicable for the two-for-one stock split in 1956.

PITTSBURGH STEEL COMPANY

CR.—$122,154—"Other Capital: Excess of amounts received over the par value of 19,065 and 7,047 shares, respectively, of common stock sold to employees under the company's stock option plan."

Notes to Financial Statements: Stock Option Plan—A summary of changes for the year in the unissued common stock of the company reserved for sale to officers and key employees under the stock option plan is as follows:

	Total unissued shares reserved	Non-transferable options granted	Shares not optioned
Balances, December 31, 1955	64,955	49,037	15,918
Options granted at market prices		13,390	(13,390)
Adjustment for stock dividends	2,155	1,643	512
Options exercised at prices ranging from $12.60 to $24.50 per share	(19,067)	(19,067)	
Balances, December 31, 1956	48,043	45,003	3,040

At December 31, 1956, the shares of stock subject to nontransferable options granted range in price from $12.60 to $31.19 per share.

REPUBLIC STEEL CORPORATION

CR.—$884,022—"Capital Surplus: Amount received upon exercise of stock options in excess of portion (1956—$731,430) credited to common capital stock account."

Note E: At December 31, 1956, 475,612 shares of Common Stock were reserved for issuance under Stock Option Plan for Key Employees adopted in 1951, as amended. There were 285,062 shares reserved at December 31, 1956, for outstanding options and 190,550 shares (1955—218,300 shares) reserved for options that may be granted in future years. Options were exercisable at December 31, 1956, for 147,662 shares at option prices aggregating $3,962,369. The following summary shows the option transactions during 1956, the options outstanding at the beginning and the end of the year, and the aggregate option price representing the respective market prices on the granting dates:

	Number of Shares	Aggregate Option Price
Options outstanding January 1, 1956	330,455	$ 9,639,465
Options granted	28,000	1,254,688
	358,455	$10,894,153
Deduct:		
Options exercised	73,143	$ 1,615,452
Options cancelled	250	5,141
	73,393	$ 1,620,593
Options outstanding December 31, 1956	285,062	$ 9,273,560

RITTER COMPANY, INC.

CR.—$3,422—"Capital Surplus: Credit resulting from the excess of sales price over par value of 280 shares of common stock sold under stock option plan (Note 6)."

Note 6: Stock Option Plan—The company has a stock option plan granting to certain officers and employees the option of purchasing common stock of the company at an option price of $16.50 each share through May 24, 1960.

In 1956 options for 280 shares were exercised in a total amount of $4,620. Of this amount $1,198 was credited as book cost to treasury stock, and the balance of $3,422 was credited as premium to capital surplus. The total fair value of the shares at the dates of exercise of the options was $5,548. Options for 2,000 shares were cancelled in 1956 because of termination of employment.

No new options were granted in 1956.

SINCLAIR OIL CORPORATION

CR.—$1,716,900—"Other paid-in capital: Excess of sales prices over cost of treasury stock delivered under amended stock purchase and option plan."

Note 4(c): At the beginning of the year, options (all exercisable) were outstanding to purchase 1,700 shares at $39.50 per share, 26,335 shares at $34.00 per share, and 63,200 shares at $41.25 per share. During 1956 options were exercised for the purchase of 1,700 shares at $39.50, 18,000 shares at $34.00, and 45,800 shares at $41.25, leaving options outstanding at December 31, 1956 for 8,335 shares at $34.00 and 17,400 shares at $41.25. The options were granted under the Company's Amended Stock Purchase and Option Plan on July 2, 1951, November 24, 1953 and April 14, 1954, respectively, at prices per share which were not less than "closing market" on the day preceding the dates of grant. The options expire five years from the dates of grant, or prior thereto in certain contingencies. No further options may be granted pursuant to the Plan under which the authorization to grant options expired May 18, 1954. The Company holds 192,675 shares as collateral security for amounts outstanding at December 31, 1956 under options exercised for the purchase of said shares.

SPERRY RAND CORPORATION

CR.—$2,250,336—"Capital Surplus: Proceeds in excess of par value of common stock issued upon the exercise of options granted under key employees stock option plans."

Note 4: At March 31, 1956, 72,000 shares of the corporation's stock were subject to option at $5.84 a share, options having been granted pursuant to the key employees stock option plan of a predecessor company. The options were exercised during May 1956.

THOMPSON PRODUCTS, INC.

CR.—$352,788—"Capital in Excess of Par Value of Shares: Excess of proceeds from sale over par value of Common Stock sold under stock option plan."

Note F: In the years 1951 through 1956, under a plan adopted in 1951, the Company granted options to certain officers and employees to purchase unissued Common Stock of the Company at prices per share equal to the closing market price of the stock on the respective dates of grant, and in 1956, under a plan adopted by the Directors in that year, subject to approval by the shareholders, the Company granted similar options to some of the same officers and employees and to others. The options are exercisable, in general, to the extent of one-third of the optioned shares for each full year of employment following the date of grant (in cases of prior options not yet fully exercisable, for each full year of employment following the date when such options first became fully exercisable). The following tabulation shows the option transactions during 1956, the options outstanding at the beginning and end of the year, and the corresponding market price as of the dates on which options were exercised or became exercisable.

	Number of Shares	Option Price	Corresponding Market Price
Outstanding at beginning of year	58,601	$1,358,642	
Granted—under 1951 plan	3,000	189,562	$ 189,562
under 1956 plan	62,010	4,278,690	4,278,690
Becoming exercisable	12,414	342,240	825,631
Exercised	24,351	474,543	1,637,375
Expired or cancelled	368	8,322	
Outstanding at end of year	98,892	5,344,030	

There have been no charges or credits to income in connection with the options.

In addition to the outstanding options for 58,601 shares and 98,892 shares at the beginning and end of the year, respectively, there were 3,263 shares and 63,621 shares of unissued Common Stock reserved at the respective dates for options that might be granted thereafter under existing option plans.

Restricted Stock Options

Capital Surplus

AMERICAN MACHINE & METALS, INC.

CR.—$37,930—"Capital in Excess of Stated Value: (Note 2)."

Note 2: Employees' Restricted Stock Option Plan—Under an "Employees' Restricted Stock Option Plan" approved by stockholders in 1955, 38,845 shares of the capital stock of the Company have been reserved for issuance to employees, including officers. Options granted to purchase stock are exercisable over a period not exceeding 10 years, individually limited to 20% per annum on a cumulative basis, at a price of 95% of market value at date of grant. At December 31, 1956 options granted in 1955 for 16,900 shares at $38.11 and 6,145 shares at $36.10 were outstanding, of which options for 6,460 shares and 2,365 shares, respectively, were exercisable at that date. During 1956 options for 1,000 shares at $38.11 and 155 shares at $36.10 were exercised and options for 700 shares at $38.11 terminated. Shares issued during 1956 under the plan resulted in a credit of $37,930 to capital in excess of stated value.

BELDING HEMINWAY COMPANY, INC.

CR.—$21,512—"Capital Surplus: Excess of proceeds over par value of common stock issued under stock option plan."

Note F: A Restricted Stock Option Plan adopted by the company on January 17, 1951, authorized the granting of options to key employees to purchase not in excess of 40,000 shares of the Common Stock of the company. . . . Of the proceeds, $2,000 was credited to Common Stock and $21,512 was credited to Capital Surplus.

As at December 31, 1956, there were 16,000 shares and as at December 31, 1955, there were 11,000 shares available for the granting of options under the Plan.

BELL & HOWELL

CR.—$83,244—"Capital in Excess of Par Value of Shares: Excess of proceeds over par value of common shares issued under stock option plan."

Note E: Restricted Stock Option Plan—At December 31, 1956, 33,381 common shares were reserved for sale to executives under the plan, and options granted in 1956 and prior years at prices ranging from $14.77 to $38.80 per share were outstanding as to 33,375 shares. The market values of the outstanding option shares as of the respective dates of grant totaled $694,130.00

Options granted during 1956 (4,600 shares at $38.80 per share) are exercisable after one year from date of grant. All other outstanding options were exercisable at December 31, 1956, including options which became exercisable during the year (1,925 shares—aggregate option price $62,466.25; aggregate market value at date they became exercisable $75,075.00).

Options exercised at various dates during the year covered 13,850 shares as to which the option price ranged from $14.77 to $23.00 per share. The aggregate of the option prices of such shares was $221,744 and the aggregate of the market values at the dates of exercise was $491,546.

At January 1, 1956, 42,625 shares were issuable under options then outstanding and 4,606 shares were available for granting of additional options.

The difference between par value and option price is credited to Capital in Excess of Par Value of Shares at the time options are exercised.

BOHN ALUMINUM & BRASS CORPORATION

CR.—$27,468—"Additional Paid-In Capital: Excess of option price over par value of Common Capital Stock issued under 1952 Restricted Stock Option Plan (1956—1,465 shares; 1955—3,260 shares)."

Note C: Stock Options—At December 31, 1956, 55,275 shares of Common Capital Stock were reserved for the 1952 Restricted Stock Option Plan. Options are outstanding at prices of $23.75 for 54,115 shares and $24.25 for 500 shares, being 95% of the market price on the dates of grant; options for 54,175 of these shares were exercisable. All options expire on June 23, 1957.

BORG-WARNER CORPORATION

CR.—$1,232,132—"Capital in Excess of Par Value: Excess of option price over par value on cost of 64,130 shares of Common Stock of Corporation issued under stock option plans."

Note 6: A restricted stock option plan authorizes 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, 1956 options expiring in 1958 had been granted for the purchase of 449,045 shares at prices from $22.92 to $41.50 per share, in respect of which options had been exercised for 219,858 shares. In addition, the corporation has assumed the obligation under certain merged companies' option plans and has substituted options expiring at various dates through 1966 to purchase 14,473 shares of the corporation's common stock at prices from $20.36 to $28.08 per share. Of these options, 4,568 had been exercised at December 31, 1956.

LILY-TULIP CUP CORPORATION

CR.—$163,771—"Capital Surplus."

Note D: Capital Stock—At December 31, 1956 the Company had reserved 21,951 shares of Common Stock, under the Lily-Tulip Stock Option Plan of 1951, for issuance to certain employees and officers of the Company and its Canadian subsidiary. The right to purchase the shares is represented by restricted option warrants issued in two series which expire respectively on October 1, 1957 and 1958. As at December 31, 1956, the number of shares so reserved and their option prices were 7,914 shares at $21.3334 per share and 14,037 shares at $22.8334 per share. The excess ($163,771) of proceeds over the par value of 14,162 shares of Common Stock issued during the year upon the exercise of option warrants was credited to Capital Surplus.

MACK TRUCKS, INC.

CR.—$344,665—"Paid in Surplus."

Note 6: 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 (except that one of the options is exercisable to the extent of 25% after one year and an additional 25% after each of three additional thirteen-month periods) and expires five years after date granted subject to modification in the event of the option holder's death or termination of employment.

At December 31, 1956 and December 31, 1955 options were outstanding on 56,161 and 64,663 shares, respectively, of which options on 12,586 and 30,838 shares were exercisable at the respective dates. Additional shares reserved at December 31, 1956 and December 31, 1955 for options not then granted amounted to 11,874 and 18,981, respectively. Options outstanding at December 31, 1956 were at prices ranging from $7.638 to $26.129 per share and expire at various dates from February 26, 1958 to April 26, 1961. During the year 1956 options were granted on 14,700 shares and were exercised on 36,317 shares for which the Company received $526,250. The foregoing shares and option prices reflect, to the extent applicable, the effect of the stock distribution mentioned in Note 7 and stock dividends.

Note 7: During the year 1956 paid-in surplus was increased by $344,665 (excess over par value of proceeds received on 36,317 shares of common stock issued on exercise of stock options). . . .

P. R. MALLORY & CO., INC.

CR.—$331,457—"Additional paid-in capital: Excess of proceeds over par value of 20,487 shares of common stock issued under restricted stock option plan (Note 9)."

Note 9: Stock Options—Pursuant to a restricted stock option plan approved by the stockholders in 1951, there were 44,925 shares under option at December 31, 1956, for purchase by certain officers and key employees during option periods not exceeding 10 years from the various dates of grant. Prices applicable to the outstanding options (including those not then exercisable) range from $16.97 to $38.24 per share (being equivalent to 95% of market value at date of grant), or an aggregate of $1,223,733; at December 31, 1956, options for 8,162 shares were exercisable at option prices ranging from $16.97 to $34.79 per share, an aggregate of $190,614, and there remained 12,075 shares available for future options. 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 20,487 shares were exercised during 1956 at an average price of $17.18 per share, an aggregate of $351,944.

THE GLENN L. MARTIN COMPANY

CR.—$484,740—"Capital Surplus: Excess of proceeds over par value of capital stock issued: 62,948 shares issued on exercise of stock options (Note B)."

Note B: At December 31, 1956 common stock was reserved to provide (a) 15 shares for issuance at a price of $7.84 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) 44,216 shares held for issuance under a restricted stock option plan for officers and key employees. At January 1, 1956 options expiring in 1962 for 94,868 shares were outstanding. During the current year options for 62,948 shares have been exercised at an aggregate price of $547,688. At December 31, 1956, after recognizing the effect of stock dividends distributed since the date of the grants, options expiring in 1962 for 33,516 shares were outstanding (of which 21,388 shares were then exercisable) at prices ranging from $8.04 to $25.51 per share, which prices are not less than market at date of granting, as adjusted for the effect of subsequent stock dividends. At January 1 and December 31, 1956 there were 10,700 shares available for unissued options.

THE W. L. MAXSON CORPORATION

CR.—$11,064—"Paid in Surplus: Amount received in excess of par value on issuance of 6,312 shares of capital stock on exercise of option (Note 6)."

Note 6: At September 30, 1956 certain officers and key employees held restricted options on 26,010 of the corporation's capital stock at $15.62 per share and on 5,000 shares at $13.25 per share. Each option expires five years after date granted or earlier in the event of an option holder's death or termination of employment. The options on 26,010 shares, which were granted on April 28, 1955 are exercisable at any time prior to expiration. The option on 5,000 shares, which was granted on March 1, 1956, is exercisable to the extent of 1,000 shares after March 1, 1957, an additional 2,000 shares after March 1, 1958 and the balance of 2,000 shares after March 1, 1959.

JOHN MORRELL & CO.

CR.—$10,604—"Capital in Excess of Par Value: Excess of amounts received over the par value of 4,025 shares of common stock issued to employees under the company's stock option plan."

President's Letter: Employees' Stock Option Plan—Under the company's restricted stock option plan for key employees, options may be granted until March 15, 1958 for the purchase of not more than 40,000 shares of common stock at prices not less than 95% of the fair market value on the date the option is granted. During the fiscal year the changes in the number of shares on outstanding options (at prices ranging from $12.35 to $21.85 per share) were as follows:

	Shares	Average option price per share
October 29, 1955	33,953	$13.39
Options granted	700	21.85
Options terminated	(618)	14.70
Options exercised	(12,778)*	12.45
October 27, 1956	21,257	14.20

*8,753 shares issued from treasury shares owned at beginning of fiscal year.

At the year end, 2,818 shares were available for additional options as compared with 2,900 at the beginning of the year.

MUNSINGWEAR, INC.

CR.—$7,975—"Capital in Excess of Par Value."

Note 2: A restricted stock option plan provides for the sale of not to exceed 30,000 shares of common stock to certain executive and administrative employees of the company and its subsidiaries at not less than 95% of market value at date options are granted or less than par value. At December 31, 1956 and 1955, 15,450 shares remained available for grant. Of the options for 10,950 shares at $12.25 per share outstanding at December 31, 1955, options for 1,100 shares were exercised during the year at an aggregate option value of $13,475. Aggregate market value of these shares at respective dates of exercising the options was $19,369. The options for 9,850 shares outstanding at December 31, 1956, which expire May 1, 1963, had an option value of $12.25 per share, an aggregate of $120,662, as compared with a market value at date of grant of $12.75 per share, an aggregate of $125,588.

Note 3: Capital in excess of par value was increased during the year by $7,975 excess over par value realized on common stock issued under the stock option plan and by $1,618 representing the excess of par value over cost of 5¼% cumulative preferred stock purchased for retirement.

PERMANENTE CEMENT COMPANY

CR.—$497,347—"Additional paid in capital: Excess of proceeds over par value of capital stock issued during the year, principally under restricted stock option plan (Note A)."

Note A: Restricted Stock Option Plan—Under a restricted stock option plan, 84,850 shares of capital stock are reserved for issuance to officers and employees. As of January 31, 1956, options for 56,100 and 12,660 shares had been granted at $12.00 and $28.25 a share, respectively, representing 95% of the quoted market price of the stock at the grant dates. During the year options for 45,150 shares were exercised at an aggregate price of $541,800. At January 31, 1956, options for 23,610 shares were outstanding, of which options for 10,950 shares were exercisable.

SACO-LOWELL SHOPS

DR.—$6,370—*"Capital Surplus."*

Note 4: Under the Company's Restricted Stock Option Plan, 35,000 shares of the Company's common stock are reserved for issuance at prices not less than 95% of the fair market value of the stock at the time the options are granted. Since inception of the Plan, options have been granted to certain officers and employees to purchase an aggregate of 25,200 shares at prices of $14.00 and $24.00 a share, which prices were slightly in excess of the quoted market value at dates the options were granted.

During the year ended December 2, 1956, options to purchase 3,650 shares at $14.00 a share were exercised. These shares were sold from treasury stock, and the difference between the option price and the cost of the stock to the Company, $6,370, was charged against capital surplus. At December 2, 1956, options on 6,150 shares at $14.00 a share and 11,400 shares at $24.00 a share had not been exercised.

SAFEWAY STORES, INCORPORATED

CR.—$1,414,814—"Additional paid-in capital."

Notes to Financial Statements: . . . 71,897 shares of the common stock are reserved for issuance to officers and employees pursuant to a restricted stock option plan under which options to purchase common stock may be granted to officers and employees of the Company and its subsidiaries, as determined by the Board of Directors, in consideration of agreements not to terminate employment for stated periods. 93,049 shares were issuable under options outstanding at the first of the year. During the year options for a total of 10,200 shares were granted at the option price of $65 11/16 per share and options for 46,152 shares were exercised at a total option price of $1,645,574. On or before December 31, 1956, options for a total of 74,770 shares had been exercised. No options expired or were cancelled in 1956 and no changes occurred during the year in the exercise price of options outstanding at the first of the year. On December 31, 1956 options were outstanding for 57,097 shares, of which 17,347 are exercisable at $33⅞ per share; 24,000 at $36⅝; 5,550 at $45⅜ and 10,200 at $65 11/16. The unoptioned shares available for granting options under the plan at the first and end of the year were 25,000 and 14,800, respectively. All matured options become void unless exercised within three months after employment terminates, with one year extension on employee's death, and in any event after December 31, 1961.

THATCHER GLASS MANUFACTURING CO., INC.

CR.—$29,154.25—"Capital Surplus: Proceeds in excess of par from sale of common stock."

Note 3: Common Stock Options—Under the plan approved by stockholders in 1953, restricted common stock options may be granted to such key executive officers and employees (except members of the executive committee of the board of directors) as the board of directors shall determine. The number of shares which may be offered may not exceed 1,200 shares in the aggregate to any individual, or 25,000 in the aggregate to all officers and employees. The options may be granted at a price not less than 95% of the fair market value of the stock at the date of granting the option. The term of the option may not exceed five years, and no options may be granted after April 30, 1958. Options for 21,040 shares had been granted at December 31, 1955 at prices ranging from $12.50 to $16.45 a share leaving options for 3,960 shares available for granting at that date. During the year 1956 an option was granted for 500 shares and an option for 500 shares was cancelled leaving options for 3,960 available at December 31, 1956. At December 31, 1955, there had been issued 7,524 shares, and during 1956 an additional 3,563 shares, making a total of 11,087 shares at December 31, 1956. Of the remaining outstanding options for 9,953 shares, 9,453 were exercisable at December 31, 1956, and 500 became exercisable in 1957.

Under employment contracts with two officers and an agreement with another officer, restricted options have been granted for an aggregate of 46,300 shares of common stock, exercisable over varying periods, the latest expiring by February 1, 1964, at prices of from $12.33 to $15.80 a share, this being not less than 95% of the fair market value at the times the options were granted. At December 31, 1955, there were outstanding options for 5,210 shares that were exercisable, which number was increased to 11,000 at December 31, 1956, leaving options for 35,300 shares available for future exercise.

UNITED MERCHANTS AND MANUFACTURERS, INC.

CR.—$329,029—"Capital Surplus: Excess of proceeds over the par value of Common Stock issued under Executive Employees Restricted Stock Option Plan (Note H)."

Note H: . . . Under the Executive Employees Restricted Stock Option Plan initiated in 1951, options to purchase 135,335 shares of the Corporation's Common Stock were outstanding as at June 30, 1956 at option prices of $13.119 a share for 96,781 shares (expiring in 1961), $13.81 a share for 474 shares (expiring in 1961), $14.248 a share for 36,305 shares (expiring in 1964), and $15.7938 for 1,775 shares (granted during 1956 and expiring in 1966). The options outstanding at June 30, 1956 and related option prices have been adjusted for the 5% stock dividend issued August 10, 1955. After giving effect to the 5% stock dividend to be issued August 13, 1956, the adjusted stock option prices are $12.494, $13.152, $13.569 and $15.0417, respectively. During the year 26,860 shares were issued under the Plan and the excess of the proceeds from the sale of this Common Stock over the par value thereof was credited to Capital Surplus in the amount of $329,029.

In addition, options (granted during 1956 and expiring in 1966) to purchase 10,000 shares of the Corporation's Common Stock were outstanding as at June 30, 1956 at option prices of $17.34 a share for 2,500 shares and $17.575 a share for 7,500 shares, which prices were 95% of the market prices at the dates the options were granted. After giving effect to the 5% stock dividend to be issued August 13, 1956, the adjusted stock option prices are $16.514 and $16.738, respectively.

Incentive Stock Options

Capital Surplus

AMERICAN CAN COMPANY

CR.—$775,034—"Capital paid in for common stock in excess of par value: Excess of option price over par value of 32,374 shares of common stock issued for options exercised under the Incentive Stock Option Plan."

THE ATLANTIC REFINING COMPANY

CR.—$100,900—"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 Common Stock have been granted to 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 such stock. During 1956, options covering 44,400 shares were granted, options for 4,554 shares were exercised and options covering 1,800 shares were cancelled. At the end of 1955 and 1956, the number of shares covered by options was 97,387 and 135,433, respectively, and the number of unoptioned shares available was 198,816 and 156,216, respectively.

In general, grantees of options, while in the employ of the Company, acquire the right to purchase shares covered by options periodically over a period beginning after eighteen months from the date of the grant and ending seven years or less from that date. The options outstanding on December 31, 1956, covered (a) 66,803 shares at $32.0625 per share; (b) 15,130 shares at $32.8125; (c) 9,400 shares at $35.875; and (d) 44,100 shares at $39. Each of the above prices was in excess of 95% of market value on the day the particular option was granted.

LIGGETT & MYERS TOBACCO CO., INC.
CR.—$52,855—"Paid-in Surplus: Excess of sales price over par value of common stock sold to officers and employees (Note 1)."

Note 1: During 1956 options were granted, under the Incentive Stock Option Plan approved by stockholders March 12, 1956, to 36 officers and key employees to purchase, subject to certain limitations, an aggregate of 56,700 shares of the Company's common stock for an aggregate option price of $3,824,338 (representing the closing quoted market value on the dates the options were granted). Options for 1,240 shares having an aggregate option price of $83,855 were exercised during 1956, and options for the remaining 55,460 shares were outstanding at December 31, 1956. Options for an additional 63,300 shares may be granted on or before March 31, 1961.

THE NEW YORK AIR BRAKE COMPANY
CR.—$16,680—"Capital Surplus: Excess of amount received for shares of common stock issued pursuant to stock option agreement, over par value thereof—see Note B to Balance Sheet (1,200 shares in 1956, 800 shares in 1955)."

Note B: At December 31, 1956 the Company had reserved 42,500 unissued shares of common stock under incentive stock option plan for executives and key employees. The Company granted an option with cumulative provision 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), 2,500 shares of which have been exercised.

THE PITTSTON COMPANY
CR.—$371,679—"Capital Surplus: Excess of selling price over par value of 16,481 shares of common stock issued by the company under its stock option incentive plan."

Note 6: Stock Options—Under the Company's Stock Option Incentive Plan, 100,000 shares of the Common Stock of The Pittston Company were reserved for issuance to key executives of the Company and its subsidiaries. Details of the options granted, exercised and outstanding are as follows: . . . Prior to the merger of the Company and Clinchfield Coal Corporation options for 16,300 shares of Clinchfield's Common Stock (representing all outstanding options at December 31, 1955) were exercised. The option prices were at $25.18 and $30.88 per share or an aggregate of $424,684. The fair value at dates exercised ranged from $55.10 to $74.10 per share or an aggregate of $1,062,955.

The Stock Option Incentive Plan provides that a participant is entitled to receive, at no additional cost upon full payment of the option price, stock dividends declared equal to the number of shares thereof which he would have received if he had been the holder of the shares as to which he is exercising his option at all times between the date of the granting of such option and the date of its exercise. Accordingly, the 5% stock dividends declared in 1954, 1955 and 1956 entitle participants who had not exercised their options at December 31, 1956 or who had exercised but had not yet paid in full, to receive 7,333 additional shares of Common Stock. At December 31, 1956, there were 65,750 shares of the Common Stock of The Pittston Company remaining of the original shares reserved for issuance under the Stock Option Incentive Plan, including shares reserved for options granted and not yet exercised.

An option may be exercised under the Stock Option Incentive Plan by a participant with respect to 20% of the shares under option after eighteen months from the date of the option, and a further 20% at yearly intervals thereafter, or may be exercised after eighteen months as to any or all shares under option, but in that event the shares will be held in escrow and released at intervals as described above. A participant may pay the subscription price in full or in instalments with the privilege of prepayment, but full payment must be made in not more than four years and six months from the date of the exercise of the option. The period for exercising each option shall not exceed nine years from the date the option is granted. All options have been granted at 95% of the quoted market value at date of grant; this has been considered as the fair value. No charges on account of the options granted or exercised under either Plan have been reflected in the income statement.

PULLMAN, INCORPORATED
CR.—$16,019—"Capital Surplus: Excess of option price of capital stock issued over stated value (Note D)."

Note D: Stock Options—Under the Stock Option Incentive Plan, certain officers and key employes have been granted options to purchase shares of the authorized but unissued capital stock of Pullman Incorporated at prices which were 95% or more of the market value of the stock on the dates the options were issued. Transactions under the Plan during 1956 are summarized below:

	Shares issuable under outstanding options: Shares	Price per share	Unoptioned shares available under the Plan
Balance at Jan. 1, 1956	41,200	$41.375 to $57	49,000
Options granted	14,500	$63.65	(14,500)
Options exercised	(5,550)	$41.375 to $57	
Options canceled	(1,000)	$57	
Balance at Dec. 31, 1956	49,150	$41.375 to $63.65	34,500

Outstanding options for 34,650 shares are now exercisable. When shares are issued on exercise of options, the excess of the amounts paid for the shares over the stated value of the stock ($40 per share) is credited to capital surplus.

THE PURE OIL COMPANY
CR.—$1,092,800—"Paid-in Surplus: Excess of average amount received ($36.79 per share in 1956 and $34.65 per share in 1955) over par value ($5 per share) of common shares sold to the Trustees of the Employees' Savings and Stock Bonus Plan."

Note 5: At December 31, 1956, the company has 177,490 common shares available and reserved for issuance under its Employees' Savings and Stock Bonus Plan. Under an Incentive Stock Ownership Plan, options were granted to officers and employees on April 30, 1956, exercisable after two years, for the purchase of 118,900 common shares from the company at a price of $45.85 per share which was 95% of market value at such date. At December 31, 1956, 131,100 additional common shares were available and reserved for issuance under this Plan.

Stock Options and Stock Purchase

Capital Surplus

ARMSTRONG CORK COMPANY
CR.—$403,190—"Capital in excess of redemption price and par value of outstanding shares: (Note 3)."

Note 3: Under an "Employees' Stock Option and Stock Purchase Plan" there were outstanding at the beginning of the year options granted to employees to purchase 189,743 shares of common stock. During the year, (a) options were granted to purchase an additional 83,400 shares at $33.50 per share, (b) options were exercised to purchase 25,236 shares, and (c) options for 1,140 shares became unexercisable. At the close of the year, there were options outstanding for 246,767 shares. There were 163,140 shares at the beginning of the year and 80,880 shares at the end of the year available for the granting of options under the plan. The option prices are not less than 95% of the market price of the shares when granted. The excess, $403,190, of proceeds over the par values of shares sold through exercise of options was added to capital in excess of redemption price and par value of outstanding shares.

ATLAS POWDER COMPANY
CR.—$35,669—"Additional Paid In Capital."

Notes to Financial Statements: Additional Paid-In Capital—During 1956 additional paid-in capital was increased as follows:

Excess of:	
Proceeds over par value of 2,366 shares of common stock sold to employees pursuant to exercise of stock options	$35,669
Proceeds over par value of 810 shares of common stock sold to employees under stock subscription plan	34,579

Capital Stock: Under the stock option plan authorized by the stockholders, 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 dates of granting. In 1956 options were granted covering 27,410 shares. At December 31, 1956 options for 44,204 shares were outstanding and 9,671 shares were reserved for the granting of future options under the plan.

Under an employees' stock subscription plan, common stock was offered to eligible employees at a price equal to 85% of the market price on May 3, 1956. The plan provides that payments may be made in instalments over a maximum period of 24 months and that subscriptions may be cancelled at any time. At December 31, 1956 subscriptions for 3,219 shares were outstanding; in addition 3,664 shares were reserved for future sale to employees.

There are authorized 100,000 shares of cumulative preferred stock of $100 par value a share; none are outstanding.

BELL AIRCRAFT CORPORATION

CR.—$183,968—"Capital Surplus: Excess of amounts received over the par value thereof, for common stock issued under a restricted stock option agreement and the Employees' Stock Purchase Plan (Note 3)."

Note 3: Stock Option Incentive and Employees' Stock Purchase Plans—Under a Stock Option Incentive Plan approved by stockholders in 1956, options to purchase up to an aggregate of 150,000 shares of common stock were authorized to be granted to officers and key employes prior to December 31, 1966. At December 31, 1956 options had been granted under this Plan covering a total of 97,500 shares at an option price of $20.875 per share (100% of market on the date of grant), exercisable in five equal annual installments commencing June 26, 1958.

During 1956, the option to purchase 30,000 shares of common stock outstanding under a restricted stock option agreement made on September 7, 1951, was exercised at the option price of $6.84375 per share.

Pursuant to an Employes' Stock Purchase Plan which expires on December 31, 1961, 34,250 shares of the Corporation's common stock were reserved at December 31, 1956 for issuance to certain eligible employes at prices to be determined by the Board of Directors. Of such shares reserved, 21,850 were authorized for sale in 1957, 1958, and 1959 at $5.00 per share.

THE BLACK & DECKER MANUFACTURING COMPANY

CR.—$720,741—"Capital in excess of par value of common stock: Excess of sales price over par value of 263,613 shares of common stock sold under options."

Note C: At September 30, 1956, there were reserved for issuance pursuant to the Employees' Stock Purchase Plan adopted in January, 1954, 2,958 shares of the Company's Common Stock. These shares have been offered and subscribed at $29.875 per share totaling $88,370 (market $33.25 per share totaling $98,353). During the year 2,918 shares subscribed prior to October 1, 1955, at $25.00 per share totaling $72,950 (market $27.75 per share totaling $80,974) and 5,995 shares subscribed during the year ended September 30, 1956, at $29.875 per share totaling $179,101 (market $33.25 per share totaling $199,334) were issued under this plan. The option price is 90% of market price on the date of grant of the option. The stock is issued when paid for in full by cash or through weekly payroll deductions.

Under an Incentive Stock Option Plan adopted on September 1, 1955, 33,814 shares of Common Stock of the Company were reserved at September 30, 1956, for issuance to key officers of the Company.

On October 6, 1955, options were granted to the Company's officers to purchase 38,000 shares at $33.49 per share totaling $1,272,620 (market $35.25 per share totaling $1,339,500); 14,700 shares under these options were issued during the year upon exercise of the options (market at dates exercised ranging from $46.50 to $50.125 per share totaling $719,400). Options may be granted at any time prior to September 1, 1962, and each option may extend for a period of seven years from the date on which it is granted. The option price is 95% of market price on the date of grant of the option.

Proceeds from the sale of the stock issued under the above plans are credited to the Common Stock account to the extent of par value and the remainder to capital in excess of par value. . . .

THE NEW BRITAIN MACHINE COMPANY

CR.—$122,899—"Capital in Excess of Par Value of Shares: Excess, over par value, of proceeds received on shares of common stock issued under employees' stock purchase plan, 4,673 shares in 1956; 4,524 shares in 1955; less related expenses of $1,700 in 1956 and $1,625 in 1955—Note B."

Note B: Common Stock Reserved—At December 31, 1956, 74,913 shares of unissued Common Stock were reserved for issuance and sale to employees pursuant to stock subscription plans and restricted stock options which have been or may be authorized by the Board of Directors.

The Company, in June, 1956, offered to employees and accepted subscriptions for 6,000 shares at a price of $37.40 per share (based on average bid and ask price for week ended May 26, 1956) or market price, if lower, at time when total payments of any subscriber equal such market price. During the year 1956, subscriptions for 4,673 shares became fully paid and the shares were issued. At December 31, 1956, no 1954 or 1955 subscriptions were outstanding and partial payments on 1956 stock subscriptions for 5,477 shares totaled $118,488.

On March 23, 1956, the stockholders approved a plan whereby 35,000 shares of unissued Common Stock were reserved for sale to employees under a Selected Employees' Stock Option Plan. Pursuant to such plan restricted stock options were granted for 18,200 shares at $36.60 per share (95% of fair market price at date of option grant). The options become exercisable in equal annual amounts for five years beginning January 1, 1957, and the options expire December 31, 1965.

Stock Purchases

Capital Surplus

AMERICAN CYANAMID COMPANY

CR.—$60,795—"Capital Surplus: Premium ($9.00 per share) on shares of Cumulative Preferred Stock, Series D, issued under employees' stock purchase contracts."

LINK-BELT COMPANY

CR.—$831,650—"Additional paid-in Capital: Excess of market over par value of 13,610 shares of stock sold to officers and employees."

Notes to Financial Statements: The stockholders have authorized the sale of 94,322 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, 1956, 14,134 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, 1957, will be withdrawn from registration.

APPROPRIATIONS OF RETAINED EARNINGS

Inventory Purposes

CORN PRODUCTS REFINING COMPANY

CR.—$2,455,900—"Earned Surplus: Special item—nonrecurring credit resulting from stating the reserve for normal inventories to fixed prices, January 1, 1956, net of federal taxes on income—Note 2."

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 on 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.

Prior to 1956 the reserve under this method represented the difference between the normal stock inventory quantities at cost, or cost or market, whichever lower, and at fixed prices. The reserve was 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.

In 1956 the company decided to state the reserve for reduction of normal stock inventories to fixed prices net of effective Federal income normal tax and surtax and at December 31, 1956 the reserve is stated on that basis. As a result of this change in stating the reserve for reduction of normal inventories to fixed prices net of effective Federal taxes on income the January 1, 1956 reserve balance has been decreased in the amount of $2,455,900 and this reduction is presented as a special item in the statement of income. It has also resulted in a reduction of the charge to cost of sales of $450,768 for the year 1956 with an increase of a like amount in net income for the year.

In prior years the reserve for reduction of normal inventories to fixed prices has been deducted from the inventories. In the accompanying balance sheet it has been reclassified under the caption of reserves.

GENERAL CIGAR CO., INC.

CR.—$936,000—"Unappropriated Retained Earnings: Appropriations of retained earnings in prior years restored to unappropriated retained earnings: Inventory Adjustment, Insurance Reserve."

J. P. STEVENS & CO., INC.
CR.—$5,000,000—"Earned Surplus: Reserve for possible declines in the values of inventories returned to Earned Surplus."

SWIFT & COMPANY
CR.—$5,767,000—"Accumulated Earnings (After Providing Reserves): Restoration to accumulated earnings of reserves for high-cost additions to fixed assets of $27,000,000 and inventory price decline of $5,767,000."

UNITED STATES SMELTING REFINING AND MINING COMPANY
DR.—$230,305—"*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."

UNIVERSAL-CYCLOPS STEEL CORPORATION
CR.—$485,000—"Accumulated Earnings Employed in the Business: Elimination of appropriation made in prior years for inventory price adjustments and contingencies."

Property Purposes

CANADA DRY GINGER ALE, INCORPORATED
DR.—$335,033.99—"*Earned Surplus*: Increase in reserve for cases, for balance sheet purposes, to amount equal to 50% of ledger value of cases."

Note A: . . . The practice of the companies with respect to containers is to charge to income the cost of containers retired or otherwise disposed of, including those which, it is estimated, will not be returned by customers, less customers' deposits thereon and less sales proceeds, if any; and, for balance sheet purposes only, to provide a reserve for cases (equal to 50% of the ledger value thereof) from earned surplus. Container costs (net) so charged to income were $2,066,351 and $1,712,293 for the years ended September 30, 1956 and 1955, respectively.

SWIFT & COMPANY
CR.—$27,000,000—"Accumulated Earnings (After Providing Reserves): Restoration to accumulated earnings of reserves for high-cost additions to fixed assets of $27,000,000 and inventory price decline of $5,767,000."

Contingency Purposes

CARNATION COMPANY
CR.—$1,000,000—"Accumulated Earnings Retained in the Business: Restoration of accumulated earnings of reserve for contingencies provided in prior years."

CORY CORPORATION
DR.—$200,000—"*Earned Surplus*: Provision by subsidiaries for contingencies (applicable to periods prior to acquisition by Cory Corporation—see Note 2)."

Note 2: Reserve for Contingencies—Mitchell Manufacturing Company and its subsidiary, Pearce Products Corporation, are contingently liable for warranties, taxes, etc., applicable to periods prior to acquisition by Cory Corporation. The reserve of $1,179,972 for contingencies is considered adequate to cover such liabilities, net of related income tax reductions. Of the total reserve, $679,972 has been classified as a current liability and the balance of $500,000 as noncurrent.

THE ELECTRIC STORAGE BATTERY COMPANY
CR.—$2,834,083—"Earned Surplus: Transfer from reserve for contingencies."

UNITED CARBON COMPANY
CR.—$500,000—"Reinvested Earnings: Transferred from reserve for taxes and contingencies."

Capital Structure Purposes

ALLEN B. DU MONT LABORATORIES, INC.
CR.—$150,000—"Earnings Reinvested in the Business: Transfer of amounts appropriated in prior years for the retirement of preferred stock."

MOORE DROP FORGING COMPANY
DR.—$17,845—"*Earnings Retained in the Business*: Sinking Fund requirement for year ended October 31, 1956 for preferred stock."
CR.—$17,845—"Earnings Retained in the Business: Credit for retirement in year 1956 of 470 shares of cumulative preferred stock charged to earned surplus in 1955 for sinking fund requirement."

Note 4: The preferred stock is entitled to the benefit of a cumulative sinking fund payable out of the annual net earnings after preferred dividends, beginning with the first fiscal year ending after July 1, 1955, in an amount equal to 3% of the total par value of preferred stock outstanding July 1, 1955. For the fiscal year ended October 31, 1956 the amount of $17,845.50 has been set aside for retirement of preferred stock.

Insurance Purposes

GENERAL CIGAR CO., INC.
CR.—$200,000—"Unappropriated Retained Earnings: Appropriations of retained earnings in prior years restored to unappropriated retained earnings: Insurance Reserve."

UNITED FRUIT COMPANY
CR.—$979,024—"Earnings retained in business not specifically appropriated: Amount transferred from appropriated earnings representing self-insurance no longer required."

Employee Benefit Purposes

CRADDOCK-TERRY SHOE CORPORATION
CR.—$38,932.26—"Earned Surplus: Appropriated for Contingencies: Provision for retirement pay in excess of current requirements."

FEDERATED DEPARTMENT STORES, INC.
CR.—$9,738—"Capital in Excess of Par Value of Common Stock: Credits resulting from issuance of treasury stock under the contingent compensation plan."

SCOVILL MANUFACTURING COMPANY
DR.—$700,000—"*Earnings Retained and Used in the Business*: Provision for reserve for unfunded retirement benefits."

SHELL OIL COMPANY
CR.—$8,790,000—"Earnings Employed in the Business: Credit relating to pension plan contribution (Note 7)."

Note 7: Earnings Employed in the Business—Since inception of the Shell Pension Trust, the annual payments to the Trust, which have been charged to income, have been based upon rates determined by an independent actuary to cover current and past service costs attributable to each year. In addition, a special contribution was charged to surplus in 1945 and paid to the Trust in 1946. During 1956 this special contribution was used to meet a part of the 1956 required pension contribution, the full amount of which was charged to the income of the companies for the year, and resulted in the credit to surplus.

Tax Purposes

ANDERSON, CLAYTON & CO.
DR.—$1,957,842.58—"*Earned Surplus—Unappropriated*: Transferred to surplus appropriated for contingent tax liability (Note 4)."

Note 4: The Company and its subsidiaries have made full provision as of July 31, 1956, 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, 1956, this appropriation for theoretical tax liability amounted to $7,993,095.90 as compared with $6,035,253.32 as of July 31, 1955, an increase of $1,957,842.58 for the current year.

The reserve for Contingencies includes as of July 31, 1956, reserves for tax claims, fire losses, lawsuits, etc. aggregating $845,308.31 provided by foreign subsidiaries through charges to income in the amount of $809,556.61 and to surplus in the amount of $35,751.70.

GENERAL AMERICAN TRANSPORTATION CORPORATION
CR.—$1,575,000—"Earned Surplus: Reserve for income tax contingencies no longer required."

UNITED CARBON COMPANY
CR.—$500,000—"Reinvested Earnings: Transferred from reserve for taxes and contingencies."

Renegotiation or Price Redetermination Purposes

BOEING AIRPLANE COMPANY
CR.—$2,500,000—"Retained Earnings: Revision of allowance for renegotiation established for prior years."

Notes to Financial Statements: Renegotiation—In 1955 a charge was made to retained earnings of $8,746,702 (net of taxes) to provide for the additional estimated liability for renegotiation refunds for the years 1952, 1953, and 1954, based on the company's interpretation of the Renegotiation Board's unilateral determination that excessive profits of $2,946,702 (net of taxes) were realized in 1952. The Renegotiation Board subsequently determined unilaterally that excessive profits of $2,057,793 (net of taxes) were realized in 1953. Based upon the company's interpretation of this latter determination, the charge made to retained earnings at the end of 1955 was $2,500,000 more than is now estimated will be required, and this amount has been returned to retained earnings in 1956. Since the company's interpretation of the Board's determinations indicates that no refunds will be required for the years 1955 and 1956, no provision therefor has been made in the accounts.

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 and it is expected that the decision for the year 1953 will likewise be appealed.

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
DR.—$3,000,000—*"Earnings Retained for Use in the Business*: Provision for renegotiation refunds for prior years, net of taxes (Note 2)."

Note 2: Federal income tax matters have been cleared through 1954. Renegotiation proceedings have been concluded to December 31, 1952, except for the year 1951. The Company has paid a refund for 1951 as determined by the Renegotiation Board, but has petitioned the Tax Court of the United States for a redetermination of the excessive profits, if any, for that year. The Renegotiation Board has determined a net refund for the year 1953 amounting to approximately $1,340,000 after tax adjustments. The Company has not decided whether to accept this finding or appeal it to the Tax Court. Substantially all of the sales for 1954, 1955 and 1956 are subject to the Renegotiation Act of 1951. Even though the Company believes its profits are not and have not been excessive, the amount of $3,000,000 has been provided out of earnings retained for use in the business for the 1953 refund and any refunds which may be required for the years 1954 and 1955.

Production under one large contract has been delayed because of the late delivery of approved Government-furnished equipment. The Company has filed a request with the Government for a contract price adjustment because of this lag; however, as it is impossible to determine the outcome of this request, it has not been reflected in these statements.

SERVEL, INC.
DR.—$1,000,000—*"Deficit*: Provision for renegotiation of defense contracts (Note 1)."

Note 1: A substantial portion of the Company's business in recent years has been subject to the Renegotiation Act of 1951, which provides for refunds of profits on defense business which are determined to have been excessive under the standards prescribed by the Act. On January 17, 1957, the Renegotiation Board determined that the Company made excessive profits of $1,000,000 on its renegotiable business for its fiscal year ended October 31, 1953, and provision for such sum has been made in the accounts as at October 31, 1956; however, this determination may be appealed to the Tax Court of the United States at the option of the Company.

Special counsel for the Company has stated that in his opinion, since the facts concerning the renegotiable business of the Company for its fiscal years 1954 and 1955 differ in material respects from those for the fiscal year 1953, and since the Renegotiation Act requires the Board to take these differing facts into consideration in determining whether or not excessive profits were realized for such years, no appropriate basis exists for making an estimate of the possible liability, if any, of the Company for refunds on its renegotiable business for the fiscal years 1954 and 1955, and accordingly, no provision with respect thereto has been made therefor in the accounts.

Other Purposes

THE GILLETTE COMPANY
CR.—$125,000—"Additional Paid-in Capital: Recovery of reserve previously created out of Capital Surplus."

SWIFT & COMPANY
DR.—$1,762,969—*"Accumulated Earnings (After Providing Reserves)*: Appropriation to general reserve."

TIME INCORPORATED
DR.—$1,873,904—*"Earned Surplus (Accumulated Earnings Employed in the Business)*: Provision for excess of cost over quoted market prices of preferred stocks at December 31, 1956."

UNITED MERCHANTS AND MANUFACTURERS, INC.
DR.—$54,945—*"Surplus*: Appropriation to Statutory Reserves."

NONRECURRING LOSSES AND GAINS

Retained Earnings

ALLIED LABORATORIES, INC.
DR.—$181,720—*"Earned Surplus*: Deduct: Loss on disposal of Sioux City properties, net of related income tax benefit of $118,236."

COLLINS & AIKMAN CORPORATION
DR.—$181,689—*"Earned Surplus*: Loss on sale of spinning and top making plant in Bristol, R. I. (less reduction of $151,147 in taxes on income)."

HEARST CONSOLIDATED PUBLICATIONS, INC.
CR.—$6,453,085—"Earned Surplus: Surplus Credit—Net gain on sale of property (after provision of $2,268,753 for relevant Federal income taxes)."

METAL & THERMIT CORPORATION
CR.—$940,300—"Earned Surplus: Profit from sale of marketable securities less $313,400 federal tax thereon."

PENN-TEXAS CORP.
CR.—$4,846,364—"Earned Surplus: Extraordinary and non-recurring profit, less portion deferred pending realization."

Note 5: Sales of Property under Sale and Lease back Agreements—During the year 1956, three subsidiaries sold certain of their fixed properties under sale and lease back agreements. The profit on two of these transactions, proportionate to the cash received and the cash realized prior to February 20, 1957 upon the sale in 1957 of a first mortgage forming part of the consideration, has been reflected in the statement of consolidated income as "Extraordinary and Non-recurring Profit" and the portion of such profit proportionate to the amount of a second mortgage taken as part consideration has been deferred pending realization on such mortgage. The profit on the third transaction was nominal and the entire amount thereof ($15,328) is included in the amount of "Extraordinary and Non-recurring Profit."

The aggregate profit on these transactions has been determined by deducting from the total sales price the net book value of the assets sold (including in such net book value the applicable portion, $1,381,488, of "excess cost" on consolidation, i.e., net excess of cost of investment over total underlying net assets of such subsidiaries at acquisition dates), expenses attributable to such sales including discount on sale of first mortgage, $1,144,973, and the entire amount of Federal income tax applicable to such profit, $2,316,121.

For Federal income tax purposes the company proposes to report the profit on these transactions under the instalment sales method. Accordingly, the portion of the tax applicable to the deferred part of the taxable profit (with appropriate adjustment for realization of first mortgage as above) has been reflected in the consolidated balance sheet as a non-current liability.

Reference is made to note 12 for information with respect to rentals under the sale and lease back agreements.

SCOTT PAPER COMPANY
CR.—$1,228,965—"Reinvested Income: Gain on sale of Ontario timberlands."

SERVEL, INC.
CR.—$511,767—"Deficit: Profit on sale of land, buildings, and equipment in connection with disposal of Commercial Refrigeration Division."

SIMMONS COMPANY
DR.—$6,505,410—*"Earned Surplus*: Net charge resulting from disposition of textile subsidiaries and related investments (Note 1)."

Note 1: On February 29, 1956, Simmons Company sold its investments in its wholly owned textile subsidiaries together with the net assets of a division of Simmons Company which functioned as selling agent for these subsidiaries. Subsequently, during 1956, the Company sold its investments in a bank and an employees' club related to the textile operations. Earned Surplus has been charged with $6,505,410 as a net result of these sales.

UNIVERSAL-CYCLOPS STEEL CORPORATION
DR.—$319,570—*"Accumulated Earnings Employed in the Business*: Flood loss $696,570, less reduction in income tax provision ($377,000)."

Capital Surplus

GOEBEL BREWING COMPANY
DR.—$102,810—*"Surplus from merger of subsidiary*: Statement of Net Earnings and Earnings Retained, under Special and Non-Recurring Items: Losses resulting from sale of the company's Oakland, California plant; less amount charged against capital surplus arising at acquisition of the same plant, and less proportionate share of recoverable federal income taxes."

PRIOR YEAR ADJUSTMENTS—FIXED ASSETS AND DEPRECIATION

Retained Earnings

VEEDER-ROOT INCORPORATED
CR.—$25,503—"Earnings Retained for Business Needs: Prior years' expenses capitalized for tax purposes by Internal Revenue Service."

Capital Surplus

THE BORDEN COMPANY
CR.—$144,826—"Capital Surplus: (Note 4)."

Note 4: Capital Surplus—Capital surplus increased during 1956 by $814,015 representing: the excess of consideration received over the par value of capital stock issued from the treasury for the acquisition of new businesses less the excess of cost over par value of capital stock acquired, $331,903; the excess of the option price over the par value of the shares issued pursuant to options exercised, $337,286; and proceeds from disposals of properties previously written off against capital surplus, $144,826.

CHILE COPPER COMPANY
CR.—$10,893,231—"Surplus: Adjustment of prior years' depreciation—See Note F."

Note F: Adjustment of Prior Years' Depreciation—In order to comply with Chilean income tax requirements, $10,893,231 was credited to Surplus during the year 1956. This adjustment reinstated depreciation deducted prior to 1934 from which no benefit was derived in the computation of Chilean income tax but which is allowable as a deduction in computing taxable income in future years. Net income for the year 1956 is not affected.

PRIOR YEAR ADJUSTMENTS—TAXES

Retained Earnings

AMERICAN VISCOSE CORPORATION
CR.—$6,684,000—"Retained Earnings: Refund of Federal Taxes on Income and Reversal of Excess Tax provisions, Note 2."

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 World War II excess profits taxes were settled early in 1956—see page 6.

Financial Review: Under an agreement with the Internal Revenue Service relating to claims for relief from World War II excess profits taxes, the Corporation received in 1956 a net tax refund of $3.5 million. Settlement of these claims also released income tax provisions of $3.2 million. The total of $6.7 million has not been included in income for the year but has been added to retained earnings. Interest of $1.8 million received on the net tax refund was reduced by income taxes and related expenses to $757,000, which has been included in the earnings for 1956.

ARTLOOM CARPET CO., INC.
CR.—$44,487.58—"Earnings Retained in Business: Prior year adjustments arising out of Federal Taxes, Years 1950 to July 30, 1955 inclusive."

General Notes: Federal Income Taxes—Federal Tax Returns have been examined to the end of year July 30, 1955 and the Statements herewith reflect the settlements arising therefrom.

CONSOLIDATED PAPER COMPANY
CR.—$11,076.35—"Retained Earnings: Net adjustments resulting from examination of federal income tax returns through the year 1954."

THE CUNEO PRESS, INC.
DR.—$310,000—*"Retained Earnings*: Provision for additional Federal Income Taxes for years prior to 1954."

President's Letter to Stockholders: The Federal income tax returns of The Cuneo Press, Inc. and its subsidiaries, for the years 1950 through 1953, have been audited and a settlement made with the Treasury Department.

THE DRACKETT COMPANY
DR.—$21,052.89—*"Retained Earnings*: Federal Income Tax adjustments—prior years."

M. H. FISHMAN CO., INC.
DR.—$13,891—*"Surplus Earned*: Additional Federal Income Taxes—Prior Years."

INTERNATIONAL HARVESTER COMPANY

INVESTMENT IN SUBSIDIARY COMPANIES

	Oct. 31, 1956	Oct. 31, 1955
International Harvester Company Argentina	$ 10,000,000	$ 10,000,000
International Harvester Company of Australia, Proprietary Limited	10,269,405	10,269,405
International Harvester Company of Belgium, S.A.	658,895	658,895
International Harvester Maquinas, S.A. (Brazil)	3,008,542	3,008,542
International Harvester Company of Canada, Limited	15,000,000	15,000,000
Aktieselskabet International Harvester Company (Denmark)	761,966	761,966
International Harvester Company of East Africa, Limited	400,008	400,008
Compagnie Internationale des Machines Agricoles, McCormick-Deering (France)	8,562,953	9,062,103
International Harvester Company, m.b.H. (Germany)	480,000	480,000
International Harvester Company of Great Britain, Limited	6,633,323	6,633,323
International Harvester Company of Mexico, S.A. de C.V.	2,240,678	2,240,678
International Harvester Company of New Zealand, Limited	1,440,000	1,440,000
International Harvester Company of Philippines	500,000	500,000
Macleod and Company of Philippines	250,000	250,000
International Harvester Company (S.A.) Proprietary Limited (South Africa)	480,000	480,000
Aktiebolaget International Harvester Company (Sweden)	1,577,895	1,577,895
International Harvester Company of Uruguay, S.A.	983,636	983,636
International Harvester Credit Corporation	30,000,000	30,000,000
International Harvester Export Company*	10,000,000	10,000,000
The Frank G. Hough Co.	8,189,284	6,429,284
The Metropolitan Body Company	1,496,921	1,496,921
Miscellaneous		
Companies operating in foreign countries	397,213	371,355
Companies operating in the United States	425,000	425,000
Total	$113,755,719	$112,469,011

*Exports from the United States to subsidiary companies and jobbers.

NOTES

A. The Company's subsidiaries have fiscal years ending October 31, excepting five Southern Hemisphere subsidiaries which have fiscal years ending June 30.

B. The Company's equity in the 1956 net income of the above subsidiaries was $31,569,787, and reflects an exchange loss of approximately $2,750,000 resulting from a decline in the value of the Argentine peso.

The cash dividends paid to the Company by the subsidiaries in 1956 were $17,710,306 before deduction of withholding taxes, etc., amounting to $1,264,470.

C. The total investment of $113,755,719, as of October 31, 1956, consisted of investment in capital stock of $113,236,004 and advances of $519,715. As of October 31, 1955, the investment in capital stock was $111,449,296, advances $1,019,715. The Company's equity in the subsidiaries' net assets at the close of their 1956 fiscal years was $271,450,866, or $157,695,147 in excess of the carrying value of its investment in the subsidiaries (see page 8). This excess represents, generally, accumulated net income of subsidiaries less distributions.

D. Foreign net current assets were converted generally at the official or controlled exchange rates prevailing at the close of the subsidiaries' fiscal years, except inventories of goods of Company manufacture held by foreign subsidiaries which were stated generally on the basis of the United States dollar cost to them. Plant property and related reserves were converted generally at rates of exchange prevailing at dates of construction or acquisition. Exchange rates and transactions involving foreign exchange are subject to the control of the various foreign governments.

JONES & LAMSON MACHINE COMPANY
DR.—$191,918.95—"*Surplus*: Prior Year Adjustments —Taxes, etc.—Net."

NATIONAL DAIRY PRODUCTS CORPORATION
CR.—$1,919,690—"Earned Surplus: Refund of prior years' Federal income taxes, including interest of $1,527,-989 less Federal Income Taxes of $794,554 applicable thereto."
CR.—$1,343,720—"Earned Surplus: Reduction of reserve for prior years' Federal Income Taxes."

THE OHIO MATCH COMPANY
DR.—528,427—"*Earned Surplus*: Adjustment of Hunt Foods, Inc. Federal Income taxes applicable to prior years."

POLAROID CORPORATION
DR.—$51,559—"*Accumulated Retained Earnings*: Prior Years Tax Adjustments—Net."

SCHENLEY INDUSTRIES, INC.
CR.—$529,000—"Earned Surplus: Reserve for state income taxes no longer required, less Federal income taxes relating thereto."

SERVEL, INC.
DR.—$1,439,800—"*Deficit*: Write-off of income tax effect relating to receipts received in prior years from extended warranty service contracts (Note 4)."

Note 4: It has been the policy of the Company to exclude from income all amounts received from the issuance of extended warranty contracts and to treat such amounts as reserves for the subsequent cost of carrying out such commitments.

For Federal income tax purposes, however, the amounts received for warranty contracts are includable in taxable income of the year in which received, whereas the costs incurred in providing warranty services become deductible only when the expenditures are made.

To avoid distortion of its income statements the Company in 1950 adopted the generally accepted accounting practice of deferring as a charge to income of future years the tax effect of the current net increase in the reserves, and in its financial statements applied such deferred tax effect against its warranty reserves.

Because of the losses from operations experienced by the Company in recent years and the effect of the five-year loss carry-forward provisions of the Internal Revenue Code, the Company has re-examined its accounting policy of deferring such income tax effects and has concluded that such policy is no longer appropriate under the presently existing conditions. Accordingly, such policy has been discontinued and the amounts deferred in prior years, aggregating $1,439,800, have been charged to deficit account, with a resulting increase of an equivalent amount in the warranty reserves.

WILSON & CO., INC.
CR.—$645,005—"Retained Earnings: Federal income tax reductions applicable to above special charges for Chicago plant losses."

Capital Surplus

JOHNSON & JOHNSON
CR.—$51,510—"Earnings Capitalized and Other Additions to Capital."

Note 6: The increase in 1956 resulted from . . . refund of income tax which was charged to this account in prior years $51,510 . . .

PRIOR YEAR ADJUSTMENTS—MISCELLANEOUS

Retained Earnings

BATH IRON WORKS CORPORATION
CR.—$760,000—"Earnings Retained in the Business: Adjustment of estimated retainable earnings applicable to prior years in connection with contracts completed in December, 1956, less Federal income taxes thereon."

Note 1: Earnings—The company follows the practice of recording estimated retainable earnings on long-term shipbuilding contracts by applying the percentages of completion in each year to the estimated final retainable earnings for the respective contracts. In the case of long-term contracts with the Department of the Navy, the percentages used are furnished by U. S. Navy representatives.

CALUMET & HECLA, INC.
CR.—$2,589—"Earned Surplus: Adjustment of prior years dividends."

JONES & LAMSON MACHINE COMPANY
DR.—$100,572.70—"*Surplus*: Net Renegotiation Refund for 1952."

Report to Stockholders: Renegotiation—During 1956 your Company's renegotiation was settled for the year 1952 at a net cost of $100,572.70. Clearance in renegotiation was obtained for the year 1953. In the opinion of your management, no excessive profits will be determined for the years 1954, 1955 and 1956.

A. O. SMITH CORPORATION
DR.—$1,850,000—"*Earnings Reinvested in Business*: Provision for possible adjustment of claims relating to discontinued defense production, net of income taxes (applicable principally to 1954 and 1953)."

Capital Surplus

PENN-TEXAS CORP.
CR.—$11,463—"Capital Surplus: Adjustment of undistributed earnings of subsidiary companies applicable to period prior to September 30, 1955."

VARIOUS OTHER TRANSACTIONS

Retained Earnings

BALDWIN-LIMA-HAMILTON CORPORATION
DR.—$5,154,658—"*Accumulated earnings reinvested in the business*: Charges attributable to consolidation and rearrangement of operating facilities, including losses from related disposals of properties and equipment and adjustments of carrying values of parts, drawings and patterns, net of related tax credit of $4,210,000 (the income account was charged with $2,735,000 of such credit representing an amount equivalent to taxes on 1956 income, and the balance of $1,475,000 has been shown in the balance sheet as Federal income tax refundable)."

THE FEDERAL MACHINE AND WELDER COMPANY
CR.—$32,781—"Earned Surplus: Transfer of depreciation on war emergency facilities from capital surplus."

McGRAW-HILL PUBLISHING COMPANY, INC.
DR.—$549,427—"*Income Retained in the Business*: Increase in unexpired subscriptions."

A. O. SMITH CORPORATION
DR.—$291,895—"*Earnings Reinvested in Business*: Provision for vacation pay, net of income taxes (Note 1)."

Note 1: It has been the practice of the Company to charge earnings each year for the amount of all vacation pay actually paid during the year. As at July 31, 1956, however, the Company made provision for vacation pay earned but unpaid at that date to all salaried employees and to those hourly workers who were employed under union contracts providing for accrual of vacations. This provision after deduction of the related tax credits has been charged to earnings reinvested in business. The comparable amount of vacations accrued and unpaid at July 31, 1955 was not precisely determined but it is believed it would not have been materially different from that computed at July 31, 1956.

Retained Earnings and Capital Surplus

STUDEBAKER PACKARD CORPORATION

DR.—$48,260,412—"*Capital Surplus*: Deficit at November 2, 1956 (loss for the year to that date, $104,214,-183; less earned surplus at beginning of year, $55,953,771) transferred to capital surplus pursuant to action of Board of Directors."

CR.—$48,260,412—"Earned Surplus: Deficit at November 2, 1956 (loss for the year to that date, $104,214,-183; less earned surplus at beginning of year, $55,953,771) transferred to capital surplus pursuant to action of Board of Directors."

Capital Surplus

SPERRY RAND CORPORATION

DR.—$144,946—"*Capital Surplus*: Miscellaneous adjustments."

SQUARE D COMPANY

CR.—$120,425—"Additional Paid-In Capital: Excess of fair value over cost of 6,625 shares of Common Stock in treasury contributed to Square D Foundation."

SECTION 462, 1954 INTERNAL REVENUE CODE

LERNER STORES CORPORATION

DR.—$144,000—"*Earned Surplus*: Adjustment of prior year's provision for Federal income taxes due to the repeal of Section 462 of the Internal Revenue Code of 1954."

Section 5 AUDITOR'S REPORT

SHORT-FORM AUDITOR'S REPORT

The short-form type of report 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. The Committee on Auditing Procedure of the American Institute of Certified Public Accountants is continuing 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 auditor'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 Certified Public 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 auditor's report differs in physical presentation from the recommended short-form, the principal change being one of formation. The opinion and scope are usually combined in a single paragraph, with the opinion sentence appearing first.

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 *American Maize-Products Company* and subsidiary as of December 31, 1956, 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

Of the annual reports of the 600 survey companies 591 contained, as shown in Table 1, the recommended short-form auditor's report or its modified version. Minor wording variations were found in 240 of the 500 which used the recommended short-form. The remaining reports were comprised of 91 modified short-form reports and 9 which used various other forms.

Wording Variations

Table 1 indicates that the auditors' reports appearing in the annual reports of the 600 survey companies are frequently presented with variations in form or wording. Among these variations were the following items, which are summarized as follows:

40 reports refer to "similar examination for the preceding year" (*Co. Nos. 29, 50, 83, 338, 351, 353).

44 reports modified the phrase "for the year then ended" in the scope and opinion paragraphs to read "for the year ended" (*Co. Nos. 59, 89, 293, 306, 417, 489).

23 reports amplified the clause "in conformity with generally accepted accounting principles" to read "and were prepared in conformity with generally accepted accounting principles" (*Co. Nos. 107, 126, 144, 253, 336, 355).

*Refer to Company Appendix Section.

TABLE 1: SHORT-FORM AUDITOR'S REPORT

Number of Reports With:	1956	1955	1954	1950
"Recommended Short-Form of Report" with *scope* set forth in first paragraph and *opinion* stated in a following paragraph: Adopted:				
In full	260	231	224	251
With minor wording variations	240	261	271	265
"Modified Short-Form Report" with *opinion* stated in opening sentence of a single paragraph form	89	93	88	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	9	13	15	16
	600	600	600	600

18 reports shortened the last clause in the opinion paragraph to read "generally accepted principles applied on a consistent basis" (*Co. Nos. 69, 297, 380, 385, 466, 537).

10 reports included in the last clause the words "in all material respects" with regard to the consistency phrase (*Co. Nos. 86, 129, 153, 210).

included references to a detailed audit of the transactions and the system of internal control (*Co. Nos. 294, 454).

The 1948 revision of the recommended short-form report eliminated the reference to a review of the system of internal control since it is implied in the wording "generally accepted auditing standards."

"GENERALLY ACCEPTED AUDITING STANDARDS"

Table 2 indicates that only 4 of the survey company annual reports deviated from the recommended report statement that the auditor's examination has been made "in accordance with generally accepted auditing standards." Two companies contained reports in which the auditor stated that the examination was made "in accordance with generally accepted auditing standards" with certain exceptions (*Co. Nos. 27, 523). The remaining two reports

"SUCH OTHER AUDITING PROCEDURES"

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" was contained in 597 of the auditors' reports of the 600 survey companies.

Table 3 indicates that three companies deviated from

*Refer to Company Appendix Section.

TABLE 2: AUDITING STANDARDS

Auditor's Report	1956	1955	1954	1950
States that the examination was made in accordance with "generally accepted auditing standards"	596	591	595	593
States that the examination was made in accordance with "generally accepted auditing standards" with certain exceptions	2	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	2	3	3	3
Omits reference to "generally accepted auditing standards"	—	2	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	—	1	1	1
	600	600	600	600

TABLE 3: AUDITING PROCEDURES

Auditor's Report	1956	1955	1954	1950
States that the examination "included such other auditing procedures as we considered necessary in the circumstances"	542	534	533	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. No. 510)	1	4	4	5
A. Refers to the omission of certain normal auditing procedures and the employment of *other procedures*	52	52	54	24
B. Refers to the omission of certain normal auditing procedures, the employment of other procedures and *describes* such procedures (*Co. Nos. 27, 45)	2	3	2	3
	597	593	593	590
Indicates that the examination *included all procedures which were considered necessary* (*Co. No. 454)	1	4	4	6
States "have examined or tested accounting records of the company and other supporting evidence by methods and to the extent deemed appropriate" (*Co. No. 294)	1	2	2	2
Omits reference to "such other auditing procedures" or phrase similar in meaning thereto (*Co. No. 319)	1	1	1	2
	600	600	600	600

*Refer to Company Appendix Section.

the recommended terminology. In the case of one company (*Johnson & Johnson*) the auditor's report omitted any reference to "such other auditing procedures."

Omission of Auditing Procedures

Table 4 discloses that 55 of the auditors' reports of the 1956 survey companies revealed 58 instances of omission of certain normal auditing procedures. Of these, 54 omissions pertained to the confirmation of accounts receivable, including 50 with regard to U. S. Government accounts, in which it was stated that other auditing procedures had been applied (*Co. Nos. 207, 255, 362, 470, 523). It is of interest to note that only six (*Co. Nos. 27, 45, 189, 218, 510, 537) of the 55 auditors' reports did not contain the phrase "but we satisfied ourselves" with regard to the application of other auditing procedures. This wording was recommended in Statement 26 "Reporting on Use of 'Other Auditing Procedures'" issued by the Committee on Auditing Procedure in April, 1956. All auditors' reports expressed unqualified opinions as to those items to which the omissions related.

Representative examples are as follows:

Confirmation of Accounts Receivable —U. S. Government

To the Shareholders of Baldwin-Lima-Hamilton Corporation: We have examined the balance sheet of *Baldwin-Lima-Hamilton Corporation* as of December 31, 1956, and the related statements of income and surplus for the year then ended. We were unable to obtain confirmation of certain amounts due from the United States Government but we satisfied ourselves as to such amounts 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.

In our opinion, the accompanying balance sheet and the statements of income and surplus present fairly the financial position of *Baldwin-Lima-Hamilton Corporation* at December 31, 1956, 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.—*Report of Auditors—February 6, 1957.*

To the Stockholders of The Haloid Company: We have examined the consolidated balance sheet of *The Haloid Company* and its wholly-owned subsidiary as at December 31, 1956 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. It was not practicable to confirm receivables from governmental agencies, but we satisfied ourselves as to their substantial accuracy by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and statements of income and surplus present fairly the consolidated financial position of *The Haloid Company* and its wholly-owned subsidiary as at December 31, 1956 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—March 1, 1957.*

Confirmation of Accounts Receivable —Accounts Other than U. S. Government

To the Share Owners and the Board of Directors of General Dynamics Corporation: We have examined the

*Refer to Company Appendix Section.

consolidated balance sheet of *General Dynamics Corporation* (a Delaware corporation) and subsidiaries as of December 31, 1956, 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, 1956, 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 18, 1957.*

Confirmation of Accounts Receivable —Various Other Debtors

To the Stockholders and Board of Directors of Burroughs Corporation: In our opinion, the accompanying statements present fairly the consolidated financial position of *Burroughs Corporation* and its subsidiary companies at December 31, 1956, and the results of their operations for the year, in conformity with generally accepted accounting principles. These principles have been applied on a basis consistent with the preceding year, except for the change, which we approve, described in Note 1. Our examination of the 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. Receivables from the United States Government and certain other prime contractors aggregating approximately $13,050,000 were not confirmed by direct correspondence, but we satisfied ourselves as to these amounts by means of other auditing procedures.—*Accountant's Report—February 16, 1957.*

To the Stockholders of Universal Match Corporation: In our opinion, the accompanying financial statements and notes thereto present fairly the consolidated financial position of *Universal Match Corporation* and subsidiaries at December 31, 1956, 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. Our examination of these 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; it was not practicable to confirm the receivables from the U. S. Government and Armament Contractors, but we have satisfied ourselves with respect to such receivables by means of other auditing procedures.—*Accountant's Report—February 26, 1956.*

Confirmation of Accrued Commissions

To the Directors and Stockholders of Fort Pitt Industries, Incorporated: We have examined the balance sheet of *Fort Pitt Industries, Incorporated* as of October 31, 1956, 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. At the request of the company we did not confirm accrued salesmen's commissions by direct correspondence, but were able to satisfy ourselves as to this amount by other auditing means.

The name of the company was changed from Fort Pitt Brewing Company to *Fort Pitt Industries, Incorporated* on October 23, 1956. The accompanying financial statements include operations of the Jacob Siegel Company Division and the Windsor Overcoat Company Division from April 24, 1956, the date of acquisition of these companies by Fort Pitt Brewing Company, to October 31, 1956.

In our opinion, subject to the ultimate loss that will be sustained on disposition of nonoperating plant and equipment referred to in Note 3, the accompanying balance sheet and statements of income and surplus present fairly the financial position of *Fort Pitt Industries, Incorporated* at October 31, 1956, 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.—*Auditors' Statement—December 14, 1956.*

Note 3: Property, plant, and equipment are stated at cost to the respective companies. During the year the major portion of the equipment located at the closed Jeannette, Pennsylvania, plant was sold. No provision has been made in the accompanying financial statements for the ultimate loss that will be sustained in the disposition of the land, buildings, and the remaining equipment at this plant, which are carried at a net book value (cost less accumulated depreciation) of $1,066,515. The amount which will be realized on the eventual sale of these assets is not presently determinable, but a substantial loss may be incurred. Proposed additions to the brewing and grain storage facilities at the Sharpsburg, Pennsylvania, plant, for which expenditures for engineering and architects' fees totaling $104,356 (included in the buildings account) were made in prior years, have been deferred.

Observation and Test of Inventories

To the Board of Directors, Alaska Pacific Salmon Company: We have examined the balance sheet of *Alaska Pacific Salmon Company* (a Nevada corporation) as at March 31, 1956 and the related statements of income of *Alaska Pacific Salmon Company* for the three months ended March 31, 1955 and the fiscal year ended March 31, 1956, and of Bristol Bay Packing Company for the four months prior to its liquidation on April 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 that it was not practicable for us to make physical tests of inventories and supplies located in Alaska amounting to $360,189.34 (of which $123,833.27 is classified as current on the annexed balance sheet), as to which we have satisfied ourselves by means of other auditing procedures.

In our opinion, the accompanying balance sheet and statements of income present fairly the financial position of *Alaska Pacific Salmon Company* at March 31, 1956 and the results of its operations for the three months ended March 31, 1955 and for the fiscal year ended March 31, 1956 (combined with those of Bristol Bay Packing Company for the periods prior to the latter's liquidation on April 30, 1955), in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountant's Report—May 8, 1956.*

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, 1956, 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 $8,277,343 at the beginning of the year and $7,460,474 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 $1,409,950 at the beginning of the year and $1,851,638 at the end of the year, our examination included observation of inventory-taking procedures and test 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, 1956, 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. *—Accountant's Report—February 19, 1957.*

Marchant Calculators, Inc.: We have examined the balance sheet of *Marchant Calculators, Inc.* as of December 31, 1956 and the related 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, except that it was not practicable for us to make physical tests of inventories of calculators located at Company field offices throughout the United States. We have satisfied ourselves with respect to such inventories by means of other auditing procedures.

In our opinion, the accompanying balance sheet and related statement of income and earned surplus present fairly the financial position of the Company at December 31, 1956 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' Certificate—January 29, 1957.*

Explanation of Auditing Procedures

As shown in Table 4, only two companies (*Co. Nos. 59, 305) revealed instances in which the auditor's report provided explanation of certain normal auditing procedures.

The following examples illustrate the methods used in the 1956 annual reports to discuss certain auditing procedures used:

Confirmation of Accounts Receivable

Board of Directors, Archer-Daniels-Midland Company: We have examined the consolidated financial statements of *Archer-Daniels-Midland Company* and its consolidated subsidiaries for the year ended June 30, 1956. 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 previously made a similar examination of the prior year financial statements.

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. We reviewed the pricing and clerical accuracy of the inventories.

In our opinion, the accompanying balance sheet and statement of profit and loss and reinvested earnings present fairly the consolidated financial position of *Archer-Daniels-Midland Company* and its consolidated subsidiaries at June 30, 1956, 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 15, 1956.*

Observation and Test of Inventories

Board of Directors of Indian Head Mills, Inc.: We have examined the balance sheet of *Indian Head Mills, Inc.* as at December 1, 1956 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 1, 1956 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.*—Accountant's Report—January 4, 1957.*

STANDARDS OF REPORTING

In 1954 the Committee on Auditing Procedure of the American Institute of Certified Public 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.

*Refer to Company Appendix Section.

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.

PRESENTATION OF FINANCIAL STATEMENTS

In Conformity with Generally Accepted Accounting Principles

Two of the 600 auditors' reports revealed exceptions to the statement that the "financial statements were presented in conformity with generally accepted principles of accounting."

The example which follows indicates the treatment given to such a situation in the auditor's report:

TABLE 4: AUDITING PROCEDURES

Normal Procedures Omitted	1956	1955	1954	1950
Confirmation of Accounts Receivable, with report—				
Stating that other procedures were employed:				
For government accounts (*Co. Nos. 75, 116, 222, 276, 470)	50	48	52	23
For foreign accounts (*Co. No. 253)	1	1	1	3
For other accounts (*Co. Nos. 116, 573)	2	2	2	—
Detailing the other procedures employed for foreign accounts (*Co. No. 27)	1	1	1	1
Confirmation of Accounts Payable, with report—				
Stating that other procedures were employed for government accounts	—	1	1	1
Confirmation of Accrued Salesmen's Commissions, with report—				
Stating that other procedures were employed (*Co. No. 241)	1	—	—	—
Observation and Test of Inventories, with report—				
Stating that other procedures were employed (*Co. Nos. 11, 361)	2	3	1	1
Detailing the other procedures employed (*Co. No. 45)	1	2	1	1
Not referring to other procedures	—	1	—	2
Verification of Investment in Subsidiary, with report—				
Detailing the other procedures employed	—	—	—	1
Not referring to other procedures	—	1	1	2
Total	58	60	60	35
Normal Procedures Explained				
Confirmation of Accounts Receivable (*Co. No. 59)	1	2	3	5
Confirmation of Accounts Payable	—	—	—	1
Observation and Test of Inventories (*Co. Nos. 59, 305)	2	6	8	12
Verification of:				
Cash or securities	—	—	3	5
Investment in subsidiaries	—	—	—	1
Property accounts	—	—	1	1
Total	3	8	15	25
Number of Reports				
Containing no reference to the omission of auditing procedures and no explanation regarding auditing procedures employed	542	534	531	554
Containing no reference to the omission of auditing procedures with supplementary explanation of certain normal auditing procedures employed	2	6	8	13
Referring to the omission of certain normal auditing procedures	55	59	60	30
Omitting reference to "auditing procedures"	1	1	1	3
Total	600	600	600	600

*Refer to Company Appendix Section.

WORKING CAPITAL CHANGES

year ended June 30, 1956

The Colorado Fuel and Iron Corporation

and subsidiaries

Additions to Working Capital:		
Net income from operations		$ 16,662,653
Net increase in long-term notes payable to banks		10,750,000
Provision for depreciation and depletion		9,268,969
Federal income taxes deferred to future years		1,269,200
Other changes—net		1,606,024
		39,556,846
Deductions from Working Capital:		
Expenditures for plant and equipment	$ 26,431,552	
Cash dividends declared on preferred and common stocks	6,486,045	
Decrease in long-term first mortgage indebtedness	2,229,000	35,146,597
Increase in Working Capital		$ 4,410,249
Working Capital per Consolidated Balance Sheets:		
June 30, 1956:		
Current assets	$125,435,222	
Current liabilities	54,321,373	$ 71,113,849
June 30, 1955:		
Current assets	$108,277,397	
Current liabilities	41,573,797	66,703,600
Increase in Working Capital		$ 4,410,249

TABLE 5: STANDARDS OF REPORTING

Auditor's Report	1956	1955	1954	1950
Generally Accepted Principles of Accounting				
States that the financial statements are presented in accordance with generally accepted principles of accounting	598	599	596	599
Sets forth exceptions to the presentation of the financial statements in accordance with generally accepted principles of accounting (*Co. Nos. 138, 241)	2	1	4	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	562	513	468	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	38	87	131	92
Omits reference to consistent observation of generally accepted principles of accounting	—	—	1	1
	600	600	600	600
Informative Disclosures				
Contains informative disclosures or explanatory remarks	14	24	19	21
Does not contain informative disclosures or explanatory remarks	586	576	581	579
	600	600	600	600
Expression of Opinion				
Contains an unqualified expression of opinion	549	501	443	489
Contains a qualified expression of opinion	50	99	157	111
Contains a partial disclaimer of opinion (*Co. No. 493)	1	—	—	—
	600	600	600	600

*Refer to Company Appendix Section.

Deferred Development Costs

To the Stockholders of Chesapeake Industries, Inc.: We have examined the consolidated balance sheet of *Chesapeake Industries, Inc.* and subsidiaries as of December 31, 1956 and the related statements of consolidated earnings and surplus for the year then ended. Our examination, which included all companies except Colonial Trust Company representing approximately 17% 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 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 a subsidiary has deferred net expenses of $981,557 incurred substantially in 1956 in a new business venture, as these expenses have been regarded as development costs. As any benefit which will accrue from the deferred expenses depends entirely on the future success of the enterprise, we are unable to express an opinion as to the propriety of this deferment.

In our opinion, based upon our examination and upon the report furnished to us and subject to the qualification in the preceding paragraph, 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, 1956 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.—*Accountants' Report—February 18, 1957.*

Note 2: Deferred Expenses—Pathecolor, Inc., a subsidiary which commenced the processing of amateur color film in August, 1956 has deferred all expenses, less income ($981,557 net) as the company regards these net expenses as development costs.

Another subsidiary deferred in 1955 engineering costs and expenses as applicable to its development of a new line of partitions. These costs are being amortized over a five year period. At December 31, 1956 the unamortized balance amounted to $174,064.

Miscellaneous deferred expenses amount to $220,179.

Accounting Principles Consistently Observed

The number of reports revealing exceptions to the consistent application of generally accepted accounting principles continued to decrease during 1956. Table 5 indicates that there were 38 in 1956 as compared with 87 in 1955.

Examples selected from 1956 reports illustrating the treatment of these exceptions are set forth in the section titled *Examples of Qualified Opinions—1956.*

Expression of Opinion

An unqualified expression of opinion was given in 549 of the auditors' reports of the 600 survey companies. Fifty reports contained qualified expressions of opinion and a partial disclaimer of opinion was given in one report. (Refer to Tables 5, 6, and 7.)

Table 6 reveals there were 57 instances of qualification in the 50 qualified auditors' reports. Changes in accounting for depreciation, depletion and amortization; principles of consolidation; and inventory pricing methods remain in

1956, as in 1955, the principal reasons for qualifying the auditor's report.

Thirty-seven of the changes in consistent application of or deviation from generally accepted principles, as shown in Table 7, were made with the specific approval of the auditor. The remaining 10 instances were neither approved nor disapproved.

Examples of Qualified Opinions—1956

The examples which follow illustrate the presentation of qualified opinions in the 1956 annual reports:

Change in Basis of Consolidation

To the Board of Directors, The Duplan Corporation: We have examined the consolidated financial position of *The Duplan Corporation* and subsidiary companies as at September 30, 1956, and the related consolidated statements of operations and earnings reinvested 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 consolidated financial position and consolidated statements of operations and earnings retained in the business present fairly the consolidated financial position of *The Duplan Corporation* and subsidiary companies as at September 30, 1956 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 inclusion, which we approve, of the Canadian subsidiaries in the consolidation, as explained in Note 1.—*Accountant's Report—December 11, 1956.*

Note 1: The Canadian subsidiaries have been consolidated for the year ended September 30, 1956. The Corporation's subsidiaries were not consolidated in the prior year. The net assets of these subsidiaries were $1,673,903 at September 30, 1956, including net current assets of $730,785. Net loss of these subsidiaries for the year was $497,381. The Canadian accounts were converted to U. S. dollars at par.

To the Board of Directors of Simmons Company: We have examined the balance sheet of *Simmons Company* and its Subsidiaries Consolidated as of December 31, 1956, and the related statement of income and earned surplus for the year then ended. We have been furnished with the reports of other public accountants upon their examinations of the 1956 financial statements of foreign subsidiaries. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other

TABLE 6: AUDITOR'S OPINION QUALIFIED

Reason for Qualification	1956	1955	1954	1950
**Changes in consistent application of or deviations from generally accepted principles of accounting:*				
A. Lifo inventory method—initial adoption or readoption	7	5	—	47
Lifo inventory method—abandonment	—	2	—	—
Lifo inventory method—modification	—	1	—	14
B. Other methods of inventory valuation	3	8	4	3
C. Fixed assets	1	1	1	—
D. Higher plant replacement cost	—	—	—	1
E. Other assets	1	2	1	—
F. Liabilities	—	—	1	1
Income and Expense:				
G. Deferred income	2	1	3	—
H. Estimated expenses—re: Section 462 I.R.C.	—	5	72	—
I. Vacation pay deduction	1	7	16	—
J. Depreciation, depletion, amortization	15	42	67	5
K. Amortization under Certificates of Necessity	1	6	4	—
L. Other income and cost items	1	9	3	21
M. Principles of consolidation	15	10	11	6
Total	47	99	183	98
**Various other reasons:*				
N. Contingencies, litigation, etc.	6	9	13	15
O. Scope of examination	—	1	1	2
P. Miscellaneous	4	2	2	1
Total	10	12	16	18
Number of Auditor's Reports Containing:				
An unqualified expression of opinion	549	501	443	489
A qualified expression of opinion	50	99	157	111
A partial disclaimer of opinion (*Co. No. 493)	1	—	—	—
	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 21, 96, 113, 213, 314, 376, 589; B: Co. Nos. 173, 407, 425; C: Co. No. 373; E: Co. No. 373; G: Co. Nos. 487, 493; I: Co. No. 476; J: Co. Nos. 135, 149, 200, 301, 310, 481, 504; K: Co. No. 189; L: Co. No. 138; M: Co. Nos. 116, 278, 295, 500, 522, 549, 599; N: Co. Nos. 25, 202, 241, 350, 364, 414; P: Co. Nos. 210, 212, 254, 269.

auditing procedures as we considered necessary in the circumstances.

In our opinion, based upon our examination and upon the reports of other public accountants, the accompanying balance sheet and statement of income and earned surplus present fairly the financial position of *Simmons Company* and its subsidiaries consolidated at December 31, 1956, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the change commented upon in the last paragraph of Note 1, with which change we concur) with that of the preceding year.—*Independent Auditors' Report—February 28, 1957.*

Note 1: On February 29, 1956, Simmons Company sold its investments in its wholly owned textile subsidiaries together with the net assets of a division of Simmons Company which functioned as selling agent for these subsidiaries. Subsequently during 1956, the Company sold its investments in a bank and an employees' club related to the textile operations. Earned surplus has been charged with $6,505,410 as a net result of these sales.

For comparative purposes, the net results of operations of the textile subsidiaries and related selling division for the year ended December 31, 1955 and the two months ended February 29, 1956 have not been consolidated under the various classifications but the net losses from such operations are shown separately in the accompanying consolidated statements of income.

The 1956 consolidated financial statements include the accounts of a wholly owned British subsidiary and two wholly owned Venezuelan subsidiaries which were not consolidated in prior years. These subsidiaries are not material in relation to those companies previously consolidated.

To the Board of Directors, J. P. Stevens & Co., Inc.: We have examined the consolidated balance sheet of *J. P. Stevens & Co., Inc.* and consolidated subsidiary companies as at November 3, 1956 and the related consolidated statements of income and surplus for the year (53 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 consolidated balance sheet and consolidated statements of income and surplus, together with the notes to financial statements, present fairly the consolidated financial position of *J. P. Stevens & Co., Inc.* and consolidated subsidiary companies at November 3, 1956, and the consolidated results of their operations for the year (53 weeks) 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 principles of consolidation affecting John P. Maguire & Co., Inc. and Statom Corporation, as explained in Note A.—*Accountants' Report—December 26, 1956.*

Note A: Principles of Consolidation—The consolidated financial statements as at November 3, 1956 and for the year then ended include all subsidiary companies which are engaged in manufacturing or warehousing and substantially all of whose voting stocks are owned by the Company. The principal subsidiary companies whose accounts are included in such consolidated financial statements are D. B. Fuller & Co., Inc., Rosemary Manufacturing Company, Roanoke Mills Company, Statom Corporation and Paterson Storage & Warehouse Co., including any merged companies. With the exception of Paterson Storage & Warehouse Co., none of the foregoing subsidiaries has been included in any of the Company's prior years' consolidated financial statements. The investment in D. B. Fuller & Co., Inc. was acquired pursuant to offers made by the Company during August and September 1955 and the investments in Rosemary Manufacturing Company and Roanoke Mills Company were acquired during February 1956. Statom Corporation, a Connecticut corporation, was formerly known as Cheney Brothers and the investment therein was acquired during March 1955 by a subsidiary organized by the Company for that purpose and subsequently merged into the Connecticut corporation. The operating assets of this Connecticut corporation and its subsidiary were substantially disposed of during the year ended November 3, 1956 and the gain thereon (computed on the basis of the cost of the investment in the Connecticut corporation to the Company), less the consolidated operating losses since acquisition of the investment in March 1955, is shown as a special item in the accompanying consolidated statement of income.

The cost of the investment in D. B. Fuller & Co., Inc. exceeded by $1,778,585 the related underlying book equity of that company as at date of acquisition, and this amount is shown as an intangible asset in the accompanying consolidated balance sheet. The underlying book equity applicable to the Company's investments in Rosemary Manufacturing Company and Roanoke Mills Company, including merged companies, exceeded by $6,981,450, as at date of acquisition, the cost of the investments in these companies and this amount has been added to consolidated capital surplus. The excess, over cost, of the underlying book equity of the Connecticut corporation, formerly known as Cheney Brothers, as shown by its books at date of acquisition, has been applied, as of that date, as a reduction of the carrying amount of the operating assets of that corporation for purposes of determining the gain realizable by the Company upon disposal of such assets.

The subsidiary companies not consolidated (except insofar as their net undistributed earnings are included in the Company's income) are John P. Maguire & Co., Inc., which is engaged in factoring operations, and Worumbo Manufacturing Company, a manufacturing company, a majority of whose voting stock was acquired pursuant to an offer of the Company commenced during November 1955. The accounts of John P. Maguire & Co., Inc. had been included in the consolidated financial statements as at October 29, 1955.

In connection with the aforementioned changes in the preparation of the consolidated financial statements, the Company has adopted the policy of stating all investments in subsidiary companies at cost plus undistributed earnings since dates of acquisition. Accordingly, the investment in subsidiaries not consolidated is stated at $6,432,030, representing a cost of $5,428,136 plus undistributed earnings of $1,003,894.

To the Shareholders of The Youngstown Sheet and Tube Company: In our opinion, the accompanying balance sheet and statement of income and earned surplus of *The Youngstown Sheet and Tube Company* and subsidiary companies present fairly the consolidated financial position of the companies at December 31, 1956 and the consolidated results of their operations for the year then ended, in conformity (except for the change, which we approve, explained in Note 1) 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.—*Opinion of Independent Auditors—February 19, 1957.*

Note 1: Companies Not Previously Included in Consolidation—The 1956 financial statements include the accounts of Emsco Manufacturing Company, a subsidiary which was liquidated as of October 31, 1956 and thereafter became a division of the Company and five other majority-owned small subsidiaries, none of which previously had been included in the consolidation; the resulting increase in 1956 consolidated net income was not material in relation to the total for that year.

Certificates of Necessity

To the Shareholders and Board of Directors of Daystrom, Incorporated: We have examined the consolidated balance sheet of *Daystrom, Incorporated* and its wholly-owned subsidiaries as of March 31, 1956 and the related consolidated results of operations 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; since it is not the general practice of the United States Government to confirm accounts receivable, we employed other auditing procedures in respect of such receivables.

In our opinion, the accompanying financial statements present fairly the position of *Daystrom, Incorporated* and its wholly-owned subsidiaries at March 31, 1956 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which

TABLE 7: AUDITOR'S SPECIFIC APPROVAL OR DISAPPROVAL

of Changes in Consistent Application of or Deviations from Generally Accepted Principles of Accounting

	1956*			1955*			1954*			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	7	—	—	5	—	—	—	—	—	41	—	6
Lifo inventory method—abandonment	—	—	—	2	—	—	—	—	—	—	—	—
Lifo inventory method—modification	—	—	—	1	—	—	—	—	—	13	—	1
Other methods of inventory valuation	3	—	—	8	—	—	3	—	1	3	—	—
Fixed assets	—	—	1	1	—	—	—	—	1	—	—	—
Higher plant replacement cost	—	—	—	—	—	—	—	—	—	1	—	—
Other assets	—	—	1	1	—	1	1	—	—	—	—	—
Liabilities	—	—	—	—	—	—	1	—	—	—	—	1
Income and Expense:												
Deferred income	2	—	—	1	—	—	3	—	—	—	—	—
Estimated expenses—re: Section 462 I.R.C.	—	—	—	2	—	3	61	—	11	—	—	—
Vacation pay deduction	2	—	—	4	—	3	15	—	—	—	—	—
Depreciation, depletion, amortization	11	—	3	32	—	10	65	—	2	4	1	—
Amortization under Certificates of Necessity	1	—	—	4	—	2	3	1	—	—	—	—
Other income and cost items	—	—	1	6	1	2	3	—	—	17	2	2
Principles of consolidation	11	—	4	7	—	3	10	1	—	3	—	3
Total	37	—	10	74	1	24	165	2	15	82	3	13

*Summary of Auditor's Approval or Disapproval	1956	1955	1954	1950
A—Approved	37	74	165	82
D—Disapproved	—	1	2	3
N—Neither approved nor disapproved	10	24	15	13
Total	47	99	182	98

**Refer to Table 6 for reference to company numbers.

except for the change (of which we approve) in the method of recording accelerated amortization of emergency facilities, described in note 4 to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—May 15, 1956.*

Note 4: Property, plant and equipment, summarized below, is stated at cost:

	March 31	
	1956	1955
Land	$ 424,081	$ 229,114
Buildings	9,825,137	6,726,367
Machinery and equipment	9,116,201	9,145,193
	$19,365,419	$16,100,674
Less accumulated depreciation and amortization	7,414,470	9,285,281
	$11,950,949	$ 6,815,393

Certain of the Company's plant facilities in two of the operating units are covered by Certificates of Necessity which, for income tax purposes, permit the amortization of their cost over a 60 month period. In one case, prior to the 1956 fiscal year, the Company amortized these facilities in its accounts on the same basis as for income tax purposes. Effective as of April 1, 1955, the Company adopted the policy (for financial statement purposes) of writing off the unamortized balance of the cost of these facilities over the remaining years of their estimated useful life. With respect to the 1956 fiscal year, the excess of tax amortization over normal depreciation amounts to $552,137, and results in a temporary tax benefit of approximately $287,000. The other operating unit referred to above has followed the practice of taking normal depreciation in its accounts with respect to emergency facilities, although a 60 month period is used for income tax purposes. In the 1956 fiscal year, the excess of tax amortization over normal depreciation results in a temporary tax benefit of approximately $189,000. The temporary tax benefits aggregating approximately $476,000 have been charged against profits and credited to "deferred Federal taxes on income."

Change in Depreciation Accounting

To the Stockholders of Admiral Corporation: We have examined the consolidated balance sheet of *Admiral Corporation* and Consolidated Subsidiary Companies as at December 31, 1956 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. It was not practicable to confirm receivables from the United States Government, as to which we have satisfied ourselves by means of other auditing procedures.

The accounts of the consolidated Canadian subsidiary companies have been included in the consolidation on the basis of financial statements examined by J. Clare Wilcox & Co., Chartered Accountants.

In our opinion, based upon our examination and the examination by chartered accountants, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to consolidated financial statements, present fairly the consolidated financial position of *Admiral Corporation* and Consolidated Subsidiary Companies as at December 31, 1956, 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 as to the change explained in Note G(1), in which change we concur.—*Accountants' Report—February 23, 1957.*

Note G: Contingent Liabilities and Other Comments—(1) During the current year the company modified the amortization period of its tools and dies to more clearly reflect the usable life of such items. As a result thereof, consolidated net income (after taxes) for 1956 is approximately $532,000 more than would have been reported if such modification had not been effected. . . .

To the Board of Directors, The Cuneo Press, Inc.: In our opinion, the accompanying statements present fairly the consolidated financial position of *The Cuneo Press, Inc.* and its subsidiaries at January 31, 1956 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 indicated in Note 5 to the financial statements. Our examination of these 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.—*Auditors' Certificate—April 18, 1956.*

Note 5: During the year the companies adopted, for tax purposes only, the sum of the years' digits method of depreciation for properties acquired since January 1, 1954. As a result of this change the provision for federal income tax for the year ended January 31, 1955 was reduced by approximately $80,000.

To the Board of Directors of Jones & Lamson Machine Company: We have examined the accompanying statement of financial condition of *Jones & Lamson Machine Company* as at December 31, 1956 and the related statement of income and surplus for the year ended at 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 statement of financial condition and related statement of income and surplus, with the explanations set forth in the notes thereon, present fairly the financial position of *Jones & Lamson Machine Company* at December 31, 1956, and the results of its operations for the year ended at that date, in conformity with generally accepted accounting principles which, except for the change, approved by us, in accounting for depreciation as referred to in Note 2 to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Auditors' Certificate—February 6, 1957.*

Note 2: Effective January 1, 1956, the Company adopted the straight line method of depreciation for accounting purposes, but continued for tax purposes the use of accelerated amortization and depreciation methods permitted by the Internal Revenue Code.

The accompanying statements reflect a provision for estimated future income taxes on the amount by which depreciation charges for tax purposes exceed corresponding amounts computed under straight line methods.

Net income for the year ended December 31, 1956 exceeds by $155,355 net income determined under depreciation methods of the preceding year.

No charge for depreciation is included in the accompanying statements with respect to plant assets of an aggregate cost of $1,062,254.97, included in the accompanying balance sheet as "Emergency Facilities—World War II," which were fully amortized during World War II and which continue to be used in the operation of the business.

To Directors and Stockholders of Union Carbide and Carbon Corporation: We have examined the balance sheet of *Union Carbide and Carbon Corporation* and its subsidiaries consolidated, as of December 31, 1956, and the related statement 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, the accompanying balance sheet and statement of income and surplus present fairly the financial position of *Union Carbide and Carbon Corporation* and its subsidiaries consolidated at December 31, 1956, 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 in the method of computing depreciation as explained in Note 7, which we approve.—*Accountant's Report—January 31, 1957.*

Note 7: As of January 1, 1956 the sum-of-the-years-digits method of computing depreciation was adopted with respect to substantially all fixed assets acquired in the United States after that date. Depreciation charged to 1956 operations exceeded that computed under the straight line method theretofore followed by approximately $2,783,000.

Change in Inventory Pricing

To the Shareholders and Board of Directors, Aluminum Company of America: We have examined the consolidated balance sheet of *Aluminum Company of America* and wholly owned subsidiary companies as of December 31, 1956, and the related statements of consolidated income and retained earnings and additional capital 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 financial statements present fairly the financial position of *Aluminum Company of America* and wholly owned subsidiary companies at December 31, 1956, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles, and such principles were applied on a basis consistent with that of the preceding year except for the change with respect to the methods of valuing inventories referred to in Note A of "Notes to Consolidated Financial Statements," in which we concur.—*Report of Independent Public Accountants—March 1, 1957.*

Note A: Beginning with the year ended December 31, 1956, the last-in first-out method was adopted for determining cost of substantially all inventories, instead of the average cost method theretofore generally used. Also, at December 31, 1956, intercompany profits in inventories, which had previously been computed and eliminated before considering income taxes payable by subsidiaries on such profits, were eliminated on an after-tax basis. The combined effect of these changes on the net income for 1956 was not material. A classification of the inventories at December 31 of each year follows:

	1956	1955
Finished goods	$ 59,184,436	$ 43,686,421
Work in process	112,309,444	71,580,103
Bauxite and alumina	16,656,621	19,174,720
Purchased raw materials	20,889,848	13,281,723
Operating supplies	15,813,636	14,536,742
	$224,853,985	$162,259,709

To the Board of Directors of Blaw-Knox Company: In our opinion, the financial statements shown on pages 14 to 17, inclusive, present fairly the position of *Blaw-Knox Company* at December 31, 1956, 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, except for the change, which we approve, to a Lifo basis of valuation for prime materials, as described on page 16 of Supplementary Financial Information. 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.—*Accountants' Opinion—February 28, 1957.*

Notes to Financial Statements: Inventories—

	1956	1955
Prime materials	$ 9,705,249	$ 7,324,400
Work in process, including contracts in progress	51,016,772	19,011,430
Finished products	6,241,861	6,385,339
Supplies	2,308,688	1,808,070
	$69,272,570	$34,529,239

Effective January 1, 1956, the last-in, first-out inventory method was adopted to value prime materials. The effect of this change in method was to reduce the valuation of prime materials at December 31, 1956, by approximately $1,107,000, and net income for the year by approximately $510,000. The remaining inventories, as in prior years, are valued at the lower of cost (average, first-in, first-out, or standard) or market prices. Market prices for supplies are replacement prices, and for work in process and finished products are selling prices less estimated costs to be incurred.

Sales and related costs of products and services sold are recorded on the basis of completed contracts; therefore, inventories include services rendered and products delivered to customers on contracts in progress.

To the Shareholders of Corn Products Refining Company: We have examined the consolidated balance sheet of *Corn Products Refining Company* and its domestic and Canadian subsidiary companies as of December 31, 1956 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.

In our opinion, the accompanying consolidated balance sheet and statement of income and earned surplus present fairly the financial position of *Corn Products Refining Company* and its domestic and Canadian subsidiary companies at December 31, 1956 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, which we approve, in stating the reserve for reduction of normal inventories to fixed prices net of effective Federal taxes on income, as explained in Note 2 to the financial statements.—*Accountants' Report—February 20, 1957.*

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 on 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.

Prior to 1956 the reserve under this method represented the difference between the normal stock inventory quantities at cost, or cost or market, whichever lower, and at fixed prices. The reserve was 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.

In 1956 the company decided to state the reserve for reduction of normal stock inventories to fixed prices net of effective Federal income normal tax and surtax and at December 31, 1956 the reserve is stated on that basis. As a result of this change in stating the reserve for reduction of normal inventories to fixed prices net of effective Federal taxes on income the January 1, 1956 reserve balance has been decreased in the amount of $2,455,900 and this reduction is presented as a special item in the statement of income. It has also resulted in a reduction of the charge to cost of sales of $450,768 for the year 1956 with an increase of a like amount in net income for the year.

In prior years the reserve for reduction of normal inventories to fixed prices has been deducted from the inventories. In the accompanying balance sheet it has been reclassified under the caption of reserves.

Board of Directors, Medusa Portland Cement Company: We have examined the consolidated financial statements of *Medusa Portland Cement Company* and its consolidated subsidiaries for the year ended December 31, 1956. 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 earned surplus present fairly the consolidated financial position of *Medusa Portland Cement Company* and its consolidated subsidiaries at December 31, 1956, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles, which, except for the change in pricing inventories (in which we concur) set forth in Note A to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 16, 1957.*

Note A: Inventories—Inventories are priced at the lower of cost or market. Cost ($2,118,365) of finished products, raw materials, and sacks was determined on the last-in, first-out (Lifo) method at December 31, 1956, instead of the average cost method previously used. This change had no material effect on the financial statements. Other inventories were priced generally on the basis of average cost as in prior years.

The National Sugar Refining Company: We have examined the statement of financial position of *The National Sugar Refining Company* as of December 31, 1956 and the related statements of earnings and earnings retained for general 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.

In our opinion, the accompanying statement of financial position and statements of earnings and earnings retained for general use in the business present fairly the financial position of the Company at December 31, 1956 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the changes, which we approve, explained in Note 2 to the financial statements) on a basis consistent with that of the preceding year.—*Accountants' Certificate —February 1, 1957.*

Note 2: Inventories—A base stock of 25,000 tons of sugar is valued at a raw sugar base price 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.

The raw sugar base price of 5.00¢ a pound, which was adopted as of January 1, 1951, was adjusted to 5.65¢ a pound effective December 31, 1956. The adjusted base price is considered to be a more realistic inventory valuation basis in the light of substantial increases in raw sugar prices which occurred during 1956. Adjustment of the base price resulted in increases of $325,000 in the valuation of the base stock inventory and in net earnings for 1956.

The base stock is not an allowable inventory method for tax purposes and certain additional charges to earnings are incurred in connection with its use. For the years 1952 through 1955 such charges were relatively small. For 1956 these charges were of greater significance due to substantial increases in raw sugar prices, and the Company adopted the practice of deferring the portion thereof recoverable through tax reductions to be realized should raw sugar prices decline. Had the practice followed in prior years been continued, earnings for 1956 would have been unnecessarily reduced by an additional amount of $135,200.

To the Stockholders, Westinghouse Electric Corporation: As independent accountants elected at the annual meeting of stockholders of *Westinghouse Electric Corporation* on April 4, 1956, we examined the consolidated statement of financial position of *Westinghouse Electric Corporation* and its subsidiaries as of December 31, 1956, and the consolidated statements of operations 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. We made a similar examination for the year ended December 31, 1955.

In our opinion, the accompanying consolidated statement of financial position and the consolidated statements of operations and income retained in the business present fairly the financial position of *Westinghouse Electric Corporation* and its subsidiaries at December 31, 1956, 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, apart from the change to the LIFO (last-in, first-out) method of inventory valuation, which we approve. As a result, approximately $25,000,000, representing rising inventory cost levels during 1956, was excluded from valuation of year-end inventories, which had the effect of reducing net income after taxes by about $12,000,000.—*Accountants' Report—January 24, 1956.*

Vacation Pay

To the Board of Directors of Rheem Manufacturing Company: In our opinion, the accompanying consolidated financial statements present fairly the position of *Rheem Manufacturing Company* and its domestic subsidiaries at December 31, 1956, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent (except for the changes described in Notes 2 and 3, which we approve) 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. Certain receivables from the U. S. Government selected for test were not confirmed by direct correspondence, but we satisfied ourselves by other auditing procedures as to these items.—*Accountant's Report—February 25, 1957.*

Note 2: Vacation Pay—The Company changed its accounting practice in 1956 to accrue currently the cost of vacations earned by employees; in prior years the cost of vacations was charged against earnings when paid. The cost of vacations earned but not paid at the beginning of the year, less related federal income taxes, has been reported in the accompanying statement of earnings as a special charge against earnings retained for use in the business. This change in accounting practice had no material effect on the net loss reported for 1956.

Note 3: Depreciation—The Company has computed depreciation on plant and equipment purchased after January 1, 1956, under the "sum-of-the-years-digits" method, as permitted by the Internal Revenue Code. This change in policy increased the amount of depreciation charged to earnings in 1956 by $180,000.

Contingency—Renegotiation

Board of Directors, Douglas Aircraft Company, Inc.: We have examined the statement of financial position of *Douglas Aircraft Company, Inc.* as of November 30, 1956, 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. We were unable to confirm by direct correspondence substantial amounts included as receivable from the U. S. Government at November 30, 1956, but we satisfied ourselves as to such amounts by means of other auditing procedures.

In our opinion, subject to adjustments, if any, as may result from renegotiation (see Note D), the accompanying statement of financial position and statement of income and retained earnings present fairly the financial position of *Douglas Aircraft Company, Inc.* at November 30, 1956, 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—January 15, 1957.*

Note D: Renegotiation—Certain business done by the Company since November 30, 1952, is subject to renegotiation by the U. S. Government. The Company was recently notified by the Regional Renegotiation Board in Los Angeles that it had recommended to the Renegotiation Board in Washington that the Company's profits for the fiscal year ended November 30, 1953, be considered excessive in the gross amount of $9,000,000. If the Renegotiation Board in Washington were to adopt this recommendation, it would require a net refund to the Government by the Company, after giving effect to adjustments for applicable state and federal income and excess profits taxes, of approximately $2,240,000. The matter is now before the Renegotiation Board in Washington. The Company is of the opinion that it has not earned excessive profits for the year ended November 30, 1953, or for any following year. Accordingly, no provision for renegotiation refunds has been made in the financial statements. There is no assurance, however, that such refunds will not ultimately be required by the Government, but it is believed that such refunds, if any, would not materially affect the accompanying financial statements.

The Board of Directors and Stockholders, Lockheed Aircraft Corporation: We have examined the consolidated balance sheet of *Lockheed Aircraft Corporation* at December 30, 1956 and the related statements of consolidated earnings and earnings retained for use in the business and of consolidated additional capital 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 correspondence certain receivables from the United States Government; however, we satisfied ourselves as to the substantial accuracy of such receivables by other auditing procedures.

We are of the opinion that management's decision to make no provision for renegotiation refunds for the years subsequent to 1953 for the reasons set forth in Note 6 to the financial statements is a reasonable decision. Because of the uncertainties explained in Note 6, we are unable to form an opinion as to whether a refund will be required. In our opinion, subject to the effect of such adjustments as may result from renegotiation refunds, if any, the above-described statements present fairly the financial position of *Lockheed Aircraft Corporation* and its subsidiaries at December 30, 1956 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—March 4, 1957.*

Note 6: The major portion of the Company's sales is to the United States Government and is subject to the Renegotiation Act of 1951. The years 1951 and 1952 have been cleared with no refund being required. The Renegotiation Board has made a determination that excessive profits were earned for the year 1953 which, after income taxes, amounted to $1,200,000. The Company plans to request from the Renegotiation Board a summary of facts and reasons relating to its determination with respect to 1953. Upon receipt thereof, the Company will consider whether to accept or to appeal the Board's findings. Pending final determination of this matter, and since no provision was made in the accounts for the year 1953, the amount of $1,200,000 has been recorded in the 1956 accounts.

Management believes that no excessive profits have been earned for any year subsequent to 1953 and no provisions for renegotiation refunds for these years have been made in the accounts. Renegotiation proceedings, however, are complex and involve judgment relating to matters as to which precedents are not of public record and it is impossible to predict their results. There is no assurance, therefore, that determinations of excessive profits will not be made, but management believes that such determinations, if made, will not result in any refunds that would materially affect the financial condition of the Company.

Board of Directors, The Glenn L. Martin Company: We have examined the consolidated balance sheet of *The Glenn L. Martin Company* and subsidiaries as of December 31, 1956, and the related statements of income, capital surplus 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; although we were unable to obtain confirmation of accounts receivable from the Government, we satisfied ourselves as to these accounts by other means.

In our opinion, except for any adjustments which may be required as a result of renegotiation proceedings described in Note C, the accompanying balance sheet and statements of income, capital surplus and earned surplus present fairly the consolidated financial position of *The Glenn L. Martin Company* and subsidiaries at December 31, 1956, 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.—*Auditor's Report—February 22, 1957.*

Note C: The Company has received clearance from The Renegotiation Board for 1952 and prior years. With respect to the year 1953, The New York Regional Renegotiation Board has forwarded to The Renegotiation Board, Washington, D. C., a recommendation that the Company's profits be determined excessive in the gross amount of $4,000,000 which, after tax credits, would result in a net adjustment of $1,760,000. Sales and profits for 1954 and subsequent years also are subject to review by The Renegotiation Board. The Company intends to take such action as may be required to sustain its position that no excessive profits have been realized and firmly believes that renegotiation will not result in any material adverse effect on its financial position.

Investment in Subsidiaries

Board of Directors, Fruehauf Trailer Company: We have examined the consolidated balance sheet of *Fruehauf Trailer Company* and consolidated subsidiaries as of December 31, 1956, and the related statements of net earnings, earnings retained for use in the business, and additional paid-in capital 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.

The accounting principles followed by the Company and consolidated subsidiaries have been applied, in our opinion, on a basis consistent with that of the preceding year except that the accounts of Fruehauf Trailer Company of Canada Limited have been included in the annual financial statements for the first time as described in Note A to the financial statements, and except for the change in the basis of stating the investment in Fruehauf Trailer Finance Company as explained in Note B. These changes in accounting policy have our approval.

In our opinion, the accompanying balance sheet and statements of net earnings, earnings retained for use in the business, and additional paid-in capital present fairly the consolidated financial position of *Fruehauf Trailer Company* and consolidated subsidiaries at December 31, 1956, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles.—*Accountants' Report—February 18, 1957.*

Note A: Consolidation of Canadian Subsidiary—The accounts of Fruehauf Trailer Company of Canada Limited have been included in the annual financial statements for 1956 for the first time. However, for purposes of comparison the amounts shown in the accompanying financial statements for 1955 include the accounts of the subsidiary for that year. This change in policy increased net earnings for 1955 by $5,987 and earnings retained for use in the business at the beginning of 1955 by $1,617,751. Net assets of this subsidiary at December 31, 1956, and at December 31, 1955, were $7,519,347 and $3,095,879, respectively, including net current assets of $4,464,342 and $2,112,901, respectively. Net earnings for 1956 and 1955 were $798,468 and $530,987, respectively.

On November 1, 1956, this subsidiary sold to the public, capital stock approximating 11% of the shares presently outstanding and $3,500,000 of 5¼% Sinking Fund Debentures with warrants for the purchase of capital stock which if fully exercised would increase the minority interest to approximately 19%. Prior to November 1, 1956, the subsidiary was wholly-owned.

On July 3, 1956, Fruehauf Trailer Company of Canada Limited organized Trailer Acceptance Company Limited, a wholly-owned subsidiary, to finance the purchase of truck-trailers. Trailer Acceptance Company Limited has not been included in the consolidation since its business is dissimilar to that of the parent company.

Note B: Investment in Fruehauf Trailer Finance Company—On January 1, 1956, the basis for stating the investment in Fruehauf Trailer Finance Company was changed from cost to equity in net assets of the subsidiary. For purposes of comparison, the financial statements for 1955 have been restated to conform with the new basis. This change in policy increased net earnings for 1955 by $47,726 and earnings retained for use in the business at the beginning of 1955 by $113,431. Net earnings of the subsidiary for 1956 and 1955 were $2,051,597 and $1,172,726, respectively. See notes to financial statements of Fruehauf Trailer Finance Company.

To the Share Owners and Board of Directors of General Electric Company: We have examined the consolidated statement of financial position of *General Electric Company* and subsidiaries as of December 31, 1956, 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 subsidiaries at December 31, 1956, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles, which, except for the changes in the basis of consolidation (Note 1) and the method of valuing investments and of recording income therefrom (Note 4), which we approve, have been applied on a basis consistent with that of the preceding year.—*Independent Auditors' Report—February 18, 1957.*

Note 1: Basis of Consolidation—These financial statements and accompanying schedules represent a consolidation of the accounts of the Parent Company—General Electric—and those of all wholly owned or substantially wholly owned subsidiary companies dealing primarily in United States or Canadian currencies, except General Electric Credit Corporation, a sales finance subsidiary. Subsidiaries conducting their businesses primarily in currencies other than those of the United States and Canada are referred to hereinafter as "foreign nonconsolidated subsidiaries." Heretofore, the consolidated statements included only those companies whose businesses involved manufacturing within the United States.

All significant intercompany items have been eliminated from the accompanying consolidated financial statements.

The accounts of Canadian subsidiaries for 1956 were converted to U. S. Dollars at par. Total assets in Canada on December 31, 1956 were $122,323,333 and liabilities were $45,324,333.

The financial interests of the consolidated companies in General Electric Credit Corporation and foreign nonconsolidated subsidiaries were carried on the consolidated statement of financial position as investments, on the valuation bases described in Note 4.

Note 4: Investments and Advances Less Reserve—Carrying value of investment in General Electric Credit Corporation represented the sum of outstanding advances to, and equity in the net worth of, this Corporation. Heretofore, the excess of earnings over dividends received from General Electric Credit Corporation was credited to reinvested earnings. In 1956 the Company adopted the policy of reflecting all earnings of this subsidiary in the consolidated statement of current earnings. General Electric Credit Corporation borrowings from outside sources at December 31, 1956 amounted to $222,428,656.

Carrying value for foreign nonconsolidated subsidiaries represented the sum of outstanding advances to, and cost of the investments in, these subsidiaries. The cost of these investments did not exceed the consolidated group's equity in such subsidiaries. In 1955 and

United States Steel and Carnegie Pension Fund, Trustee

COMBINED PENSION TRUSTS

STATEMENT of ASSETS

	Dec. 31, 1956	Dec. 31, 1955
Investments, at cost (less than aggregate market or estimated fair value) *(details on page 40)*	$895,705,738	$757,882,395
Cash	3,978,717	2,664,179
Accrued interest and other receivables	6,634,374	5,162,444
Contributions receivable from employing companies in subsequent period	20,084,273	17,146,289
Payables	*782,773*	*145,489*
Assets	925,620,329	782,709,818
Reserves for investments	30,891,000	22,344,000
Assets, less reserves	$894,729,329	$760,365,818

STATEMENT of CHANGES DURING the YEAR

	Year 1956	Year 1955
Balance at beginning of year	$760,365,818	$638,252,843
Additions		
Receipts from employing companies	125,206,683	115,473,787
Receipts from participating employes	5,179,759	4,806,205
Income from investments	30,778,128	23,618,540
Gain on disposition of investments	2,100,595	2,839,556
	923,630,983	784,990,931
Deductions		
Pension payments	18,744,726	16,357,522
Refunds to withdrawing employes (including interest)	762,251	452,727
Administrative expenses	847,677	860,337
Transfers to reserves for investments	8,547,000	6,954,527
	28,901,654	24,625,113
Balance at end of year	$894,729,329	$760,365,818

United States Steel and Carnegie Pension Fund, Trustee

COMBINED PENSION TRUSTS

SUMMARY of INVESTMENTS

		At December 31, 1956
Securities of United States Steel Corporation and Subsidiaries		
United States Steel Corporation Serial Debentures	$ 59,818,635	
Elgin, Joliet and Eastern Railway Company First Mortgage Series A	2,696,972	
Pittsburg, Bessemer and Lake Erie Railroad Company First Mortgage Series A	2,301,886	
Union Railroad Company First and Refunding Mortgage Series A	7,014,000	$ 71,831,493
Other bonds, notes and debentures		
United States Government	118,061,285	
Other	338,703,574	456,764,859
Preferred stocks		2,089,858
Common stocks (including bank and insurance company stocks)		278,012,772
Mortgages		23,095,182
Oil and gas payments and royalties		28,062,455
Properties owned and leased		35,849,119
Total investments at cost		$895,705,738

prior years, these investments were valued on the basis of the consolidated group's equity in such subsidiaries, and the difference between dividends received and the earnings of the subsidiaries was credited or charged to reinvested earnings. Since the investments are now carried at cost, only dividends received are recorded and are reflected in the statements of current earnings.

Investment in General Electric common stock represented the cost of 415,055 shares held for corporate purposes, such as requirements for the General Electric Savings and Stock Bonus Plan, payments under the Company's incentive compensation plan, and patent awards to employees. At December 31, 1956, these shares had a quoted market value of $25,007,064.

Miscellaneous securities were valued at cost. On December 31, 1956, their fair value was $33,937,888.

Partial Disclaimer of Opinion

Only one report was found to contain a partial disclaimer of opinion (*Co. No. 493):

To the Board of Directors of Servel, Inc.: We have examined the consolidated balance sheet of *Servel, Inc.* and its Subsidiary as of October 31, 1956 and the related statements of income and 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 made a similar examination for the year ended October 31, 1955.

In our opinion, the consolidated financial position of *Servel, Inc.* and its Subsidiary at October 31, 1956 cannot be presented fairly until the contingency with respect to renegotiation for the years 1954 and 1955, referred to in Note 1 to the financial statements, has been resolved. In all other material respects, in our opinion, the accompanying consolidated balance sheet and consolidated statements of income and deficit present fairly the consolidated assets, liabilities, and capital of *Servel, Inc.* and its Subsidiary at October 31, 1956, 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, except as to the change regarding the warranty reserves, as referred to in Note 4 to the financial statements, in which change we concur.—*Accountant's Report—January 30, 1957.*

Note 1: A substantial portion of the Company's business in recent years has been subject to the Renegotiation Act of 1951, which provides for refunds of profits on defense business which are determined to have been excessive under the standards prescribed by the Act. On January 17, 1957, the Renegotiation Board determined that the Company made excessive profits of $1,000,000 on its renegotiable business for its fiscal year ended October 31, 1953, and provision for such sum has been made in the accounts as at October 31, 1956; however, this determination may be appealed to the Tax Court of the United States at the option of the Company.

Special counsel for the Company has stated that in his opinion, since the facts concerning the renegotiable business of the Company for its fiscal years 1954 and 1955 differ in material respects from those for the fiscal year 1953, and since the Renegotiation Act requires the Board to take these differing facts into consideration in determining whether or not excessive profits were realized for such years, no appropriate basis exists for making an estimate of the possible liability, if any, of the Company for refunds on its renegotiable business for the fiscal years 1954 and 1955, and accordingly, no provision with respect thereto has been made therefor in the accounts.

Note 4: It has been the policy of the Company to exclude from income all amounts received from the issuance of extended warranty contracts and to treat such amounts as reserves for the subsequent cost of carrying out such commitments.

For Federal income tax purposes, however, the amounts received for warranty contracts are includable in taxable income of the year in which received, whereas the costs incurred in providing warranty services become deductible only when the expenditures are made.

To avoid distortion of its income statements the Company in 1950 adopted the generally accepted accounting practice of deferring as a charge to income of future years the tax effect of the current net increase in the reserves, and in its financial statements applied such deferred tax effect against its warranty reserves.

Because of the losses from operations experienced by the Company in recent years and the effect of the five-year loss carry-forward provisions of the Internal Revenue Code, the Company has reexamined its accounting policy of deferring such income tax effects and has concluded that such policy is no longer appropriate under the presently existing conditions.

*Refer to Company Appendix Section.

Informative Disclosures

Informative disclosures or explanatory remarks were included in 14 of the auditors' reports of the 600 survey companies. The following annual reports contained informative disclosures: *Co. Nos. 45, 55, 98, 136, 141, 241, 307, 393, 461, 469, 533, 572, 577, 595. Examples of the types of additional information provided in certain auditors' reports are as follows:

To the Board of Directors, The Anaconda Company: We have examined the Consolidated Balance Sheet of *The Anaconda Company* and its consolidated subsidiaries as of December 31, 1956 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.

The practice of the Company and its subsidiaries in computing their net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, zinc, lead, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and its subsidiaries and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, the accompanying Balance Sheet and Statements of Income and Surplus, together with the explanatory notes, present fairly the consolidated financial position of *The Anaconda Company* and its consolidated subsidiaries at December 31, 1956 and the combined 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. —*Accountant's Report—March 4, 1957.*

Board of Directors, Boeing Airplane Company: We have examined the balance sheet of *Boeing Airplane Company* as of December 31, 1956, and the related statements of net 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. 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 retained earnings present fairly the financial position of *Boeing Airplane Company* at December 31, 1956, 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 11, 1956, in setting aside the sum of $3,866,000 for the year 1956 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 4, 1957.*

To the Board of Directors, Chile Copper Company: We have examined the Consolidated Balance Sheet of *Chile Copper Company* and its consolidated subsidiaries as of December 31, 1956 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.

The practice of the Company in computing consolidated net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In order to comply with Chilean income tax requirements, an adjustment was made during the year 1956 to reinstate depreciation deducted prior to 1934 from which no benefit was derived in the computation of Chilean income tax. Net income for the year 1956 is not affected.

In our opinion, subject to the foregoing paragraph, the accompanying Balance Sheet and Statements of Income and Surplus, together with the explanatory notes, present fairly the consolidated financial position of *Chile Copper Company* and its consolidated subsidiaries at December 31, 1956, and the combined 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.—*Accountant's Report—March 4, 1957.*

To the Stockholders of Ingersoll-Rand Company: We have examined the balance sheet of *Ingersoll-Rand Company* at December 31, 1956 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.

The company's equity in the earnings for the year 1956 of foreign subsidiary companies not consolidated, as shown by their books, converted at rates of exchange in effect at December 31, 1956 was substantially in excess of the dividends received from those companies and credited to other income in 1956. The remittance of earnings from certain foreign countries is, however, subject to exchange restrictions.

In our opinion, the accompanying balance sheet and the related statements of income and earned surplus present fairly the financial position of *Ingersoll-Rand Company* at December 31, 1956 and the results of 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—March 22, 1957.*

To the Board of Directors of The Superior Oil Company: We have examined the balance sheet of *The Superior Oil Company* as at August 31, 1956 and the related statement of income and earned surplus accounts 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.

The Company has followed the practice of charging to income account intangible development expenditures on wells completed as producing wells. This practice is sometimes followed in the oil industry in lieu of capitalizing such expenditures and providing for amortization by a unit of production or similar method.

In our opinion, the accompanying balance sheet and related statement of income and earned surplus present fairly the financial position of *The Superior Oil Company* at August 31, 1956, and the results of its operations for the fiscal year then ended, in accordance with the method described in the preceding paragraph and in conformity with accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountant's Report—November 7, 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, 1956, 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 $347,404, 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, 1956, 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.—*Accountant's Report—February 13, 1957.*

RELIANCE UPON OTHERS

Table 8 discloses that 66 auditors' reports contained references to the reliance upon others in connection with the examination of the accounts. As in prior years, the reliance upon other auditors occurred most frequently in the examination of the accounts of domestic or foreign subsidiaries, consolidated or unconsolidated.

The following examples illustrate the manner in which the auditors' reports disclose reliance upon other auditors, the client, or an independent appraiser:

Reliance Upon Other Auditors

Domestic Subsidiaries—Consolidated

To the Board of Directors and Stockholders of Combustion Engineering, Inc.: We have examined the consolidated balance sheet of *Combustion Engineering, Inc.* (a Delaware corporation) and subsidiary companies as of December 31, 1956, 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. The financial statements of a subsidiary company have been incorporated in the accompanying consolidated financial statements on the basis of a report of other certified public accountants.

In our opinion, based upon our examination and upon the report of other certified public accountants for the subsidiary company examined by them, the accompanying consolidated balance sheet and statements of consolidated income and earned surplus present fairly the financial position of *Combustion Engineering, Inc.* and subsidiary companies consolidated as of December 31, 1956, 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—March 11, 1957.*

To the Board of Directors of Shoe Corporation of America: We have examined the consolidated balance sheet of *Shoe Corporation of America* and Subsidiaries Consolidated as of December 31, 1956, 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.

The accounts of six of the subsidiaries consolidated were examined by other independent public accountants, and their financial statements have been incorporated in the accompanying financial statements in reliance on the reports of such accountants. The combined assets and net sales of these subsidiaries represent 3.46% of the consolidated assets and 3.35% of the consolidated net sales.

In our opinion, based on our examination and on the report of other public accountants referred to above, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of *Shoe Corporation of America* and Subsidiaries Consolidated at December 31, 1956, and the results of their operations for the year then ended, in con-

TABLE 8: RELIANCE UPON OTHERS

	Scope Paragraph				Scope and Opinion Paragraph			
Reliance	1956	1955	1954	1950	1956	1955	1954	1950
*Upon Other Auditors for Examination of:								
A. Consolidated domestic subsidiary	1	1	2	6	15	16	13	13
B. Consolidated foreign subsidiary	7	6	9	10	24	21	21	17
C. Consolidated domestic and foreign subsidiaries	3	2	—	—	3	4	1	—
D. Unconsolidated domestic subsidiary and affiliated company	—	—	—	1	—	—	—	1
E. Unconsolidated foreign subsidiary and affiliated company	2	2	1	3	3	4	6	5
F. Unconsolidated domestic and foreign subsidiaries and affiliated company	—	—	—	1	1	1	1	1
G. Domestic branch or division	—	—	—	—	1	3	1	—
H. Foreign branch or division	1	1	1	1	2	2	4	2
I. Foreign accounts	—	—	—	—	—	1	1	1
J. Subsidiaries merged or liquidated	—	—	—	—	—	—	1	—
Total	14	12	13	22	49	52	49	40
**Upon Client re:*								
L. Consolidated domestic subsidiary	1	1	—	—	1	—	—	—
M. Consolidated foreign subsidiary	1	1	3	6	1	1	1	1
N. Unconsolidated domestic or foreign subsidiary and affiliated company	1	1	1	1	—	1	1	—
Total	3	3	4	7	2	2	2	1
O. **Upon Independent Appraiser*	2	2	2	2	—	—	—	—
Total	19	17	19	31	51	54	51	41

Number of Reports Expressing:	1956	1955	1954	1950
Reliance upon other auditors	60	58	56	51
Reliance upon other auditors and client	2	4	2	9
Reliance upon client	2	1	3	3
Reliance upon independent appraiser	2	2	2	2
Total	66	65	63	65
Not expressing reliance upon others	534	535	537	535
	600	600	600	600

*Refer to Company Appendix Section—A: Co. Nos. 115, 136, 145, 348, 442, 495, 597; B: Co. Nos. 25, 32, 40, 180, 427, 449, 461; C: Co. Nos. 108, 312, 404, 440, 456, 548; E: Co. Nos. 43, 90, 151, 319, 516; F: Co. No. 261; G: Co. No. 377; H: Co. Nos. 36, 65, 489; L: Co. Nos. 65, 138; M: Co. Nos. 235, 353; N: Co. No. 572; O: Co. Nos. 45, 178.

formity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. —*Report of Independent Public Accountants—March 7, 1957.*

Foreign Subsidiaries—Consolidated

American Air Filter Company, Inc.: We have examined the records of *American Air Filter Company, Inc.*, and its wholly-owned subsidiaries, Famco, Inc., and Illinois Engineering Company, for the fiscal year ended October 31, 1956. The examination was made in accordance with generally accepted auditing standards and accordingly included all procedures we considered necessary in the circumstances. As to American Air Filter of Canada Limited, another wholly-owned subsidiary, we have accepted the report of other independent accountants, and the statements of that company as taken from such report are reflected in the accompanying consolidated statements.

In our opinion, subject to the notes which are an integral part of the financial statements, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings present fairly the financial position of *American Air Filter Company, Inc.*, and its wholly-owned subsidiaries at October 31, 1956, and the results of operations for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with preceding years.—*Accountants' Opinion—January 25, 1957.*

To the Board of Directors of Calumet & Hecla, Inc.: We have examined the consolidated balance sheet of *Calumet & Hecla, Inc.* and its significant United States and Canadian subsidiaries at December 31, 1956, and the related consolidated income statement and consolidated earned surplus account for the year then ended. Our examination, which covered the financial statements of *Calumet & Hecla, Inc.* and its significant United States subsidiary company, was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records of these companies and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the Canadian subsidiaries not examined by us were examined by chartered accountants whose reports on their examinations were furnished to us. We have reviewed the same and have obtained explanations from such chartered accountants relating to the examinations made by them, and we have accepted such statements for the purpose of consolidation.

In our opinion, based upon our examination and upon the reports of the chartered accountants referred to above, the accompanying consolidated balance sheet and related consolidated income statement and consolidated earned surplus account, together with the notes to the financial statements applicable thereto, present fairly the financial position of *Calumet & Hecla, Inc.* and its significant United States and Canadian subsidiaries at December 31, 1956 and the consolidated results of their operations for the year then ended. These financial statements conform to generally accepted accounting principles applied in all material respects on a basis consistent with practices observed by each of such companies in the preceding year.—*Auditors' Certificate—February 18, 1957.*

Domestic and Foreign Subsidiaries—Consolidated

To the Board of Directors and Stockholders of Bristol-Myers Company: In our opinion, the accompanying consolidated statements present fairly the financial position of *Bristol-Myers Company* and North American subsidiaries at December 31, 1956 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 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. We accepted the financial statements of the Canadian subsidiaries and of one of the domestic subsidiaries as certified to by other independent accountants, which statements are included in the consolidation.—*Accountant's Report—February 26, 1957.*

Foreign Subsidiaries and Affiliates—Unconsolidated

To the Stockholders and Board of Directors of Standard Brands Incorporated: We have examined the consolidated balance sheet as of December 31, 1956, of *Standard Brands Incorporated* (a Delaware corporation) and its subsidiaries operating in the United States and Canada, the combined balance sheet as of November 30, 1956, of its subsidiaries operating outside the United States and Canada, and the related statements of income and earnings retained for the years ended on those dates. 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. Similar examinations had been made for the years ended in 1955. We have been furnished with financial statements certified by other auditors of two subsidiaries included in the combined financial statements of the subsidiaries operating outside the United States and Canada.

In our opinion, the accompanying consolidated balance sheet and statements of income and earnings retained present fairly the financial position as of December 31, 1956, of *Standard Brands Incorporated* and its subsidiaries operating in the United States and Canada, 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.

Further, in our opinion, based upon our examination and upon the certificates of the other auditors referred to above, the accompanying combined balance sheet and statement of income and earnings retained present fairly the financial position as of November 30, 1956, of the subsidiaries of *Standard Brands Incorporated* operating outside the United States and Canada, 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 27, 1957.*

Reliance Upon Client

To the Directors of Universal Leaf Tobacco Co., Inc.: We have examined the Balance Sheet of the *Universal Leaf Tobacco Co., Inc.*, and its Wholly Owned Subsidiaries as at June 30, 1956, and the related Statement of Income and Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such other auditing procedures as we considered necessary in the circumstances.

We have not audited the accounts of all the Affiliated Companies (not wholly owned) and equities therein as stated in footnotes herewith are as analyzed by us from financial statements furnished us.

In our opinion, the accompanying Balance Sheet and Statement of Income and Surplus present fairly the financial position of the *Universal Leaf Tobacco Co., Inc.*, and its Wholly Owned Subsidiaries at June 30, 1956, 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. —*Auditors' Certificate—August 20, 1956.*

Reliance Upon Independent Appraiser

To the Stockholders, Crown Central Petroleum Corporation: We have examined the consolidated balance sheet of *Crown Central Petroleum Corporation* and its subsidiaries as of December 31, 1956, and the related statements 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.

Physical inventories of crude oils, finished products and work in process, other than those located in independent pipe line transportation systems, were taken by E. W. Saybolt & Company and Chas. Martin & Company, independent petroleum inspectors, and the quantities thereof were certified directly to and accepted by us. Quantities in independent pipe line transportation systems were confirmed to us directly. We have tested the clerical accuracy of the inventory records and reviewed the basis of inventory pricing.

In our opinion, the accompanying balance sheet and statements of profit and loss and surplus present fairly the consolidated financial position of *Crown Central Petroleum Corporation* and its subsidiaries at December 31, 1956, 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.—*Accountant's Report—February 12, 1957.*

IDENTIFICATION OF FINANCIAL STATEMENTS

Table 9 discloses that, in general (538 reports in 1956), the auditors' reports identify the financial statements upon which an opinion is expressed by listing separately the title of each such statement. The remaining 62 reports used group references, such as, "accompanying financial statements," "statements 1 through 4," etc. Examples from the 1956 reports are set forth in the section titled *Reference to Statements and Company.*

REFERENCE TO COMPANY

All 600 of the survey auditors' reports contained the corporate name of the client. Although reference is usually made to subsidiaries, consolidated or unconsolidated, seldom are the names of such subsidiaries given. Table 10 indicates the methods of reference to the company as given in the 1956 reports.

Reference to Statements and Company

The following examples from the 1956 reports show the various methods used in identifying the financial statements and referring to the company and its subsidiaries:

TABLE 9: IDENTIFICATION OF FINANCIAL STATEMENTS

Certified Statements Identified By:	1956	1955	1954	1950
Title Listing of Customary Statements	447	478	467	469
Title Listing of Customary Statements and specific mention of accompanying footnotes	79	43	55	66
Title Listing of Customary Statements and specific mention of accompanying footnotes with:				
Title listing of additional statements	1	1	1	—
Group reference to additional statements	—	—	1	1
Title Listing of Customary Statements with:				
Title listing of additional statements	5	9	11	12
Group reference to additional statements	6	6	4	7
Total	538	537	539	555
Group reference to Customary Statements	46	49	43	35
Group reference to Customary Statements and specific mention of accompanying footnotes	14	12	8	3
Group reference to both Customary and additional statements and specific mention of accompanying footnotes	—	—	1	—
Group reference to Customary Statements with:				
Title listing of additional statements	1	1	2	1
Group reference to additional statements	1	1	7	6
Total	62	63	61	45
	600	600	600	600
Number of Reports Referring				
To additional statements	14	18	27	27
To accompanying footnotes	93	56	66	70

TABLE 10: NAME OF COMPANY

Reference by Use of*:	1956	1955	1954	1950
Corporate Name of Company supplemented with—				
A. Names of consolidated subsidiaries	13	14	17	29
B. Names of consolidated and unconsolidated subsidiaries	—	—	—	1
C. Consolidated subsidiaries not named	440	423	412	387
Consolidated subsidiaries not named and reference to:				
D. Unconsolidated subsidiaries named	3	2	4	5
E. Unconsolidated subsidiaries not named	5	8	12	12
F. Unconsolidated subsidiaries not named and reference to branches, divisions, etc.	—	—	1	1
G. Affiliates, branches, etc.	3	2	6	3
H. "Corporation"** and reference to consolidated subsidiaries not named	—	1	1	1
Total	464	450	453	439
I. Corporate Name of Company	131	145	139	155
Corporate Name of Company and reference to:				
J. Unconsolidated subsidiaries named	2	2	1	2
K. Unconsolidated subsidiaries not named	3	3	5	3
L. "Company"** and reference to unconsolidated subsidiaries not named	—	—	1	—
M. "Company"**	—	—	1	1
Total	136	150	147	161
	600	600	600	600
Number of Reports				
**Omitting Corporate Name of Company	—	1	3	2
Referring to unconsolidated subsidiaries	13	15	24	24
Referring to affiliates, branches, or divisions, etc.	3	2	7	4
Referring to consolidated subsidiaries	464	450	453	439

*Refer to Company Appendix Section—A: Co. Nos. 25, 121, 382, 415, 454, 490, 577; C: Co. Nos. 15, 57, 279, 281, 327, 383, 510; D: Co. Nos. 40, 393, 562; E: Co. Nos. 43, 63, 90, 404, 516; G: Co. Nos. 65, 440, 572; I: Co. Nos. 147, 241, 285, 371, 381, 414, 587; J: Co. Nos. 33, 146; K: Co. Nos. 68, 151, 398.

To the Board of Directors of Armour and Company: In our opinion, the accompanying financial statements and the notes thereto present fairly (1) the consolidated financial position of *Armour and Company* and its domestic subsidiaries at November 3, 1956, and the results of their operations for the fiscal year then ended, and (2) the consolidated financial position of foreign subsidiaries (underlying the Company's investment in such subsidiaries) at November 3, 1956, and the results of their operations for the fiscal year then ended, all 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, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Public Accountants—January 4, 1957.*

To the Board of Directors, Clark Equipment Company: We have examined the comparative balance sheet of *Clark Equipment Company* and its consolidated subsidiaries as of December 31, 1956 and December 31, 1955 and the related consolidated statement of income and retained earnings 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. We made a similar examination of the comparative consolidated balance sheet of Equipment Finance Company and its subsidiary company as of December 31, 1956 and December 31, 1955.

In our opinion, the accompanying statements present fairly (a) the financial position of *Clark Equipment Company* and its consolidated subsidiaries at December 31, 1956 and December 31, 1955 and the consolidated results of their operations for the years then ended, and (b) the consolidated financial position of Equipment Finance Company and its subsidiary company at December 31, 1956 and December 31, 1955, in conformity with generally accepted accounting principles applied on a consistent basis during the two years.—*Accountants' Certificate—January 31, 1957.*

Board of Directors, The Creamery Package Mfg. Company: We have examined the consolidated balance sheet of *The Creamery Package Mfg. Company* and wholly-owned subsidiary, Creamery Package Mfg. Co. of Canada, Ltd., as of November 30, 1956, 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.

In our opinion, the accompanying balance sheet and statement of net earnings and earnings retained for use in the business present fairly the consolidated financial position of *The Creamery Package Mfg. Company* and Creamery Package Mfg. Co. of Canada, Ltd., at November 30, 1956, 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.—*Accountant's Report—January 9, 1957.*

To the Stockholders of Fedders-Quigan Corporation: In our opinion, the accompanying financial statements and notes thereto present fairly the financial position of *Fedders-Quigan Corporation* at August 31, 1956 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. Our examination of these 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' Report—November 1, 1956.*

To the Stockholders of The National Cash Register Company: In our opinion, the accompanying financial statements present fairly the financial position of *The National Cash Register Company* at December 31, 1956, the investment in foreign subsidiaries and branches at November 30, 1956, and the consolidated results of operations for the year ended December 31, 1956, 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.—*Opinion of Independent Public Accountants—February 25, 1957.*

The Board of Directors and Stockholders of Philip Morris Incorporated: We have examined the consolidated balance sheet of *Philip Morris Incorporated* and its Subsidiary, Benson and Hedges, as of December 31, 1956 and 1955 and the related consolidated statements of earnings 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 balance sheet and related statements of earnings and surplus present fairly the consolidated financial position of *Philip Morris Incorporated* and its subsidiary, Benson and Hedges, at December 31, 1956 and 1955 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountant's Report—January 23, 1957.*

To the Stockholders of United Aircraft Corporation: In our opinion, the accompanying balance sheet and statements of income and of earnings employed in the business fairly present the financial position of *United Aircraft Corporation* and domestic subsidiaries at December 31, 1956 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. 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. Receivables from the United States Government were not confirmed, but we

TABLE 11: PERIOD OF EXAMINATION

Auditor Refers To:	1956	1955	1954	1950
One year in *scope and opinion* paragraphs	396	411	409	443
One year in *scope and opinion* paragraphs, with reference to examination of prior year contained in *scope* paragraph	50	43	49	31
One year in *opinion* paragraph—				
No period mentioned in *scope* paragraph	5	4	2	4
Modified short-form of report	80	79	73	60
Modified short-form of report, with additional comment referring to examination of prior year	1	2	3	2
One year in *scope* paragraph, two years in *opinion* paragraph	—	—	—	1
One year, with reference to *examination of prior year,* in *scope* paragraph; two years in *opinion* paragraph	13	11	12	13
Two or three years in *scope and opinion* paragraphs	24	20	20	22
Two or three years in *opinion* paragraph only; in modified short-form of report	6	5	7	3
Six to ten years in *opinion* paragraph	—	—	1	1
Period of 52 or 53 weeks in *scope and opinion* paragraphs	19	13	12	12
Period of 52 or 53 weeks in *opinion* paragraph (modified short-form of report)	4	3	4	3
Period of 52 or 53 weeks with two periods referred to in *scope and opinion* paragraph	—	—	1	1
Period of days stated simply as "period from October 3, 1954 to October 1, 1955" in *scope and opinion* paragraph	—	1	1	—
Changes in Fiscal Years:				
Periods of one year and three months in *scope and opinion* paragraphs	1	8	6	4
Period of eight months in *scope and opinion* paragraphs	1			
	600	600	600	600

STATEMENT OF CHANGES IN STOCKHOLDERS CAPITAL INVESTED IN BUSINESS DURING YEAR ENDED OCTOBER 31, 1956

MIDWEST RUBBER RECLAIMING CO.

PREFERRED STOCKHOLDERS:		
4½% cumulative preferred stock outstanding, October 31, 1955, at par value of $50 per share (40,400 shares authorized)	30,400 shares	$1,520,000
Stock redeemed through sinking fund	1,200 shares	60,000
4½% cumulative preferred stock outstanding, October 31, 1956, including 2,387 shares held in treasury (39,200 shares authorized) (Note 2)	29,200 shares	$1,460,000
COMMON STOCKHOLDERS:		
Common stock outstanding, October 31, 1956, at par value of $2.50 per share, including 1,120 held in treasury (no changes during the year–440,000 shares authorized)	281,110 shares	$ 702,775
Capital consisting of –		
Excess of book value of net assets acquired over par value of common stock issued therefor in connection with the formation of the company in 1946	$1,777,788	
Net amount paid in by common stockholders in excess of par value of stock issued and sold in 1946	167,886	
Difference between aggregate par value ($540,000) and cost ($436,080) of 10,800 shares of preferred stock retired through sinking fund to October 31, 1956	103,920	2,049,594
Earnings retained and used in the business to October 31, 1955	$2,252,202	
Amount of profit for the year, after dividends, retained for use in the business	290,657	2,542,859
Less – Cost of stock held in treasury		(14,000)
COMMON STOCKHOLDERS TOTAL CAPITAL INVESTED IN THE BUSINESS AT OCTOBER 31, 1956 (Note 3)		$5,281,228

TABLE 12: TERMINOLOGY IN TITLE OF REPORT

Title Used to Identify Auditor's Report	1956	1955	1954	1950
Accountant's (or accountants') report	143	134	134	114
Accountant's (or accountants') certificate	61	62	63	64
Auditor's (or auditors') report	73	70	66	49
Auditor's (or auditors') certificate	42	45	43	43
Report of independent public accountants	22	21	16	12
Opinion of independent public accountants	15	16	16	7
Certificate of independent public accountants	3	6	8	12
Report of independent certified public accountants	12	13	12	10
Opinion of independent certified public accountants	2	5	5	4
Report of certified public accountants	8	6	6	5
Independent auditor's (or auditors') report	9	10	9	7
Report of independent auditors	5	4	5	3
Report of auditors	9	6	8	8
Report of independent accountants	6	6	6	5
Opinion of independent accountants	3	3	3	1
Accountant's (or accountants') opinion	8	7	7	3
Various other	31	33	32	29
Total	452	447	439	376
No title shown	148	153	161	224
	600	600	600	600

	1956 Reference to Report				
1956 Reference to Auditor	Report	Certificate	Opinion	Other Terms	1956 Total
Accountant's (s')	143	61	8	—	212
Certified public accountant's (s')	8	—	—	—	8
Independent certified public accountant's (s')	12	—	2	—	14
Independent public accountant's (s')	22	15	3	—	40
Independent accountant's (s')	6	—	3	—	9
Auditor's (s')	82	42	—	—	124
Independent auditor's (s')	14	—	—	—	14
Various other	—	—	—	31	31
Total	287	118	16	31	452
No title shown					148
					600

have satisfied ourselves by means of other auditing procedures as to these balances.—*Accountant's Report—February 26, 1957.*

United Industrial Corporation: We have examined the consolidated balance sheet of *United Industrial Corporation* and its wholly-owned subsidiaries and the balance sheet of Aircraft Armaments, Inc., a partially-owned subsidiary, as of September 30, 1956 and the related statements of income and surplus for the year then ended. 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 receivables from United States Government departments or agencies, but we have satisfied ourselves with respect to such receivables by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet of *United Industrial Corporation* and its wholly-owned subsidiaries, the balance sheet of Aircraft Armaments, Inc., and the related statements of income and surplus present fairly the financial position of the respective companies at September 30, 1956 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—November 28, 1956.*

Number of Accounting Firms Represented

There were 70 certified public accounting firms represented among the 600 companies included in the survey. Changes in accounting firms were reflected in the reports of 7 companies.

Post Balance Sheet Disclosures

Post balance sheet disclosures were found frequently in the notes to the financial statements. (Refer to Section 2, *Post Balance Sheet Disclosures.*) However, the auditors' reports of the 600 survey companies included no direct reference to any events which occurred subsequent to the balance sheet date.

TABLE 13: ADDRESSEE OF AUDITOR'S REPORT

Combined Addressee:	1956	1955	1954	1950
The Company and Its:				
Directors	264	280	294	309
Directors and President	4	7	6	10
Directors and "Stockholders"	126	112	99	87
Directors and "Shareholders"	34	28	22	10
Directors and "Shareowners"	6	8	6	—
"Stockholders"	69	67	75	85
"Shareholders"	32	35	29	22
"Shareowners"	6	4	7	1
Single Addressee				
The Company	57	57	60	72
No Addressee	2	2	2	4
	600	600	600	600
Frequency of Reference to:				
Company—with other addressees	541	541	538	524
Company—with no other addressee	57	57	60	72
Directors	434	435	427	416
President	4	7	6	10
"Stockholders"	195	179	174	172
"Shareholders"	66	63	51	32
"Shareowners"	12	12	13	1

Title of Auditor's Report

"Accountants' Report" continued to be the most common title given to the auditor's report. Details of the varied terminology in the title of the auditor's report are set forth in Table 12.

Addressee of the Auditor's Report

Table 13 summarizes the various addressees mentioned in the auditors' reports of the 600 survey companies. It is of interest to note the steady decline in the number of reports addressed to the "board of directors and the company" as compared with the increase of reports addressed to the "board of directors and stockholders of the company."

Period of Examination

In the great majority, as shown in Table 11, the reports indicated that the examination covered a period of one year. In 23 instances the examination was based on a 52 or 53 week period.

Of the total, 416 companies had fiscal year endings in December (or the week-end date closest to the end of the year) as compared with 419 in the preceding year. Other fiscal closings were as follows:

November—22 companies
October—43 companies
September—29 companies
August—17 companies
July—10 companies
June—16 companies
May—6 companies
April—4 companies
March—12 companies
February—9 companies
January—16 companies

TABLE 14: AUDITOR'S SIGNATURE ON REPORT

Form of Signature	1956	1955	1954	1950
Firm name—printed or typed	364	385	394	452
Firm name—handwritten facsimile	231	208	200	145
Firm name—printed and handwritten facsimile	4	4	3	—
Firm and individual accountant's names—printed or typed	—	1	1	1
Individual accountant's name—printed or typed	1	2	2	2
	600	600	600	600

Signature on Auditor's Report

The use of a handwritten facsimile to indicate the firm's name continued to increase, as disclosed in Table 14. This method was used in 231 reports as compared with 208 for the prior year.

APPENDIX OF 600 COMPANIES

List of 600 Companies on Which Tabulations Are Based

Co. No.	Company	*Month in which fiscal year ends
1.	ACF Industries, Incorporated	4
2.	Abbott Laboratories	12
3.	Acme Steel Company	12
4.	Adam Consolidated Industries, Inc.	12
5.	Adams-Millis Corporation	12
6.	Addressograph-Multigraph Corporation	7
7.	Admiral Corporation	12
8.	Ainsworth Manufacturing Corporation	12
9.	Air Reduction Company, Incorporated	12
10.	Alan Wood Steel Company	12
11.	Alaska Pacific Salmon Company	3
12.	Alco Products, Incorporated	12
13.	Allegheny Ludlum Steel Corporation	12
14.	Allen Industries, Inc.	12
15.	Allied Chemical & Dye Corporation	12
16.	Allied Laboratories, Inc.	12
17.	Allied Mills, Inc.	6
18.	Allied Stores Corporation	1
19.	Allis-Chalmers Manufacturing Company	12
20.	Alpha Portland Cement Company	12
21.	Aluminum Company of America	12
22.	The Amalgamated Sugar Company	9
23.	Amerada Petroleum Corporation	12
24.	The American Agricultural Chemical Company	6
25.	American Air Filter Company, Inc.	10
26.	American Bakeries Company	12
27.	American Bank Note Company	12
28.	American Box Board Company	11
29.	American Can Company	12
30.	American Chain & Cable Company, Inc.	12
31.	American Colortype Company	12
32.	American Cynamid Company	12
33.	American Encaustic Tiling Company, Inc.	12
34.	American Enka Corporation	12
35.	The American Hardware Corporation	12
36.	American Home Products Corporation	12
37.	American Machine & Foundry Company	12
38.	American Machine and Metals, Inc.	12
39.	American Maize-Products Company	12
40.	The American Metal Company, Limited	12
41.	American Metal Products Company	12
42.	American Optical Company	12
43.	American Radiator & Standard Sanitary Corporation	12
44.	American Safety Razor Corporation	12
45.	American Seating Company	12
46.	The American Ship Building Company	6
47.	American Smelting and Refining Company	12
48.	American Stores Company	3
49.	The American Sugar Refining Company	12
50.	The American Tobacco Company	12
51.	American Viscose Corporation	12
52.	American Window Glass Company	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
78.	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 Life Savers, Inc.	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
91.	The Best Foods, Inc.	6
92.	Bethlehem Steel Corporation	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
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, Incorporated	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.	Brown & Sharpe Manufacturing Company	12
110.	Brown Shoe Company, Inc.	10
111.	The Brunswick-Balke-Collender Company	12
112.	Bucyrus-Erie Company	12
113.	The Budd Company	12
114.	Buffalo-Eclipse Corporation	7
115.	Burlington Industries, Inc.	9
116.	Burroughs Corporation	12
117.	Butler Brothers	12
118.	The Byrndun Corporation	12
119.	California Packing Corporation	2
120.	Calumet & Hecla, Inc.	12
121.	A. S. Campbell Co., Inc.	12
122.	Canada Dry Ginger Ale, Incorporated	9
123.	Cannon Mills Company	12
124.	Capitol Records, Inc.	6
125.	Carnation Company	12
126.	Carrier Corporation	10
127.	J. I. Case Company	10
128.	Caterpillar Tractor Co.	12
129.	Celanese Corporation of America	12
130.	The Celotex Corporation	10
131.	Central Soya Company, Inc.	8
132.	Century Electric Company	12
133.	Certain-Teed Products Corporation	12
134.	The Cessna Aircraft Company	9
135.	Chain Belt Company	10
136.	The Champion Paper and Fibre Company	3
137.	Cherry-Burrell Corporation	10
138.	Chesapeake Industries, Inc.	12
139.	Chicago Pneumatic Tool Company	12
140.	Chicago Railway Equipment Company	12
141.	Chile Copper Company	12
142.	Chrysler Corporation	12
143.	Cities Service Company	12
144.	City Products Corporation	12
145.	City Stores Company	1
146.	Clark Equipment Company	12
147.	The Cleveland Builders Supply Company	9
148.	Clevite Corporation	12
149.	Climax Molybdenum Company	12
150.	The Coca-Cola Company	12
151.	Colgate-Palmolive Company	12
152.	Collins & Aikman Corporation	2
153.	Colonial Stores Incorporated	12
154.	The Colorado Fuel and Iron Corporation	6
155.	The Colorado Milling & Elevator Company	5
156.	Columbia Broadcasting System, Inc.	12
157.	Columbia River Packers Association, Inc.	12
158.	Columbian Carbon Company	12
159.	Combustion Engineering, Inc.	12
160.	Commercial Solvents Corporation	12

Co. No.		*Month in which fiscal year ends
161.	Congoleum-Nairn Inc.	12
162.	Consolidated Cigar Corporation	12
163.	Consolidated Laundries Corporation	12
164.	Consolidated Paper Company	12
165.	Container Corporation of America	12
166.	Continental Baking Company	12
167.	Continental Can Company, Inc.	12
168.	Continental Motors Corporation	10
169.	Continental Oil Company	12
170.	Continental Steel Corporation	12
171.	Cook Paint & Varnish Company	11
172.	Copperweld Steel Company	12
173.	Corn Products Refining Company	12
174.	Cory Corporation	8
175.	Craddock-Terry Shoe Corporation	11
176.	Crane Co.	12
177.	The Creamery Package Mfg. Company	11
178.	Crown Central Petroleum Corporation	12
179.	Crown Cork & Seal Company, Inc.	12
180.	Crown Zellerbach Corporation	12
181.	Crucible Steel Company of America	12
182.	The Cuban-American Sugar Company	9
183.	The Cudahy Packing Company	10
184.	Cummins Engine Co., Inc.	12
185.	The Cuneo Press, Inc.	1
186.	The Curtis Publishing Company	12
187.	Curtiss-Wright Corporation	12
188.	Cutler-Hammer, Inc.	12
189.	Daystrom, Incorporated	3
190.	The Dayton Rubber Company	10
191.	Decca Records Inc.	12
192.	Deere & Company	10
193.	Dennison Manufacturing Company	12
194.	The Diamond Match Company	12
195.	Diamond T Motor Car Company	12
196.	Diana Stores Corporation	7
197.	Dictaphone Corporation	12
198.	Di-Noc Chemical Arts, Inc.	12
199.	Walt Disney Productions	9
200.	Dixie Cup Company	12
201.	The Dobeckmun Company	12
202.	Douglas Aircraft Company, Inc.	11
203.	The Dow Chemical Company	5
204.	The Drackett Company	9
205.	Dresser Industries, Inc.	10
206.	Drexel Furniture Company	11
207.	Allen B. Du Mont Laboratories, Inc.	12
208.	The Duplan Corporation	9
209.	E. I. du Pont de Nemours & Company	12
210.	The Eagle-Picher Company	11
211.	Eastern Corporation	12
212.	The Eastern Malleable Iron Company	12
213.	Eastern Stainless Steel Corporation	12
214.	Eastman Kodak Company	12
215.	Eaton Manufacturing Company	12
216.	Elastic Stop Nut Corporation of America	11
217.	The Electric Auto-Lite Company	12
218.	The Electric Storage Battery Company	12
219.	Electrolux Corporation	12
220.	Elgin National Watch Company	2
221.	Elliott Company	12
222.	Emerson Electric Manufacturing Company	9
223.	Emerson Radio & Phonograph Corporation	10
224.	Endicott Johnson Corporation	11
225.	Evans Products Company	12
226.	Eversharp, Inc.	2
227.	Ex-Cell-O Corporation	11

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
228.	Fairbanks, Morse & Co.	12
229.	Fairchild Engine and Airplane Corporation	12
230.	Falstaff Brewing Corporation	12
231.	Fansteel Metallurgical Corporation	12
232.	Fedders-Quigan Corporation	8
233.	The Federal Machine and Welder Company	9
234.	Federated Department Stores, Inc.	1
235.	The Firestone Tire & Rubber Company	10
236.	First National Stores Inc.	3
237.	M. H. Fishman Co., Inc.	12
238.	The Flintkote Company	12
239.	Food Machinery and Chemical Corporation	12
240.	Foremost Dairies, Inc.	12
241.	Fort Pitt Industries, Incorporated	10
242.	Freeport Sulphur Company	12
243.	Fruehauf Trailer Company	12
244.	Gar Wood Industries, Inc.	10
245.	The Garlock Packing Company	12
246.	General American Transportation Corporation	12
247.	General Aniline & Film Corporation	12
248.	General Baking Company	12
249.	General Box Company	12
250.	General Bronze Corporation	12
251.	General Cable Corporation	12
252.	General Cigar Co., Inc.	12
253.	General Dynamics Corporation	12
254.	General Electric Company	12
255.	General Mills, Inc.	5
256.	General Motors Corporation	12
257.	General Plywood Corporation	10
258.	General Railway Signal Company	12
259.	General Refractories Company	12
260.	General Shoe Corporation	10
261.	The General Tire & Rubber Company	11
262.	Giddings & Lewis Machine Tool Company	12
263.	The Gillette Company	12
264.	Gimbel Brothers, Inc.	1
265.	The Glidden Company	8
266.	Godchaux Sugars, Inc.	1
267.	Goebel Brewing Company	12
268.	Goldblatt Bros., Inc.	1
269.	Good Humor Corporation	12
270.	The B. F. Goodrich Company	12
271.	The Goodyear Tire & Rubber Company	12
272.	Granite City Steel Company	12
273.	W. T. Grant Company	1
274.	The Great Western Sugar Company	2
275.	The Griess-Pfleger Tanning Co.	12
276.	The Gruen Watch Company	3
277.	Grumman Aircraft Engineering Corporation	12
278.	Gulf Oil Corporation	12
279.	W. F. Hall Printing Company	3
280.	The Haloid Company	12
281.	Hamilton Watch Company	1
282.	Harbison-Walker Refractories Company	12
283.	Harnischfeger Corporation	10
284.	The Harshaw Chemical Company	9
285.	Harvill Corporation	10
286.	Harris-Seybold Company	6
287.	Hathaway Bakeries, Inc.	12
288.	Hearst Consolidated Publications, Inc.	12
289.	Hercules Motors Corporation	7
290.	Hercules Powder Company	12
291.	Hershey Chocolate Corporation	12
292.	Heyden Chemical Corporation	12
293.	Heywood-Wakefield Company	12
294.	Higgins, Incorporated	12

Co. No.		*Month in which fiscal year ends
295.	The Hobart Manufacturing Company	12
296.	Hoffman Electronics Corporation	12
297.	Holland Furnace Company	12
298.	Holly Sugar Corporation	3
299.	Hooker Electrochemical Company	11
300.	Geo. A. Hormel & Company	10
301.	Houdaille Industries, Inc.	12
302.	Howell Electric Motors Company	12
303.	Hudson Pulp & Paper Corp.	8
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.	International Paper Company	12
313.	International Shoe Company	11
314.	The International Silver Company	12
315.	Interstate Bakeries Corporation	12
316.	Iron Fireman Manufacturing Company	12
317.	Jantzen, Inc.	8
318.	Johns-Manville Corporation	12
319.	Johnson & Johnson	12
320.	Jones & Lamson Machine Company	12
321.	Jones & Laughlin Steel Corporation	12
322.	Joslyn Mfg. and Supply Co.	12
323.	Joy Manufacturing Company	9
324.	The E. Kahn's Sons Company	12
325.	Kellogg Company	12
326.	Kelsey-Hayes Wheel Company	8
327.	The Kendall Company	12
328.	Kennecott Copper Corporation	12
329.	Keystone Steel & Wire Company	6
330.	Walter Kidde & Company, Inc.	12
331.	Kimberly-Clark Corporation	4
332.	Koppers Company, Inc.	12
333.	S. S. Kresge Company	12
334.	S. H. Kress & Company	12
335.	The Kroger Co.	12
336.	Kuhlman Electric Company	12
337.	Kuner-Empson Company	3
338.	Landers, Frary & Clark	12
339.	Lear, Incorporated	12
340.	James Lees & Sons Company	12
341.	Lehigh Portland Cement Company	12
342.	Lerner Stores Corporation	1
343.	Leslie Salt Company	12
344.	R. G. LeTourneau, Inc.	12
345.	Libbey-Owens-Ford Glass Company	12
346.	Libby, McNeil & Libby	5
347.	Ligett & Myers Tobacco Co., Inc.	12
348.	Lily-Tulip Cup Corporation	12
349.	Link-Belt Company	12
350.	Lockheed Aircraft Corporation	12
351.	Loew's Incorporated	8
352.	Loft Candy Corporation	12
353.	Lone Star Cement Corporation	12
354.	P. Lorillard Company	12
355.	Lukens Steel Company	12
356.	Macfadden Publications, Inc.	12
357.	Mack Trucks, Inc.	12
358.	R. H. Macy & Co., Inc.	7
359.	P. R. Mallory & Co., Inc.	12
360.	Marathon Corporation	10
361.	Marchant Calculators, Inc.	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
362.	Marmon-Herrington Company, Inc.	12
363.	Marshall Field & Company	1
364.	The Glenn L. Martin Company	12
365.	Masonite Corporation	8
366.	The Master Electric Company	12
367.	The W. L. Maxson Corporation	9
368.	The May Department Stores Company	1
369.	Oscar Mayer & Co., Inc.	10
370.	The Maytag Company	12
371.	McCall Corporation	12
372.	McCormick & Company, Incorporated	11
373.	McGraw-Hill Publishing Company, Inc.	12
374.	McKesson & Robbins, Incorporated	3
375.	The Mead Corporation	12
376.	Medusa Portland Cement Company	12
377.	Melville Shoe Corporation	12
378.	The Mengel Company	12
379.	Merck & Co., Inc.	12
380.	Metal & Thermit Corporation	12
381.	Midwest Rubber Reclaiming Company	10
382.	Miller Manufacturing Co.	9
383.	Minneapolis-Honeywell Regulator Company	12
384.	Minnesota Mining & Manufacturing Co.	12
385.	Mohasco Industries, Inc.	12
386.	The Mohawk Rubber Company	12
387.	Monsanto Chemical Company	12
388.	Montgomery Ward & Co., Incorporated	1
389.	Moore Drop Forging Company	10
390.	John Morrell & Co.,	10
391.	Motor Products Corporation	6
392.	Motor Wheel Corporation	12
393.	Motorola Inc.	12
394.	Munsingwear, Inc.	12
395.	G. C. Murphy Company	12
396.	The Murray Corporation of America	8
397.	National Biscuit Company	12
398.	The National Cash Register Company	12
399.	National Company, Inc.	12
400.	National Cylinder Gas Company	12
401.	National Dairy Products Corporation	12
402.	National Distillers Products Corporation	12
403.	National Gypsum Company	12
404.	National Lead Company	12
405.	National Presto Industries, Inc.	9
406.	National Steel Corporation	12
407.	The National Sugar Refining Company	12
408.	The National Supply Company	12
409.	Neptune Meter Company	12
410.	The New Britain Machine Company	12
411.	The New York Air Brake Company	12
412.	J. J. Newberry Co.	12
413.	Newport News Shipbuilding and Dry Dock Company	12
414.	North American Aviation, Inc.	9
415.	Northrop Aircraft, Inc.	7
416.	The Ohio Match Company	11
417.	The Ohio Oil Company	12
418.	The Oliver Corporation	10
419.	O'Sullivan Rubber Corporation	12
420.	Otis Elevator Company	12
421.	Outboard Marine Corporation	9
422.	Owens-Illinois Glass Company	12
423.	Oxford Paper Company	12
424.	Paramount Pictures Corporation	12
425.	Park & Tilford Distillers Corporation	12
426.	Parke, Davis & Company	12
427.	The Parker Pen Company	2
428.	Parkersburg-Aetna Corporation	12

Co. No.		*Month in which fiscal year ends
429.	The Patterson-Sargent Company	10
430.	Peden Iron & Steel Co.	12
431.	J. C. Penney Company	12
432.	Pennsylvania Salt Manufacturing Co.	12
433.	Penn-Texas Corp.	12
434.	Peoples Drug Stores, Incorporated	12
435.	Permanente Cement Company	1
436.	Pepsi-Cola Company	12
437.	The Permutit Company	12
438.	Pet Milk Company	12
439.	Pfeiffer Brewing Company	12
440.	Chas. Pfizer & Co., Inc.	12
441.	Phelps Dodge Corporation	12
442.	Philco Corporation	12
443.	Philip Morris, Inc.	12
444.	Phillips Petroleum Company	12
445.	Pillsbury Mills, Inc.	5
446.	Piper Aircraft Corporation	9
447.	Pitney-Bowes, Inc.	12
448.	Pittsburgh Brewing Company	10
449.	Pittsburgh Plate Glass Company	12
450.	Pittsburgh Screw and Bolt Corporation	12
451.	Pittsburgh Steel Company	12
452.	The Pittston Company	12
453.	Plymouth Oil Company	12
454.	Polaroid Corporation	12
455.	H. K. Porter Company, Inc.	12
456.	Pratt & Lambert, Inc.	12
457.	The Procter & Gamble Company	6
458.	Pullman, Incorporated	12
459.	The Pure Oil Company	12
460.	Purolator Products, Inc.	12
461.	The Quaker Oats Company	6
462.	Quaker State Oil Refining Corporation	12
463.	Radio Corporation of America	12
464.	Ralston Purina Company	9
465.	The Rath Packing Company	10
466.	Raybestos-Manhattan, Inc.	12
467.	Rayonier Incorporated	12
468.	Reliance Manufacturing Company	12
469.	Remington Arms Company, Inc.	12
470.	Republic Aviation Corporation	12
471.	Republic Steel Corporation	12
472.	Revere Copper and Brass Incorporated	12
473.	Rexall Drug Company	12
474.	Reynolds Metals Company	12
475.	R. J. Reynolds Tobacco Company	12
476.	Rheem Manufacturing Company	12
477.	Rohm & Haas Company	12
478.	Richfield Oil Corporation	12
479.	Ritter Company, Inc.	12
480.	H. H. Robertson Company	12
481.	The Ruberoid Co.	12
482.	Jacob Ruppert	12
483.	The Ryan Aeronautical Co.	10
484.	Saco-Lowell Shops	11
485.	Safety Industries, Inc.	12
486.	Safeway Stores, Incorporated	12
487.	Schenley Industries, Inc.	8
488.	Scott Paper Company	12
489.	Scovill Manufacturing Company	12
490.	The Scranton Lace Company	12
491.	Sears, Roebuck and Co.	1
492.	The Selby Shoe Company	4
493.	Servel, Inc.	10
494.	Sharon Steel Corporation	12
495.	Frank G. Shattuck Company	12

*Months numbered in sequence, January through December.

Co. No.	*Month in which fiscal year ends
496. Shell Oil Company	12
497. The Sherwin-Williams Company	8
498. Shoe Corporation of America	12
499. Signode Steel Strapping Company	12
500. Simmons Company	12
501. Simonds Saw and Steel Company	12
502. Sinclair Oil Corporation	12
503. Skelly Oil Company	12
504. A. O. Smith Corporation	7
505. Snap-On Tools Corporation	12
506. Socony-Mobil Oil Company, Inc.	12
507. Sonotone Corporation	12
508. A. G. Spalding & Bros. Inc.	10
509. Spencer Kellogg and Sons, Inc.	8
510. Sperry Rand Corporation	3
511. Spiegel, Inc.	12
512. Sprague Electric Company	12
513. Square D Company	12
514. Stahl-Meyer, Inc.	10
515. A. E. Staley Manufacturing Company	9
516. Standard Brands Incorporated	12
517. Standard Oil Company of California	12
518. Standard Oil Company (Indiana)	12
519. Standard Oil Company (Kentucky)	12
520. Standard Oil Company (New Jersey)	12
521. The Standard Oil Company (Ohio)	12
522. J. P. Stevens & Co., Inc.	10
523. Stewart-Warner Corporation	12
524. Stokely-Van Camp, Inc.	5
525. St. Regis Paper Company	12
526. Struthers Wells Corporation	11
527. Studebaker Packard Corporation	12
528. Sun Chemical Corporation	12
529. Sun Oil Company	12
530. Sundstrand Machine Tool Co.	12
531. Sunray Mid-Continent Oil Company	12
532. Sunshine Biscuits, Inc.	12
533. The Superior Oil Company	8
534. Superior Steel Corporation	12
535. Sutherland Paper Company	12
536. Swift & Company	10
537. Sylvania Electric Products, Inc.	12
538. Tecumseh Products Company	12
539. The Texas Company	12
540. Texas Gulf Sulphur Company	12
541. Textron Inc.	12
542. Thatcher Glass Manufacturing Co., Inc.	12
543. Thompson Products, Inc.	12
544. Tidewater Oil Company	12
545. Time Incorporated	12
546. The Timken Roller Bearing Company	12
547. Tobin Packing Co., Inc.	10
548. The Torrington Company	6
549. Twentieth Century-Fox Film Corporation	12

Co. No.	*Month in which fiscal year ends
550. Union Bag-Camp 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 Fruit Company	12
562. United Industrial Corporation	9
563. United Merchants and Manufacturers Inc.	6
564. The United Piece Dye Works	12
565. United Shoe Machinery Corporation	2
566. United States Gypsum Company	12
567. United States Rubber Company	12
568. United States Smelting Refining and Mining Company	12
569. United States Steel Corporation	12
570. United States Tobacco Company	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. Woodall Industries, Inc.	8
595. F. W. Woolworth Co.	12
596. Worthington Corporation	12
597. Wm. Wrigley Jr. Company	12
598. The Yale & Towne Manufacturing Company	12
599. The Youngstown Sheet and Tube Company	12
600. Zenith Radio Corporation	12

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Section 5: Auditor's Report

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